Research on Military-Political Factors in the Transition of the Financial Center in the Sichuan-Chongqing Area Before the Anti-Japanese War

LUAN Chengbin[a],*; YANG Chunhua[b]

[a] Institute of History& Geography, Southwest University, Chongqing, China.
[b] Department of Fisheries, College of Animal Science and Technology, Rongchang campus of Southwest University, Chongqing, China.
*Corresponding author.

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Abstract
In the modern times, a major event was the transition of the financial center in the Sichuan-Chongqing area, which was caused by the fact that Chongqing was opened as a commercial port. The transition process was basically completed before the Anti-Japanese War. Academic circles have conducted in-depth studies from some factors such as Chongqing’s geography and transport, but the researches on the military-political factors in the transition are seldom made, especially on “the War of Two Warlords Surnamed Liu”, namely, war between two warlords of Liu Xiang and Liu Wenhui, before the unification of Sichuan Government, resulting in the establishment of Chongqing financial advantages; in addition, the research on how the Nanjing Government selected and established Chongqing as the financial center of the home front is less conducted. As a matter of fact, before the War of Two Warlords Surnamed Liu, Chongqing-centered financial circles have the advantages, but are insufficient to cover and radiate the Chengdu-centered financial circles. The ultimate victory of Liu Xiang military-political group played a pivotal role in the long-term transition, thereafter, Chiang Kai-shek group expelled Liu Xiang group out of the nest of Chongqing because of dual political scheme of “suppressing the communist and intending on Sichuan”, furthermore, strived to establish Chongqing as the financial center of the Anti-Japanese War and the founding of the state. Finally, the goal has come true through the baptism of the Anti-Japanese War.

Key words: Sichuan; Chongqing; Financial center; Transition; Liu Xiang

1. AFTER CHONGQING WAS OPENED AS A COMMERCIAL PORT, THE CHENGDU-CENTERED FINANCIAL INDUSTRY WAS RELATIVELY DECLINED AND THE SICHUAN-CHONGQING FINANCIAL LANDSCAPE WAS ADJUSTED
Before Chongqing was opened as a commercial port, the Chengdu-centered financial center was established for a long time in Sichuan Province, and Chongqing was in a subordinate position. The formation of the financial landscape was related to the economic base supporting the financial industry, for example, “the merchants gathered and come to Chengdu in a continuous stream” in the late Qing Dynasty, even more to the financial monopoly power of coinage. In the late Qing Dynasty, two kinds of currencies, i.e. silver and copper cash, were adopted in the Sichuan-Chongqing. The currency which was circulated in a large quantity was copper cash and silver was mainly used for land tax collection and huge payment. The coinage right was owned by Chengdu where a commissioner of Sichuan was located, and the subordinated “Baochuan Bureau” controlled the financial power of Sichuan Province. In the late Qing Dynasty, Chinese old-type finance was inseparable from the treasury, the old-style Chinese banks and money shops

1 Collection at the Sichuan Library: Chengdu County Annals in the time of the Emperor Tongzhi, Vol. 2, “Custom”. 
as the old private capital tended to meet the financial needs of the military-financial center, thus the financial network which was established on the basis of Chengdu military-political center had the driving ability to radiate the Sichuan-Chongqing. Before Chongqing was opened as a commercial port, there was no objection to Chengdu as the financial center in the Chengdu-Chongqing area.

After Chongqing was opened as a commercial port, the financial landscape was changed in the Chengdu-Chongqing area. The type and structure of traded goods were changed greatly, the circulation mechanism of new commodities and the financial service network were initially formed, namely, a new-type urban-rural commodity bi-directional circulation system directed by Chongqing and centered on foreign firm and trade associations. The development of commercial trade promoted the synchronous improvement of the financial industry. Before the customs were established in Chongqing, with the development of business, the old-style Chinese private banks which were specialized in remittance and cashing business had the development to a certain extent. The commodity circulation in Chongqing mostly depended on it for the turnover. After Chongqing was opened as a commercial port, the money shops were increased rapidly, with the capitals of 100,000.00 Yuan to 300,000.00 Yuan per shop, and established exchange agencies in Guangzhou, Changsha, Hankou, Guiyang, Shashi, Nanchang, Beijing, Shanghai, Tianjin, Kunming, Wuhu, etc. By means of abundant capital, the old-style Chinese private banks infiltrated in the field of foreign trade and commercial circulation, and almost run all the foreign trade exchange outside Sichuan Province, “in fact, monopolized major banking business of all neighboring provinces”. Because of these characteristics, the foreign firms preferred to old-style Chinese private banks. In order to promote foreign goods and purchase local products, the foreign firms took advantages of existing financial channels and networks, or directly used managers of old-style Chinese private banks as compradors, or used mediators to establish a business relationship with old-style Chinese private banks, so the old-style Chinese private banks became an intermediate link in the self-supporting import and export trade, and significantly increased the activities in two aspects, i.e. remittance and cashing business in the foreign trade and making loans. The credit support of old-style Chinese private banks provided a great convenience for rapid development of businesses of foreign firms, thus the Chongqing-centered financial service network was gradually formed. In 1909, Chongqing Branch of Daqing Bank was officially opened, followed by the branch firms in Chengdu, Ziliujing and Wutongqiao. The rise of Bank of Chongqing further promoted the development of foreign trade economy.

In contrast with the old-style Chinese private banks and money shops, the banks had more abundant capital, so some foreign firms were closely related to them for the use, to speed up capital turnover and provide financial assurance.

At the same time, influenced by commodity export of foreign capitalism, Chengdu traditional business position was greatly weakened, but was not changed qualitatively, and the weakening traditional business still occupied the main position in the urban economy. According to statistics, in the early 20th century, namely, in the modern times, there were 51 industrial and commercial trade associations, 2 companies and 4460 firms in Chengdu, with a total capital of 2,934 million silver. As shown in the statistical data of industrial and commercial trade associations in Chengdu, the traditional commodities (including handicrafts, consumer goods and subsidiary agricultural products) were still in the main position in the urban business of Chengdu (Zhang & Zhang, 1993, October), and accounted for vast majority in the total number of firms. According to statistics in the early 20th century (Fu, 1987), 251 commodities were circulated in 16 counties of Chengdu area, 123 of which were produced locally, 128 of which were input from other places. Among the nonlocal commodities, foreign goods mainly included machine-made cotton yarn, machine-made piece goods, imported oil, imported groceries, etc., accounting for a few part in the categories of nonlocal input commodities. It is thus clear that in modern times, Chengdu business had a very weak trade relationship with foreign capitalism markets, and main commodities circulated in Chengdu market were still consumer goods (Zhang & Zhang, 1993, p.201). In general, Chengdu commodity market failed to synchronously achieve the modernized transition with Chongqing market.

From the financial industry, up to the end of the 19th century, there were still old-style money shops, old-style Chinese private banks and pawnshops in Chengdu. In other words, the commodity export from foreign capitalism to Chengdu did not give rise to the disintegration of self-sufficient natural economy and the historical conditions for rapid development of commodity economy. Chengdu traditional business and commodity market were impacted by foreign goods market, but until the early 20th century, Chengdu remained the traditional pattern, without obvious change. One side was increased while the other was reduced. The declining situation of Chengdu financial industry was formed compared to Chongqing financial industry. The rise of Chongqing as a new financial center may be formed increasingly, but the rise was a long-term process, so the transition of the financial center would take time in the Sichuan-Chongqing area.

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Footnotes:
2. Sichuan Official Newspaper in the 2nd year of Emperor Xuantong, Book4 “News”.

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2. WARLORD DOGFIGHT AND PRELIMINARY ESTABLISHMENT OF CHONGQING FINANCIAL CENTER

The period from the early years of the Republic of China to the unification period of Sichuan Government was the most chaotic period of Sichuan monetary system, and was one of the worst periods when people were suffered. Because of many kinds of currencies, a large quantity of issuing amount and chaotic financial market, the Sichuan-Chongqing area was the worst one in China. Especially, the speculation prevailed in the financial industry, the financial turmoil frequently occurred. “In 1926, all troops of Sichuan raised funds to make ends meet. Within their own defense areas, they nearly had their own organization of coinage, or used simple machines and tools to fabricate all kinds of bad silver dollars and copper coins. There were approximately over 40 organizations of coinage and over 70 kinds of coins in Sichuan Province (Tian & Wu, 1989, p.71).”

Through extorting excessive taxes and levies, casting bad currencies, over-issuing government bonds and levying a tax on opium, the warlords destroyed the social economy, leading to the bankruptcy of urban and rural people. At the same time, they used huge social wealth for urban squander and consumption, and carried out the financial and commercial speculation in the cities. During this period, the speculative business and financial industry developed deformedly in Chengdu business, and the means of production, which the financial industry depended on for normal operation, were scarcely circulated.

A huge network of financial speculation was formed, with Chunxi Road and An’le Temple market as the center. Since the Republic of China was founded, about 70 or 80 banks, money shops were opened successively, most of which were controlled by the warlords. During the reign of “Three Warlords”, as shown in exact statistical data, 33 of 75 banks, old-style Chinese private banks and money shops were owned by the warlords system, 17 of which were owned by No. 28 Army, 13 of which by No. 24 Army, 3 of which by other warlord system. A large number of banks, old-style Chinese private banks and money shops took advantage of abundant social idle funds to engage in the speculation in the financial industry and business. Chengdu commodity market was controlled by soldiers, rich merchants and the Society of Brothers to a great degree. They speculated on the rise and fall of prices, stored up goods to make a good bargain, monopolized the market and seek exorbitant profits, so the market was changed unpredictably and was extremely unstable. “As reported in the newspaper dated on May 20, 1927: due to the political environment, banks suddenly flourished in Chengdu, and issued paper currency randomly, but the government did not interfere with it. Even some old and famous shops, salt stores and shops can issue all sorts of licenses, including everything, but nobody knew the amount of funds and denomination (Tian & Wu, 1989, p.73).”

At this point, Chengdu financial business still radiated partially Chongqing and other areas in the Sichuan. “From early spring of 1927 to July 1933, Yutong Bank owned by No. 24 Army of Liu Wenhui was opened in Chengdu. Wen Hesheng was appointed as General Manager, and Qiu Dehe as Manager. The bank was the financial organ of No. 24 Army, issued two types of bank note, i.e. 1 Yuan and 5 Yuan, and set branches in Chongqing, Zigong, Luzhou, Yibin, Leshan and Ya’an. In July 1933, the bank was closed after Liu Wenhui evacuated Chengdu (Tian & Wu, 1989, p.71).” Because of the pattern of warlord dogfight, there were two financial circles, i.e. Chengdu and Chongqing, for a long time in the Sichuan-Chongqing area. The power of the Chengdu-centered financial circle was relatively declined, but due to the unique historical situation, Chengdu still maintained a fairly independent position in the financial industry. In addition, through the superposition and reinforcement of military-political factors of the warlords, the situation was not changed greatly until Liu Xiang occupied and governed Chongqing.

The expansion of Chongqing-centered Liu Xiang power mainly experienced three stages:

1. In 1926, Liu Xiang power expelled Guizhou Army of Yuan Zuming, and basically monopolized Chongqing.

Hereafter several banks were opened in Chongqing, and almost were controlled by the No. 21 Army. The existence of the system of defense area, however, in fact, imposed restrictions on the Chongqing financial market, impacting the normal function to pull the entire Sichuan finance. There were different sizes of banks in the defense area. As a matter of fact, they were not a bank in a general sense, but an extremely abnormal deformity of bank, an emerging modern high-end financial organization, under the condition of the warlords ravaging, the outcome of social extreme disorder. The banking business in the defense area was limited to the finance of army, with no normalization, and business scope was extremely narrow. Most of issued currency had no reserve fund for credit guarantee, and cannot be honored; the banks would be closed accompanying with the survival or downfall of the army, lacking of a long-term stability.

“In 1927, as revealed in the Concerns of Mass under the Cruel Oppression of Sichuan Warlords, Liu Xiang, Liu Wenhui, Deng Xihou, Tian Songyao, etc., and all troops under their commands, established many mints (or silver dollar factory) up to 28 in Chengdu, Guanzian, Suining, Ya’an, Gaoxian, Chongqing, Hechuan, Guang’an, Yibin, Guangan, Zhongjiang, Xinjian, Pengxian, Hejiang and

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In February 1928, Yangtze River Bank prepared by Yang Sen was opened in Wanxian, with a capital of 213,084.81 Yuan, setting bank code in Chongqing and branch firms in Yichang and Shashi. At the same time, Yang Sen launched his subordinate, organized the Yangtze River Savings Society, depositing money to the bank for a long time. In addition, the profit department was established, with the purpose of handling microfinance (Tian & Wu, 1989, p.79). "In June 1928, Yang Sen said when meeting the clerks of Yangtze River Bank in Wanxian, Yangtze River Bank was a government-owned local bank, and its establishment aimed at regulating the finance, for the convenience of military use. The staff of Yangtze River Bank belonged to No.20 Army (Tian & Wu, 1989, p.82)."

In the defense area, the financial industry became a dependency to the military-political group, so it naturally did not give play to regular characteristics which a normal market competition should play. Chongqing financial industry should bring into play the radiation effect, but be hindered by large and small separated financial districts, so it cannot be called a financial circle radiating western Sichuan, Chengdu.

"In April 1931, Sichuan war occurred again, people felt very anxious, the extreme shortage of cash existed in the Chongqing market, and interests were soaring. After the municipalities and all banks carried back millions of silver dollars from Shanghai for meeting the needs of markets, the financial panic died down gradually (Tian & Wu, 1989, p.95)." At this point, the Chongqing financial industry was still not enough to independently become a regional financial center, and its many functions still relied on fund transfer and support from Shanghai and Wuhu.

"From June 1926 to June 1927, Yuan Zuming was defeated back to Guizhou, and Liu Xiang’s army stationed in Chongqing, with a few counties as defense area and a monthly income of 400,000.00 Yuan to 500,000.00 Yuan, while the monthly military and administrative expenses were 700,000.00 Yuan to 800,000.00 Yuan. The fund turnover cannot be ensured, so the monthly salt tax was used in advance. In order to cope with an emergency, after negotiating with Xi Zhihe, Finance Director, and Sun Shupei, Manager of Zhonghe Bank, the old seal of Junyigong money shop which had already been closed was used to loan out promissory notes, which were issued, transacted and handed over by Zhonghe Bank. However, the salt tax was limited, so the due denomination was difficultly performed, the discount was increased at all times, the same time, the discount was withheld, so as to appeal to the profit-seeker. At the end of June 1927, the credit was unable to maintain, and the notes were not honored, with a total amount of over 4 million Yuan unaccepted (Tian & Wu, 1989, p.68)." As a warlord of occupying Chongqing and several defense counties, Liu Xiang was a member of the financial and monetary family. At this time, the strength overview of Chongqing financial industry can be seen from the distress of finance and the shortage of financing means.

In October 1926, within the Chongqing City, three copper coins fabricated in Qing Dynasty were used as ten pennies in the top half, but were refused in the lower half; 200 copper coins were used as two or four pennies in the lower half, but were unaccepted in the top half. Chongqing’s Xixi Daily argued, “in a city, the monetary systems in the top half and the lower half were completely different, its disorder was up to such an extent. Chongqing people were suffering from the hardship and did not know where to die."5

In conclusion, at this stage, for the Chongqing financial industry was deeply influenced by the warlordism and military-political factors, under the military-political background in the system of defense area, it is difficult to expand the influence of the Chongqing financial center to the entire Sichuan.

(2) At the end of 1928, Liu Xiang defeated various warlords in the battle of east Sichuan, and the situation that “Two Warlords Surnamed Liu” dominated Sichuan province was formed.

On the strength and scale of the financial industry: “on September 25, 1931, Chongqing Trade Association was established, and formulated the articles of associations. There were seven member banks, i.e. China Bank, Juxingcheng Bank, Chuankang Zhiye Bank, Meifeng Bank, Chongqing Citizens Bank, Chongqing Civilians Bank and Sichuan Salt Bank, and Kang Xinru was selected as Chairman (Tian & Wu, 1989, p.97).” “On November 24, 1930, the Money Union of Chengdu City Bank was established, and Li Xingyuan was selected as Chairman. At this point, there were more than 30 banks and money shops in the city (Tian & Wu, 1989, p.93)." "In May 1930, since the spring, the export trade was sluggish, the import greatly exceeded the export, and lending was easy but collecting was difficult; the apportion and advances requested by the warlords occurred frequently; the speculation in Shanghai stock was failed; so Chongqing Money Union was impacted significantly, and many money shops had gone bankrupt. Recently, the Money Union continually suffered a blow from the marketers, difficultly handled it. There were more than 30 money shops in the city, and more than 20 would be closed. The public proposed that the authorities should adopt a bailout policy as soon as possible (Tian & Wu, 1989, p.91).” It is thus clear that the Chengdu financial industry was basically at the same level as the Chongqing

financial industry in the early 1930s. Before the war of “Two Warlords Surnamed Liu”, Chongqing had more than 40 years of rapid development after being opened as a commercial port, especially after Liu Xiang group occupied Chongqing and some experts such as Liu Hangchen, who were good at levying heavy taxes, ran the business in many ways; meanwhile, the constant military victories also provided the conditions for the financial expansion, showing the controlling force and radial force of becoming the financial center, but this kind of controlling force and radial force did not cover the Chengdu-centered financial circles. Chongqing financial industry, in other words, still went halves with Chengdu’s, at the equally-matched stage.

(3) After the war of “Two Warlords Surnamed Liu” from 1932 to 1933, the Sichuan-Chongqing area was basically dominated by Liu Xiang, but many financial mal-administrations, which were caused by many years of warlord dogfight, especially the system of defense area, were still difficultly eliminated in the short time.

After Liu Xiang invaded Chengdu, the Chongqing-centered financial capital rapidly replaced the local financial capital in Chengdu. “On July 25, 1933, after defeating Liu Wenhui, Liu Xiang became Director of Sichuan Follow-up Affairs and Chairman of Sichuan Provincial Government, and stationed in Chengdu from Chongqing. His unit carried a large number of Chongqing banknotes. A general order was issued to use those bank notes, but Chengdu citizens refused to accept it because they were deeply impaired by the banknotes, and the exchange money industry closed up shops in going on strike. Through negotiation by each party, two banks, i.e. China Bank and Juxingcheng Bank, temporarily advanced in cash for honoring, and then the situation eased off gradually (Tian & Wu, 1989, p.110).”

On August 1, 1933, Liu Xiang established “Chengdu Office of Joint Public Treasury of Trade Association of Chongqing Silver Money Industry” in Chengdu, and Zhou Jiansan was selected as Director of the Office. All banks and money shops in Chengdu were forced to withdraw the licenses circulated in the market within a week, which would be replaced by the bank notes of Chuankang, Meifeng, Chongqing Citizens, etc. At the same time, Chongqing banknotes were exchanged into Chengdu silver dollar and copper coin as agreed (Tian & Wu, 1989, p.110).

Chongqing Zhuangchuankang Bank, Sichuan Salt Bank, Meifeng Bank, Citizens Bank and Sichuan Local Bank which were closely connected with Liu Xiang, as well as Chongqing and Sichuan commercial banks, Hecheng Bank etc. successively set up branches in Chengdu. Chongqing banks and money shops had abundant capital and political patron, so they took control of the financial business in Chengdu so on. In the 22nd year of the Republic of China (1933), in Chongqing banks and money shops, five banks i.e. Juxingcheng Bank, Sichuan Local Bank, Chuankang Bank, Sichuan Salt Bank and Meifeng Bank had the annual exchange money of up to 22 million Yuan, accounting for 73% of the total import and export goods totally valued at 30 million Yuan in Chengdu. In Chongqing banks and money shops, Sichuan Local Bank was an official bank openly representing No.21 Army, franchised by Liu Xiang, issuing the exchange certificate of local banknote. After the 23rd year of the Republic of China (1934), Chongqing banks and money shops were successively established in Chengdu. Chengdu banking industry constituted “Chengdu Association of Banks”, and executive member, standing committee member and chairman were appointed. The remaining old-style Chinese private banks and money shops constituted “Trade Association of Chengdu Silver Money Industry”, and executive member and standing committee member were selected. Two associations coordinated the financial business through industry association, settled the trade disputes and took charge of foreign negotiation (Zhang & Zhang, 1993, p.281).

With the business development of Chongqing banks in Chengdu, a large number of Chongqing banknotes flew into the provincial capital. On October 30, 1934, two Chengdu silver money industries sent a telegram to Chongqing on September 18, requesting the cash of 500,000.00 Yuan to bail out. Liu Xiang carried out Chongqing banknotes in Chengdu, at that time, decided to dispatch 500,000.00 Yuan from Chongqing to Chengdu. In the same month, Chengdu-Chongqing Banknote Evaluation Committee was established, 21 people including Zhou Jiansan were designated as committee members by the supervision office, and the articles of association were published. The mission of the Committee is to determine Chongqing-Chengdu exchange rate and the exchange price of Chongqing banknote, to maintain the use of Chongqing banknote in Chengdu (Tian & Wu, 1989, pp.123-124).

Liu Xiang defeated Liu Wenhui who occupied Chengdu as the ruling center through the military-political force, and changed the Chengdu financial industry through military-political strength. Therefore, Chongqing banknotes occupied the commanding height of the financial market in Chengdu; and the Chongqing financial industry swept the Chengdu financial industry. One side was strong while the other side was week, before and after the war of “Two Warlords Surnamed Liu”, Chengdu public security was chaotic, and over ten banks, old-style Chinese private banks and money shops were robbed by bandits, stragglers and disbanding soldiers, with a loss of hundreds of thousands Yuan. After Liu Wenhui was defeated, Chengdu Yutong head office went bankrupt. Yutong Bank had done military supplies for No. 24 Army over the years, and the issuance number of license was very large. Therefore, nine Chengdu banks, bold-style Chinese private banks and money shops were directly impacted and dragged down, including Fuping
and Junyi; 29 banks and money shops were indirectly affected and went bankrupt only in just five days of July 1933, including Fuquanyong, Chinese and foreign trading house, Fuyu money shop, etc. After the withdrawal of Liu Wenhui, Chengdu copper merchants and carbon merchants held promissory notes, which were issued by Yutong Bank on behalf of ordnance repair office, up to 300,000 Yuan (Zhang & Zhang, 1993, p.281). It can be said that in the financial sense, the war of “Two Warlords Surnamed Liu” resulted in confirming the result of the game about the financial center in the Sichuan-Chongqing area after Chongqing had been opened as a commercial port for decades; in other words, the accidental factors such as the military-political victory of Liu Xiang group greatly accelerated the progress of the transition of the financial center in the Sichuan-Chongqing area.

3. CHIANG KAI-SHEK- LIU XIANG
POLITICAL GAME AND FINAL
ESTABLISHMENT OF CHONGQING
FINANCIAL CENTER BEFORE AND AFTER
THE “SICHUAN POLITICAL UNIFICATION”

At this moment, it seemed to say that, after the long-term game of two areas, Chongqing had completely replaced Chengdu, and Chongqing’s position as the financial center was established in the Sichuan-Chongqing area. However, the central position was extremely unstable. The history of warlord dogfight in Sichuan Province shows that it is difficult to fundamentally eliminate the financial mal-administration caused by the system of defense area only by the internal forces of Sichuan warlords. During this period, there were over 42 kinds of currencies in the Chengdu financial market, besides all kinds of silver dollars and half dollar of silver coin, there were six or seven kinds of banknotes (contract tax certificate of army provisions for No. 21 Army and No. 28 Army, local coin certificate, certificate of China Bank, Meifeng certificate, Chuankang certificate, Citizen certificate, etc.). Besides certificate of China Bank, one Yuan of banknote was worth nine jiao of a silver dollar. Different kinds of silver dollar had different qualities, so the value of bad money was not high, except that “Yuan Big Head” silver dollar maintained its value. In the 24th year of the Republic of China (1935), the Central Bank issued legal tender; the fractional currency was changed into two types, i.e. copper and nickel, and silver dollar was not allowed to circulate in the market. Therefore, the silver money transaction of An’le Temple was affected greatly. However, due to chip deficiency of nickel-copper fractional currency, the exchange of copper dollar and the transaction of all kinds of silver dollars, dimes, coins, silver ingot, etc. were prevailing in the market as a commodity.6

Due to the extensive existence of all kinds of bad money, Liu Xiang military-political group had to rely on the financial strength of the Nanjing Central Government for unification of Sichuan. After Liu Xiang was appointed as Chairman of Sichuan Province, he held the financial and monetary meeting promptly in the defense area of No. 21 Army. In the meanwhile, Liu Xiang requested the Chiang Kai-shek central government to issue the public loan of follow-up affairs when going to Nanjing. Up to June 30, 1935, the Kuomintang Government issued 70 million Yuan of the “Sichuan Public Loan of Follow-up Affairs of the 24th Year of the Republic of China (1935)”, of which 30 million Yuan were submitted to the field headquarters for follow-up affairs and 40 million Yuan remained in Sichuan for debt payment and construction.

When the Nanjing National Government agreed with Liu Xiang to issue local public loan, Chiang Kai-shek founded the Office of Financial Supervision for the field head quarter stationed in Sichuan in the name of supervising Sichuan finance, where Guan Jiyu, Commissioner of Ministry of Finance stationed in Sichuan, and Liu Hanchen, Director of Provincial Finance, were respectively appointed as Director General and Deputy Director General; Chongqing Branch of the Central Bank set up joint national treasury, stipulating that since July 16, all national and provincial revenues should be turned in the national treasury for allocation and transfer. The Office of Financial Supervision should be responsible for supervising the affairs, such as Sichuan taxes, utilization of budget and financial regulation. Chiang Kai-shek issued the Measures to Collect and Destroy Sichuan Local Banknotes & to Purchase and Exchange Sichuan Miscellaneous Currencies in the name of field headquarters: (a) since September 15, all public and private transactions in Sichuan should be executed in the central banknote representing the national currency as the standard, and local banknotes should be disused; (2) the military and civilian holding local banknotes can exchange ten Yuan of banknote into eight Yuan of central banknote. No matter how much the banknote was, the exchange was calculated according to this standard. Since September 20, all local banknotes would be respectively exchanged randomly in the Central Bank’s Chongqing Branch, Chengdu Branch and Wanxian Office, as well as other banks and money shops entrusted by the Central Bank. As of November 20, the exchanging should be completed, and local banknotes overdue would be invalid; after the above measures were published, all kinds of currencies in Sichuan Province would be gradually unified.” It was obvious that the Chiang Kai-shek Central Government was intended to restrict Liu Xiang financially.

Such a financial interference on a large scale in the method of “Currency Unification, Public Subscription” would be bound to objectively expel and substitute the original financial group. Entering in Sichuan, Chiang Kai-shek did two things of “suppressing the communist, intending on Sichuan” synchronously. In addition, after years of struggle by Liu Xiang group, Chongqing had become the core of strategy and the pivot when Liu Xiang dominated the Chongqing-Sichuan area, namely, the so-called business prosperity in Chongqing implied “the essence of Sichuan” and “those occupying Chongqing would have 70% or 80% of success rate. The reason was the latent force of finance.” “In September 1932, at the eve of the war of Liu Xiang and Liu Wenhui, Liu Xiang was urgently in need of money, and apportioned the debt to the Chongqing-centered financial circles. All banks jointly signed the petition, requesting exemption from loan, indicating: ‘the old debt is repeatedly rolled over. Since March of this year, the new debt of over 3 million Yuan was added. If one bank had insufficient funds to meet the needs, the society would suffer from the disaster. There are deeply troubled, how about stopping the new debt?’ Liu gave an official reply, requesting all banks to “stand together regardless of situation, rescue from the distress”, showing the new debt is imperative (Tian & Wu, 1989, p.103).” The financial syndicate was closely connected with the military-political group. Thus it can be seen that the military and political factors had enormous influence on the transition of the financial center in the Sichuan-Chongqing area.

After the unification of Sichuan administration, Liu Xiang was appointed as Chairman of Sichuan Provincial Government. On February 10, 1935; the new government was founded in Chongqing. In history, Chengdu was the political center of Sichuan for a long time, whether the governor-general office in the Qing Dynasty, or Government Office of Civil Administration, Government Office of Provincial Governor and Provincial Government during the period of the Republic of China did establish the provincial capital in Chengdu. However, for more than a decade, Liu Xiang had been relying on Chongqing as the base, which had become his military base and financial backup force, so it was not easy to leave Chongqing off. For the convenience of personally controlling the politics so as to avoid losing the power, the new provincial government naturally moved to Chongqing. In order to completely control of Chongqing, Chiang Kai-shek ordered Liu Xiang to move the provincial capital to Chengdu in July of the same year. In November, the Chongqing Field headquarter of Chairman of the Military Commission of the National Government was formally established, thus Chongqing became the political, military, economic and financial supporting point of the National Government in the southwest of China. On November 4, the National Government announced to adopt a policy of legal tender, abandoning the silver standard currency system implemented in China for a longtime, to centralize the issuance of paper note, thus the long-term chaotic situation of monetary and finance in Sichuan now ended. After the establishments of Chongqing field headquarter, on the basis of preliminary construction by Liu Xiang for over 10 years, various facilities were further improved, thus Chongqing had been a political and economic center in the southwest of China before the Anti-Japanese War. After more than two years of administration, Chongqing had the conditions as an alternate capital, and finally became the political and financial center in the rear area during the Anti-Japanese War.

CONCLUSIONS

In the modern time, since Chongqing was opened as a commercial port, a series of omnidirectional and multi-level changes occurred in the Sichuan-Chongqing area. Among them, a far-reaching event was that Chongqing gradually replaced Chengdu as the financial center in the Sichuan-Chongqing area because of the rise of Chongqing financial position. After Chongqing was opened as a commercial port, the impact of foreign capitalism forced the Sichuan-Chongqing area to participate in the world capitalist system, and Chongqing got a head start with its superior advantages such as traffic geography. Under the premise that the world and domestic pattern had no big changes, it was inevitable from the perspective of a long time that Chongqing rose and replaced Chengdu as the financial center. However, its rise did not come overnight, but resulted from the adjustment in the interaction of Chengdu and Chongqing as well as the long-term game of labor division in the competition. Before the final decisive battle of “the War of Two Warlords Surnamed Liu”, the situation was the rise of Chongqing and the relative decline of Chengdu. However, objectively; there were still two big financial circles in the Sichuan-Chongqing area. The radiation scope of Chongqing-centered financial industry was limited to its own financial strength, plus the financial obstruction in the defense area under the system of defense area, so the Chongqing-centered financial circles difficulty covered the Chengdu-centered financial circles. After “the War of Two Warlords Surnamed Liu”, Liu Xiang military-political group were winners, which determined the ownership of the financial center in the Sichuan-Chongqing area. Chongqing had been ruled by Liu Xiang military-political group for many years, so Chongqing naturally became the pivot through which Liu Xiang military-political group controlled the Sichuan-Chongqing area. After Liu Xiang entered and hosted Chengdu, the large-scale expansion of Chongqing financial group in Chengdu laid the final foundation for the transition of the financial center in the Sichuan-
Chongqing area. However, in order to achieve the double purpose of “suppressing the communist, intending on Sichuan”, the Nanjing National Government represented by Chiang Kai-shek entered and hosted Chongqing in the methods of Staff Committee, special detachment and other military-political strength maintaining the financial strength of the National Government, namely, Central Bank. This was not only because Chongqing has the advantages such as traffic geography, but because of the political scheme that Chiang Kai-shek intended on expelling Liu Xiang group out of the nest to replace him. The accidental factors of history reinforced the financial position of Chongqing because of the needs of Anti-Japanese War. Through the war baptism, Chongqing ultimately accomplished the process of becoming the financial center in the Sichuan-Chongqing area.

**REFERENCES**

