

Venture Communist: Gu Zhun in Shanghai, 1949-1952

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When the Communists took Shanghai in 1949, they brought seasoned soldiers, but scarcely an accountant. The victory that they claimed in the city presented both resources and temptations, including riches to fund a fledgling regime but also the taint of capitalism. How would they fight their new battle to control and reform China's financial heart? For help, they turned to Gu Zhun (1915-1974), an accounting wunderkind, native Shanghainese, and veteran member of the Chinese Communist Party (CCP). Over the next three years, he oversaw and overhauled the city's financial structure from various perches in government, sometimes concurrently heading as many as three municipal bureaus. He thus shaped many of the dilemmas capitalists confront elsewhere in this volume. That he sometimes shared as much with them as with his superiors in the party perhaps only compounded their predicament.

Gu Zhun's key position afforded him unusual influence. He occupied not only the bureaucratic extraction point between China's greatest profit center and its revenue-hungry state, but stood also at a series of other junctures: between business and government, the party and technical experts, and revolutionary and bourgeois Shanghai. While such realms remained in balanced tension, Gu Zhun ably intersected them. Present at and participating in the creation of a new regime, he pioneered policies that reverberated beyond Shanghai and echoed down after his era. Of course, he still operated under constraints. As a local official he followed orders from superiors, couched his innovations within the outlines of general policy, chafed at jurisdictional boundaries, and trimmed to the political weather. Institutional particulars at his different posts, meanwhile, alternately helped and hobbled him in achieving his goals. Yet, even within both the prevailing institutional matrix and the wider political context, Gu Zhun's distinctive character radiated through, illuminating the course of Shanghai's financial reorganization, unexpected congruences between cadres and capitalists, and perhaps too the pattern of their eventual collaborations.

An unusual personality in an unlikely context, Gu Zhun confounds some of our assumptions about communist cadres. Although not a capitalist himself, Gu Zhun had been steeped in the business world. His earliest work and expertise had been in accounting, and he had rented his talents to major Shanghai companies to help shield their profits. In a parallel career he marketed to the urban masses not only textbooks but also the dream of economic self-improvement through education. So while he may have been a cadre, Gu Zhun was also something of an entrepreneur (of economic related ventures more than actual firms, to be sure), conversant with the language and processes

of business, and accomplished at introducing novel ways to novice audiences. He was not so different from those he would oversee. His story shows how the categories of cadre and capitalist, and the layers of intellectual, cultural, and sociological givens that those categories have accreted, obscure rather than illuminate. Not all cadres were bent on wiping away Shanghai's past; taxes could be an exciting, modernizing innovation, and within the Party some evangelists for economic change imagined a different sort of socialism.

This chapter explores Gu Zhun's brief career in post-revolution Shanghai to show how he bridged business and politics to control and reform Shanghai's capitalist inheritance. His attempts to recruit experienced civilian cadres, rationalize taxes, and create locally-owned state enterprises show us an unfamiliar image of the communist cadre: professional, experimental, and even creative in management. The policies he pioneered and the personal example he presented as the face of finance for the incoming government crucially informed the perceptions and calculations of the capitalists examined elsewhere in this volume. Though ultimately undone by the tensions between centralized control and local autonomy, the pressure of expediency on professionalism, and the personalized politics of the early People's Republic, Gu Zhun nevertheless presents us with an intriguing counterintuitive insight into the unrealized possibilities of the period.

This chapter proceeds through four sections. The first recounts Gu Zhun's past in Shanghai and return to it to takeover the financial system; it demonstrates that Gu Zhun's private and public life in post-liberation Shanghai built on his earlier career there. The second reviews his tax policies and the conflicts that complicated them; it shows that he

innovated in producing a professional system for tax collection despite practical difficulty and even some official disapproval. The third describes his cultivation of local industry and fiscal autonomy; it indicates that he conducted an incipient experiment in decentralized socialist enterprise. The fourth narrates his abrupt fall and considers its meaning for his peers and heirs.

Returning to a New Shanghai

Gu Zhun entered Shanghai just behind the People's Liberation Army (PLA) as part of an elite economic planning team tasked to takeover the economy.¹ His work and life would ripen from deep pre-1949 roots in the city. Born in 1915 to a family of modest and declining means, he grew up in the southern Nanshi district, which comprised the old Chinese core of the city around which the modern metropolis developed. Precarious family finances pushed him from school to work as a teenager, when he apprenticed under Pan Xulun, his longtime boss and mentor, under whom he mastered accounting. Pan, a Harvard and Columbia graduate, had founded an eponymous accounting practice in 1927 and the closely-related Lixin Academy in 1928, and through them he had become famous as a proponent of Western-style business practices, vocational education, and even a model for the modern-minded in 1930s Shanghai. Gu Zhun was part of it all. As a crucial aide he learned the trade well enough to help Pan run the firm and school that made his reputation. In addition to teaching, he found time to write textbooks and advise capitalists on how to avoid taxes.²

While grateful for earnings substantial enough to support his family, Gu Zhun did not necessarily sympathize with his clients. Wide reading, frustration over injustice, and

an impulse to act led him to organize like-minded acquaintances into a discussion group. A progression of political commitments culminated in his decision to join the CCP in 1935. Unlikely though it might seem, Gu Zhun's professional alter ego brought out his inner revolutionary. When the danger grew too great it was the accountant who would find shelter and work at the Bank of China in the foreign concession. Under lingering suspicion, it was the revolutionary who slipped out of Shanghai to journey to Yan'an.³

Though it took a conquering army to bring him home and to power, from the first days back Gu Zhun returned to rather than rejected many of the patterns of his native city. His life did not seem so different from those of high officials under the Nationalists—or indeed for Shanghai's capitalists. While PLA soldiers were famously billeted along city streets, he slept above them in the Pacific Hotel on Nanjing Road. At that posh address, he received underground operatives who had worked within the Nationalist government's finance departments⁴ and implemented the entire financial takeover by installing just a few key people in each, thereby ensuring continuity in personnel.⁵ In the tax sections, where there was a bit more thorough housecleaning, he dismissed dozens while channeling in more than a hundred men who had come south with his takeover team. The most technically complex, exceptional, and ultimately troublesome office, where Gu Zhun assigned five Party members but still retained non-party veterans,⁶ was the Direct Tax Bureau, which handled most business taxes. Atop this pile, Gu Zhun formally held simultaneous posts in the Shanghai government as head of the Finance and Direct Tax Bureaus, while within East China, the regional administration to which Shanghai was subordinate, he was also the assistant head of the Finance Ministry.

Occupying a third floor office in the main municipal building, Gu Zhun played a central role in Shanghai that was both actual and apparent, and his centrality was readily grasped by officials as well as citizens. He participated in the pomp of the formalized handover on May 28, 1949. A few days later he attended the government's five-course reception for courting influential and notionally representative members of Shanghai's various social circles (ostensibly non-political but important occupational groups like industry, commerce, and the arts). Along the way, he mingled with the prominent at a performance by the renowned opera star Mei Lanfang. Thanks to his prolific official bulletins, Gu Zhun soon became familiar even to regular folk; where there were tax notices, there he was too. As one man recalled, "all kinds of tax notifications [were] put up in every street and in the papers" at the time and "signed by the bureau chief," frequently in an official and "eye-catching" red. "Gu Zhun was the head of three bureaus, so his name appeared everywhere and everyone knew it and saw it all the time." Of course, neither new faces nor ubiquitous leafleting necessarily brought about change. As Gu Zhun noted, the very first proclamation of the incoming regime (which he probably authored), ordered people to follow the old laws and keep paying the old taxes.⁷

Pressing as the need for cash was, Gu Zhun and others in the party also knew that building a new China required human as well as financial capital. Rooted in his native place and intimate with its bourgeois world but still loyal to the party, Gu Zhun was a man whose connections could bridge old and new Shanghai, and he tried hard to bring them closer together. He later explained his position: "I was a [native] Shanghainese, but I was also someone returning from the liberated areas to Shanghai."⁸ Spanning, or better

still binding the two together required a personal touch and an ability to trade on existing relationships.

Gu Zhun had begun his outreach well before April 1949 when he had written his old mentor, Pan Xulun, and had asked him to remain in Shanghai through its imminent fall. Once he had himself returned, Gu Zhun called on Pan at home and invited him to work for the government, leaving the name card of the vice mayor, Pan Hannian, to convey the seriousness of the offer. Wary that his history of service to the Nationalists would cause trouble, Pan demurred, replying, “With my status a ‘remarrying widow,’ taking public office for the People’s Government will inevitably cause me extreme grief.” Nevertheless, a mutual courtship developed when Pan reciprocated by inviting Gu Zhun to eat and later presented him with small gifts. These meetings reached a culmination of sorts when in August 1949 Pan offered Gu Zhun either the presidency or a trusteeship at Lixin, his alma mater, but this time it was Gu Zhun who declined.⁹

As the two men revived old cultural and professional networks, a relationship took shape that was broad and deep, reaching beyond the two men. Name card in hand, Pan Xulun paid a courtesy call on the vice mayor, Pan Hannian, a fellow native of Yixing county in Jiangsu province and a very distant relation. Though they had not previously met, the elder Pan knew the younger Pan’s brother, and could only have been pleased when the vice mayor respectfully addressed him as “uncle.” Pan Xulun recalled, “although I didn’t go to work for the party, I was still concerned about the nation’s accounting profession, so I urged and recommended and introduced many old colleagues and students for positions at government bodies, businesses, and state-run institutions.”¹⁰

Pan Xulun did not act alone. His school, Lixin, had an institutional interest in cultivating Gu Zhun, and it held a banquet in honor of his return and perhaps to promote its graduates. One of many men with Lixin connections who later found his way into government recalled at that time that when private firms looked like they might close, he almost went out of work, until he tapped that old network: “I had to turn to my alma mater... With Pan’s personal attention and through Gu Zhun’s introduction... [I became] a specialist accounting cadre and have worked in the Jiangsu Province... for more than forty years.”¹¹ Gu Zhun also reached out, telephoning a Lixin professor to explain how education and accounting would be needed in the new China and promising a great future for his students. Within his own administration, Gu Zhun drew together a diverse group that included party members, Lixin alumni, businessmen, and incumbent personnel from the Nationalist government.¹²

Reviving these old ties clearly served multiple interests and the drive to do so came from multiple directions. The emerging state secured the well-trained experts it needed to operate its understaffed bureaucracy. Lixin graduates worked under Gu Zhun in Shanghai to implement his innovations there, but some percolated out into the financial control systems throughout the country and to the capital as accounting experts. At the same time, the accounting profession in general and Lixin as an institution in particular reaffirmed their importance and won recognition and jobs for their members. For Pan and Gu as individuals, reunion bolstered them both, as each gave the other a practically and symbolically valuable contact in the network of the other. Yet their relationship remained fraught and short of a full embrace, as Gu declined to identify himself fully as a trustee of

with Lixin and Pan avoided a similar entanglement in government service. Benefits might flow from informal contact between them, but formal affiliations were another matter.

Just as Gu Zhun was taking up the reins of government, he was also settling down into life with his family. By 1950 the household grew to seven, including Gu Zhun, his wife, their four children, and his mother. They lived well. From the Pacific Hotel, Gu Zhun had relocated with family in tow to a Western garden-style house on Yuyuan Road that had belonged to the national Ministry of Finance. Ample grounds accommodated a front lawn for tennis and a separate two-story carriage house in the rear. Though they did share the estate with two other families, Gu Zhun took the best part. The couple had their own bedroom and his mother and children had theirs together, with two small rooms left for staff, as well as a large reception area for guests, who might also be seen on a spacious balcony.

The perquisites of Gu Zhun's position were considerable. A ration-based salary system for cadres provided not only for him but his wife, mother, and children, who were tended by two nannies. Gu Zhun had even more minders: a chauffeur to drive a reserved black Chrysler Plymouth, a gatekeeper to guard the house, three secretaries for aid, and even two bodyguards and an actual watchdog to protect him. Though spare in his eating habits, he admitted to attending many banquet meetings during which he would negotiate with capitalists and then dine with them in the Shanghai Mansions. Years later, Gu Zhun would have to defend himself, writing: "the standard of living I described would not be considered 'wasteful' among cadres of my rank at that time" nor was he particularly targeted on these grounds despite serious subsequent political problems.¹³

The workplace had perks too. Gu Zhun's office held a cabinet of confiscated goods, including French wine and cognac, American whiskey, and English cigarettes (all of which had supposedly been confiscated because of tax evasion). Even if Gu Zhun himself did not privately indulge, a visit from a prominent businessman, official, or the odd Soviet expert gave cause to entertain. Smitten women wrote him letters, approached him after lectures, or loitered outside his office.¹⁴ As Gu Zhun himself had to admit later in the Cultural Revolution era account that became his autobiography, "this kind of luxurious living reached the level of old Shanghai's big capitalists or great officials."¹⁵ But of course that was more or less what he was; it was just that at the time leading the life of a great official was not so remarkable as it later seemed to have been. Indeed, despite political trouble in the 1950s, Gu Zhun faced no contemporary accusations over his lifestyle, which his enemies could easily have used against him had he behaved in any way out of the ordinary.

Taxing Shanghai

At the helm of the Finance and Tax Bureaus, Gu Zhun spent most of his Shanghai career extracting revenue. Far from being a dry affair of audits and accountancy, taxation exposed otherwise submerged tensions and proved controversial in the early People's Republic. The amounts to be extracted pitted not only payers against collectors but also the local interest in husbanding wealth against the national interest in siphoning it off to other areas. At the same time, the techniques deployed to effect extraction precipitated internal party conflicts between proponents of professionally-minded change and followers of revolutionary precedents. Gu Zhun stood at the center of the disputes, and

though at times he tried to balance them, he often acted as an instigator. While his actions may be interpreted from multiple perspectives—the role of problem figures post revolution, or the constructed political nature of accounting—here the emphasis remains on Gu Zhun as a professional and an innovator.

The drama in the taxing of Shanghai unfolded in two phases. First, from May through December 1949 Gu Zhun revived the old tax bureaucracy, met revenue quotas, and experimented with reform. An interlude followed during the early months of 1950, when central government pressure for funds broke the local bureaucratic routine in favor of quick and massive extraction, even before fiscal pressures brought on by China's decision to enter the Korean War. Second, the period between June 1950 to March 1951 saw the gradual institutionalization and central endorsement of the locally-innovated tax system. The ultimate outcome demonstrated Gu Zhun's ability to innovate and change PRC economic practices even against central resistance.

Throughout Gu Zhun's career in Shanghai, the city's unique symbolic role in the country and its preponderant place in the national economy forced him to confront two distinct and at times irreconcilable responsibilities: one to city and the other to nation. During the summer of 1949, his duty to nurture local finances clearly came second to funding a fledgling regime still fighting a civil war. Despite the difficulties Shanghai faced even through that grim time, it provided a quarter of national tax receipts—more than any other *region*. Shanghai was, as Chen Yun put it, “worth five Tianjins.”¹⁶

To raise more funds, Gu Zhun creatively designed taxes that allowed him to achieve multiple goals, fulfilling the broad thrust of party policy according to his particular expertise. This worked most famously with the land tax, with which he helped

to remake the map of Shanghai. Gu Zhun considered hangovers of imperialism galling enough, and he noted that foreign-owned properties had enabled Chinese investors to evade taxes because they had hidden behind foreign front men through layers of registration. After 1949, he decided to maintain the same land tax structure but ratcheted up the rate and improved enforcement. Taxes on many of these commercial properties soon exceeded their incomes, and, as anticipated, owners turned over their deeds as payment. One by one Gu Zhun took back the major landmarks that still define the city, from the Racecourse to the Peace Hotel, palpably reinforcing Chinese authority.¹⁷

While he deployed both the land and the utility tax to great political as well as economic effect, Gu Zhun made a virtue of necessity and scored great gains with marginal tools.¹⁸ Gu Zhun found other taxes more difficult to implement. The regular machinery of tax collection had long been badly broken by war, inflation, and political fragmentation. Direct taxes, which included most business taxes, offered the greatest potential but provided scant precedent for regular, rationalized collection.¹⁹ On these taxes, as simple as his reforms might seem, he actually worked the hardest. He had to engineer anew an entire system.

Business taxes proved especially complex and ultimately bruising. At the dangerous intersection of government and capitalist enterprise, they attracted attention and generated controversy.²⁰ The party had scant history of implementing them. In recalling precedents, Gu Zhun himself drew on a rough-and-ready version known as “democratic assessment” that had been used in 1948. This method amalgamated excises, earnings, and operations tax into a single quota apportioned in three steps. First, a total revenue quota for an area was set. Second, the city’s tax collecting agencies collaborated

with its chambers of industry and commerce to apportion the gross quota out to each trade. Third, within each trade, the trade organization allocated the burden to individual firms, through a negotiated process of self-reporting and public discussion.

The rapid pace of the PLA's takeover of Shanghai left little time to formulate new policies, so at first the new government temporarily preserved the Nationalist system of tax collection. To tap businesses as a final source of revenue, Gu Zhun settled on the formula of "self reporting and full payment; light taxes but harsh punishments." As the phrasing made clear, the new business tax merely refined the old by substituting tastier carrots and sharper sticks, but the method suited the limited means available. From June through August of 1949 collections increased, and Shanghai met its revenue obligations. Yet, the very mechanisms that Gu Zhun used to accomplish this feat—audits that verified accounts and downward reappraisals of capital that won businesses' trust—generated the controversies.²¹

The necessity of supervision to compel compliance was well understood, and Gu Zhun's appointment of auditors comported with contemporary practice.²² During the Republican era, Gu Zhun himself had been an accountant who represented firms and handled their tax payments to the government. Now, the Tax Bureau would select a special group of auditors to fulfill that function. When businesses declared their taxes, these auditors would certify their books, which the government might then verify.²³

The first controversy came from how these men were chosen. Gu Zhun chose many men from his former profession and specifically from his alma mater. One of the auditors defended the process as meritocratic: "I had no association with Gu Zhun before Shanghai was liberated... in November 1949 he wrote to invite me to attend a discussion

about tax work, and this is how we first became acquainted.” The man assumed he had been tapped because of his experience, which mirrored Gu Zhun’s:

Before liberation, the two of us both had used connections with the Shanghai Chamber of Commerce, long represented the interests of national capitalists, dealt with the Direct Tax Bureau under the Nationalist government, and had a certain understanding of the old tax system and could draw present lessons from past experiences.

The accounting world welcomed Gu Zhun’s interest. As this auditor pointed out, it validated both the person and the profession: “the laurel of being a ‘special auditor’ definitely drew the interest of more than a few people... If you could gain the title it was obviously good, but even if you didn’t win it, at least it proved that accountants could be of service to socialism.”²⁴ Still, it looked bad when so many of the men chosen were from Gu Zhun’s alma mater, Lixin. Later, he admitted that

accountants hired as auditors probably did a thriving business; the Shanghai capitalists knew I was a Lixin old boy, and perhaps [thought] Lixin benefited more than a little by special association. Even though I definitely didn’t play favorites, in truth I did create the opportunity for my old colleagues to get rich.²⁵

Years later this whiff of cronyism soured into a political stink, and Gu Zhun had to admit in his Cultural Revolution era self-examinations that by bringing in accountants he had entrusted the business of government to former agents of the capitalist class, and thus capitulated in the class struggle. Even if he did not favor friends, he favored a certain kind of person, technically trained and from old Shanghai’s bourgeois milieu.

This was not only a question of personnel; an analogous problem arose with his choice of method. Because the earnings tax was collected progressively according to the profit margin on capital, the plummeting value of the currency meant that the registered book value of firms' capital became trivial. Therefore, calculating the profit rate on that basis put all firms into the highest bracket. To Gu Zhun, this was "obviously not logical." By allowing businesses to recalculate their property at present prices and thus amend the book value of their capital, he propitiated capitalists, satisfied his own sense of professionalism, and made somewhat abstract accounting rules seem to conform with reality. But while this was "profoundly welcomed by Shanghai's capitalists, and especially accountants," it drew censure from the center, because the Ministry of Finance thought it "opened a route for Shanghai capitalists to legally evade taxes." On this point Gu Zhun remained forever unrepentant:

If we didn't let private business reappraise capital, the progressive earnings tax rate objectively would not work, so I still think that step was necessary, and had no ill influence... It was not a political measure, it was nothing more than a necessary technical measure to improve the calculation of economic criteria, nor did it open any legal routes for tax evasion.

For Gu Zhun, the Western-style accounting he had learned under Pan was only a tool. Capitalists might use it to protect profit, but communists could wield it too, to raise state revenues or even wrest back property and wipe away the stain of imperialism.²⁶ Not everyone agreed. Critics viewing it from a class-based standpoint, saw it as a weapon wielded by capitalists and considered it inherently political.²⁷ A new kind of socialist

style of accounting, some suggested, would be needed to suit China's new circumstances.²⁸

These criticisms first surfaced from October 1949, when Gu Zhun sensed real trouble: "I became aware that I had committed a serious error in tax collection work, and I... went to handle it." But before he could get on top of the matter, *People's Daily* published an editorial and reportage from Shanghai critical of its tax system, and the party organization began to attack it.²⁹

The party's prescription was clear: implement democratic assessment, the old quota-assigning system. But though Gu Zhun conceded that the tax system needed to change, he dismissed democratic assessment as insufficient. He had a professional's and a perfectionist's objections. Under such a system, "there could only be two possibilities: the amount collected will fall short of the set tax rate and favor capitalists, or it will exceed the rate and thus become an appropriation." Moreover, he found in its apparent simplicity a deceptive opaqueness of process. Since the quota would filter through the same trade associations whose members were of disparate size and influence, he expected the larger capitalists would take advantage of the smaller and foist proportionally more onto them. Compounding the problem of implementation, democratic assessment was in conception "necessarily completely separated from tax laws."³⁰

Pursuing his own diagnosis, Gu Zhun focused on Shanghai's exceptionalism, not only in scale but heterogeneity. Unlike other Chinese cities, it "had tens of thousands of tax paying companies, among which were great enterprises of near monopoly-capital scale like Shenxin and Yongan, along with countless mom and pop shops." Old Lixin clients like Shenxin and Yongan were among Shanghai's many large firms with sound

accounting books, which had long studied “how to wage a struggle against the government within the scope of the tax laws.” Yet the government’s recordkeeping left it with just a light grip on businesses: the sum of its knowledge resided in 12,000 paper cards filed in the main bureau, according to which notices to pay would be sent and receipts recorded.³¹

Just at this time, a tax bureaucrat from a Soviet delegation of experts appeared in Gu Zhun’s office. Gu Zhun found many Soviet suggestions “simple...and of no use at all,” but he did learn that the USSR had a system of specialists providing oversight for business taxes, and he wrote a report about it and circulated the report to his superiors. Gu Zhun preferred this medicine, which proved easier to swallow under the cover of Soviet precedent. It had three key ingredients: specialization, which assigned each tax cadre a fixed stable of firms; verification, which relied on auditing to ensure compliance; and collaboration, which drew the workers at each firm in through their union to aid the tax bureau. This proposal demanded more structure and bureaucracy rather than less—in over twenty municipal and ten suburban districts, newly established branch tax offices would group firms by sector and parcel them out to cadres. Over some internal opposition from subordinates and despite lukewarm support from superiors, Gu Zhun resolved to implement this system.³²

Extraordinary fiscal and political pressures system from the central government in the first half of 1950 later compounded by the need to fund the war in Korea delayed his plans, but once out from under heavy fiscal demands, Gu Zhun devoted himself to building the specialist system of tax collection that ultimately earned national implementation. He acted within a muddled context of general nationally-declared

political goals, specific economic policy directives, and local supervision that allowed him surprising latitude to reconfigure one of the country's richest revenue-generating systems.

Locally, the Shanghai Party Committee had insinuated itself closely into tax collection during the drive for revenue in early 1950, but, according to Gu Zhun, later it had begun to withdraw. Gu Zhun reasoned that the Shanghai Party Committee was satisfied that the tax bureau was not committing political errors and turned its attention elsewhere. This gave Gu Zhun room to maneuver, and he assembled his specialist system of tax collection taking new initiatives and retooling parts of the existing bureaucracy. At the same time, he paid lip service to democratic assessment and sought support for his approach from his superiors. His work fell into three broad thematic areas: organization, supervision, and propaganda.

Organization required more knowledge, so first Gu Zhun completed a detailed survey of taxpayers. According to rough pre-1949 figures, Shanghai had 130,000 tax paying companies and 100,000 street peddlers. Gu Zhun aimed not just to update these figures but to add information by determining where companies were, whether they belonged to a trade association (and if so which one), and what their recent record of tax payment was. More than a thousand cadres assembled and canvassed the city over a month, discovering 21,000 new and unregistered businesses amounting to a total of 107,830 operations across 443 trades, 15 percent in industry and 85 percent in commerce. While he boasted that this accumulation of detailed data provided a firm ground for the negotiated aspect of democratic assessment—the Tax Bureau now knew better how much they might expect to get—Gu Zhun probably realized how a specialist system could

easily be built on this basis. Indeed, his establishment of ninety-six specialized tax collection areas and twenty district offices appear to be spadework to that end.³³

On the basis of the survey, he then ranked the companies in three tiers, from large enterprises to peddlers. Each group got slightly different treatment. Because the first two tiers kept books, they paid according to tax rates and had specialized handlers. Large businesses were grouped and minded at the city level by a special auditing section while small and medium companies were monitored by their district offices. The smallest fry were often itinerant peddlers who could not be made to keep books, and so they paid a kind of set licensing fee collected by the district.

Several control mechanisms made this system work. Most crucially, Gu Zhun leveraged the accumulating paperwork of the PRC's burgeoning bureaucracy to make as an extra check on tax payment. His investigation teams collected transactions that produced written vouchers—from the customs, the railroad, market duties, freight transport, contracts—and compared them with companies' written books. Moreover, he created tax-paying mutual aid groups for taxing small and medium sized capitalists. While his rhetoric emphasized their patriotism and contributions to the nation, he clearly tapped into the group members' suspicion and self-interest and encouraged colleagues to inform on each other as well as love their country. These measures mostly borrowed from previous examples but were modified to carry out taxation.

The cultural framing of tax payment, for instance, probably owed much to the example of the donations solicited from businesses for the Korean War.

In the realm of propaganda, Gu Zhun made use of his department's *Taxation Newsletter* as a mouthpiece for his vision of professional conduct. With its colophon in

the calligraphy of Chen Yi, the newsletter was published every Wednesday and Saturday and went to all members of the staff. Gu Zhun regularly editorialized, urging the staff members to improve communication and share experiences with each other. To him its purpose was to “emphasize professional work, and not give prominence to politics.”³⁴

Throughout the summer Gu Zhun grafted this system onto the existing one. Even the democratic assessment committees themselves were transformed from consultative groups that fixed revenue quotas into tools of standardization that calculated firms’ profits. While the old name was preserved, his specialist system sought to capture more revenue as times became more flush.

That summer, there was an economic upturn thanks to half a year of peace, better transport, a more stable currency, and military procurement for the Korean war. With factories operating at near full capacity, only a rate-based taxation system could keep up with the swift changes in profits. In a rough example Gu Zhun showed how a hypothetical factory going from one third to full production would increase profits many times, and only a tax on the profit on capital could easily keep pace with this increase. “If you use the democratic assessment method, even the boldest estimate won’t estimate that the tax quota will increase by 16.5 times; moreover, when applying the democratic assessment method, the power over taxation is really left in the hands of the capitalist class.”

By August, even the appearance of implementing democratic assessment had worn thin, and with the cornerstones of the specialized system in place, Gu Zhun owned up to his intentions and asked the local authorities to approve its use for Shanghai. Chen

Yi agreed, siding with Gu Zhun against Pan Hannian, who remained “firmly opposed,” instructing them to drop democratic assessment.³⁵

The new system swung into action by early fall, and it profoundly increased revenue collection. Tax receipts for March 1951 swelled to almost eleven times their level of a year earlier. Critics quieted. Gu Zhun remembered that in March of 1951, an unnamed central government cadre came to Shanghai and expressed approval of the tax collection method, and then from the middle of 1951 after the third national tax meeting, the Ministry of Finance no longer criticized Shanghai’s methods in publications, nor did they send more auditors. Finally, in December 1951 Chen Yun opined in a central Party meeting that the “Gu Zhun method” was correct, and he noted that Chairman Mao agreed.³⁶ Long before the Five Anti campaign and without its tactics or theatre the state had found a way to increase revenue extraction.

This was a great victory. Gu Zhun had taken over the Shanghai tax system and made it work. The revenue he extracted funded national reconstruction and war in Korea, all while keeping the goose alive to lay more golden eggs. Creative and improvised taxes filled the nation’s coffers while fulfilling multiple goals that included opposing imperialism and building durable sources of municipal revenue. Of course, Gu Zhun did not achieve this alone. Social and professional connections helped him tap a deep pool of local talent to make his system run. And if he was wonkishly expert, he was also Red enough to be trusted. He had found enough leeway to run his fief in ways that clearly frustrated or came close to contradicting the policies of the central government.

Localism

Gu Zhun's service in Shanghai touched on many areas beyond taxation. He also headed the city's Public Finance Bureau, which involved him in municipal planning. Here too, while budgets and costing might seem like dry subjects, they open up surprising vistas on the early PRC. Rather than copying the Soviet-style centralized command economy, Gu Zhun and other like-minded cadres pursued a different vision: a decentralized, locally-based system of socialist enterprises, overseen by regional governments with budgetary independence from the central government. This scheme ultimately failed, but its limited implementation highlights the possibilities for contingencies and negotiations under Chinese socialism, and later it offered a precedent for decentralization and market socialism in the reform era. Gu Zhun began introduce this scheme when he first returned to Shanghai, but he carried it out in two fairly discrete phases. First, from May 1949 through March 1951, as head of the Public Finance Bureau, he pushed for local fiscal autonomy and better fiscal management. Second, from March 1951 through the end of that year, Gu Zhun devoted himself almost exclusively to building up local state-owned industries through the Shanghai Finance Commission.

Purse strings were drawn tightly in the early PRC, and fights broke out over who should control them. Throughout the debates about taxation. Gu Zhun also campaigned for better budgeting. To him, that meant both local fiscal autonomy from the central government and more rigorous financial controls in state-owned enterprises.

His position took shape in response to a national finance meeting in February 1950. Focused on standardizing financial practices, the meeting concluded by recommending that each ministry should disburse budgetary flows. For example, within

the East China Bureau—a vast military control region spanning six provinces—the Ministry of Health would devise a general budget, gain approval from the Ministry of Finance, and then itself choose how to divide funds through its subsidiary Health Departments from Fujian to Shandong. This meant that Shanghai or even an entire province “did not have their own income, nor their own budgets... This amounted to abolishing the financial administration of provinces and cities.”

Gu Zhun thought such a system “obviously wrong.” After conferring with fellow municipal bureau chiefs, he convinced them to collectively suggest that Shanghai have a city budget. The Shanghai Party committee agreed, and after negotiation with the East China Department, a partial victory was won. Though Shanghai would have its own city-level budget, East China retained final control over how funds should be directed. Gradually, this arrangement gained support. In the beginning of 1951, the central Ministry of Finance held a meeting to reconsider urban finances and invited Gu Zhun to speak. He lectured to Finance Bureau chiefs from China’s ten largest cities, detailing Shanghai’s experience and showing how he had and managed its budgeting independence. Later, the ministry underscored its approval by circulating the text, and moreover it stipulated that central and regional finances should be segregated.³⁷

Budgeting, whether to win autonomy or tighten administration, was both an end in itself and a fiscal measure that promoted a decentralized kind of socialism. This latter aim comes most clearly into focus when considered in the context of Gu Zhun’s longstanding interest in state enterprises. He had been mulling over the matter for a long time, and he concluded that proper management of state-owned enterprises remained the great unsolved problem of finance. He suggested that the East China Ministry of Finance

establish a financial management office for state enterprises, and once it was in place, he ran it from August 1949, recruiting through “personal connections twenty or thirty ‘progressive’ people [including his wife] who could understand enterprise management and enterprise accounting.” He followed the same pattern as in his early recruitment of Lixin graduates as tax collectors, and later, when questioned during the Cultural Revolution, he characterized the personnel in this office as “capitalists, capitalists’ representatives, and professors of the capitalist class.”³⁸

From this office, Gu Zhun cast a sharp eye on Shanghai’s financial administration and strove to strengthen fiscal management. Several branches of city government were sprawling empires of subsidiary enterprises. Public Works and Health in particular supervised construction projects, water, hospitals, waste collection, and slaughterhouses. Though these subsidiaries had vast outlays and substantial incomes, Gu Zhun noted that in 1950 “none had implemented enterprise-type accounting.” To tighten fiscal control and management he transferred in key cadres who effected what he called “enterprisification” of those areas by running government concerns along business lines. Gu Zhun pioneered the office—the first of its kind in the PRC—but did not stay to pursue its work because he was distracted when his system of tax collection came under heavy criticism. Years later, at the time the Cultural Revolution, when called to account for his performance, Gu Zhun could only repudiate his approach as “of a capitalist nature.”³⁹

Gu Zhun had a second chance to pursue these goals in early 1951. At that time, just when he had resolved most of the difficulties and set up the specialist tax system, serendipity landed him in a newly-created bureaucracy: the Shanghai Finance

Commission. The Finance Commission held a vague but vital portfolio empowering it to develop Shanghai's economy through numerous government bureaus.

At inception, the Commission seemed poised to fulfill its mandate mostly by managing relations between the public and private sectors. Pan Hannian, Gu Zhun's civil and party boss, chaired the Commission, and as the theoretically non-party representative in Shanghai government, he had intimate and extensive contact with prominent capitalists. His appointed deputy on the Commission, Xu Dixin, was a close associate and veteran of united front outreach, having honed his skills at countless dinner parties in Hong Kong during 1948 before taking up a formal post in Shanghai. In addition, Xu headed Shanghai's Industry and Commerce Management Bureau, which attended to the details of corralling and collaborating with capitalists and their companies. Through the first two months of the Finance Commission's existence, Xu had taken the primary role in organizing it, and so the complexion of the staff reflected his preferences.

Gu Zhun had earned his spot as vice chair because he headed both finance and tax, but he had paid little attention to the Commission during its preparatory phase. He expressed distaste for its emphasis on collaboration with non-party groups, noting that its "'united front' flavor was extremely strong." He remembered that "I was not enthusiastic about this organization because it clearly took as its main work managing public-private relations, which did not conform with my ideas."⁴⁰

More than a month after its founding, Gu Zhun had still not paid attention to its work. Eventually, his absence drew notice, and Gu Zhun's superiors directed him to concentrate on the Commission. Gu Zhun resisted, and he suggested that rather than cultivating relationships with capitalists and existing banks, trading companies, and

industrial enterprises, the Commission should foster new socialist enterprises to develop Shanghai's economy. He worried that the city government had "almost become a merely administrative organization" because East China had kept control of most of the state-run enterprises when Shanghai was hived off from it. The Shanghai Finance Commission, he proposed, "should set up many state-run enterprises subsidiary to the city," and thus he "did not attach importance to the united front work of private-public relations" so far as the Commission was concerned.⁴¹

He was granted permission to pursue his own interests on the Commission. Yet the Commission's purpose remained undefined, and the organization was rife with partisan strife and bureaucratic sniping. With two leaders and two different foci, the Commission soon divided into 'Gu' and 'Xu' factions that prevented it from functioning as a unit, a problem obviously instantiated in its duplicated offices for general affairs, planning, and statistics. Gu Zhun accepted some responsibility, admitting he neither "cared about nor attached importance to" Xu Dixin's projects. The end result was that "encountering resistance from within the Commission" Gu Zhun, in his own words, "became an isolated force fighting alone."

Difficult as this predicament may have been for Gu Zhun, it gave him the opportunity to clarify for posterity his decentralized vision of local state-owned enterprises that he now strove to build. He confronted a peculiar bureaucratic inheritance. First, authority over economic planning was shared by two different levels of government with geographically overlapping jurisdictions. East China oversaw state-run companies, even though the majority operated in Shanghai, while the city controlled enterprises subordinate to municipal bureaus, such as the utilities, transport companies, and a grab

bag of miscellaneous factories.⁴² Shanghai retained direction of policy areas involving state relations with private enterprise. This was less simple than it sounded.⁴³ Second, despite the theoretical apportionment of state enterprises to East China, Gu Zhun found a welter of quasi-socialized concerns that remained or had grown up under Shanghai's supervision. These included building projects, city commissaries, supply and marketing cooperatives, some retail shops, a transport company, and some private firms in which the government held shares.⁴⁴

Here he found a base for developing socialist enterprises, and he sent his subordinates to manage many of them while he acquired still more. These included textile, chemical, and manufacturing plants.⁴⁵ The case of the Xinyu Number One Mill exemplifies how this process of acquisition and development worked. In May or June 1951, Gu Zhun recalled that

one day Pan Hannian told me that the Kincheng (Jincheng) Bank had financial difficulties and was preparing to sell the Xinyu Number One Mill, and that the city government had decided to buy it. Pan asked me to go find the company's general manager, Chow Tso-min (Zhou Zuomin), for a talk. Pan said also that Chow's attitude was very 'enlightened' and he intentionally was taking all of the Kincheng owned companies and one way or another was "transferring" them to the government.⁴⁶

After the mill was appropriated, Gu Zhun visited it, and he retained the incumbent manager. Of the episode, Gu Zhun remembered that "adding a city-run mill subordinate to a state-run mill made me extremely happy." He had more interest in acquiring than running the enterprises that he collected, and was usually hands off about management.

Often he just assigned one cadre to look in on acquired factories. “Because at the time cadres were sorely lacking,” he explained, he “merely sent a public representative, and for a long while did not sufficiently completely smash the capitalist factories’ old structure.” He also tended to leave negotiations and management of factories to subordinates, forcing him to admit later in the context of the Cultural Revolution that “in the joint operation conditions for each factory. I fear there were more than a few improper places that guarded the interests of capitalists.”⁴⁷

Gu Zhun’s attention to budgeting and interest in expanding local state industry was not just entrepreneurial but successful as well. By late 1951, fiscal independence and slightly preferential treatment combined to accrue for Shanghai a sizeable surplus—at one point about twenty percent of the annual budget—that he hoped to spend, both to benefit Shanghai and prevent it from being siphoned back to the center. Consequently, he remembered, “I did my utmost to find an outlet for investment.” While some cash went to fund several important infrastructure projects, he also tried to expand Shanghai’s base of state enterprises. He arranged a meeting with two other regional officials “and went together to look at an interchangeable machines plant...and negotiated about Shanghai investing to expand the factory.” Though this plan did not ultimately come to fruition, Gu Zhun in his confessions had to make clear that it was a mistake, as it brought an “evil style to the internal management of socialist enterprises.”⁴⁸

Philosophically, Gu Zhun distinguished his idea of locally subordinate state-owned enterprises from sideline production at regular work units to defray expenses.⁴⁹ Like democratic assessment, this was a practice that had been adopted in revolutionary base areas and was reimagined for application in the PRC. His own Cultural Revolution

era recollection was that he “thought it impossible for a work unit involved in industrial or commercial production to not carry the thick flavor of capitalism.”⁵⁰ A contemporary remembered him reasoning:

Businesses seek money, and profit is necessary. But for a department of the government or party, or for cadres to directly deal with managing things this way, then the party would not be the party, and the government would not be the government. For cadres on the one hand to be in business and on the other hand to lead the party and government, how outrageous would that be?⁵¹

Gu Zhun happened to be on the right side of this particular debate. In the Three Anti campaign that aimed to cleanse cadres of corruption, all sideline production by government offices was stopped, and Chairman Mao even deplored its ill effects. But Gu Zhun had only a limited chance to pursue his plans in this area before being swept up in larger events.

Settling Accounts

The improbity within work unit production represented just one of many forms of corruption that came to light in late 1951. The perception of widespread abuses prompted the central government to launch two interrelated housecleaning campaigns, the Three and Five Anti, that targeted crooked cadres and the supposedly backsliding capitalists who suborned them. Signaled from the center, Shanghai mobilized locally for the Three Anti in late 1951.

As the broom swept through the ranks of Shanghai’s top cadres, it brushed Gu Zhun only lightly. He certainly knew all of the early targets of criticism, but he had only

limited connections with a couple of them. By 1952, the campaign intensified because Shanghai had to deliver its centrally-mandated quota of scalps, and it touched a bit closer, when a friend and associate came under investigation.⁵² Eventually, Gu Zhun himself made an obligatory self criticism, citing his advocacy of deficit finance and some personally wasteful habits. But rather than representing real self-censure, his statement was a kind of ritual reprehension, which had a regular place on the resume of any fast-tracked cadre. In making these statements, Gu Zhun implied that he had been cleared in the campaign and could move forward without further consequence. Indeed, the importance of his duties ensured light treatment: East China permitted Shanghai Tax and Finance to temporize over implementing Three Anti in order to better manage the imminent collection of the annual business earnings' tax that March. Perhaps he really was not guilty of anything at all.⁵³

Such even treatment belied significant churning among the leadership in East China and Shanghai that probably affected how the locals were prosecuted in the Three and Five Anti and their aftermath. In fact, Gu Zhun himself had a significant role in running the campaigns locally: "Tan Zhenlin... wanted me to take temporary responsibility for the [Five Anti] campaign; he transferred ten or twenty cadres... under me to start gathering suggestions for steps to advance."⁵⁴ Gu Zhun received his appointment from the Party Committee on February 3 and immediately went to work. His role received prominent play in *Liberation Daily*, which depicted him addressing the shopworkers' union about Five Anti in a photo on February 4 under a picture of Mao, and again in a separate article on the campaign on February 16. Four days later on February 20 at mayor Chen Yi's elbow, he attended a rally for industrial workers about the

campaign. That same night, he met his superiors again at the local Party Committee to discuss implementation, and even chatted with Bo Yibo, the national leader of the campaigns. A week later, on February 28, as the local leader of the campaign, Gu Zhun gave a speech about Five Anti that was broadcasted across the city.⁵⁵

The next day the Party Committee called a meeting and denounced him. Gu Zhun remembered the statement, which

announced on behalf of the Shanghai party committee that I had “grave individualistic heroism, was self-important, opinionated, disregarded organizational discipline, and distorted the party’s policy principles”...They decided to strip all my positions within and without the party and ordered me to reflect on my errors.

Tan Zhenlin, formerly supportive, branded him a Menshevik, a dirty insult in contemporary communist argot.⁵⁶ After censure from party members came criticism in the press. A story in *People’s Daily* on March 4 branded him an evil element.⁵⁷ Further articles specified the crimes of other cadres denounced at the same time, including loaning seed capital for a new business, protecting relatives with suspect class backgrounds, and having a patriarchal work style. But no concrete accusations were made about Gu Zhun. What was the precise nature of his crime?

Such silence, combined with the very abruptness of his fall, prompted speculation. How had he gone from the leader of one half of the campaign to be dismissed as a target of its other half? His family certainly wondered. Gu Zhun had no clear answer. He had heard recently that both Chen Yun and Chairman Mao made statements settling the tax controversy in his favor. Certainly he thought himself in the clear of the Three Anti,

because he had already been investigated. Stripped of his posts, Gu Zhun found himself in an unusual and distressing enforced idleness at home. He recalled:

I shut the door and stayed home for two or three weeks, and other than writing a report of self-criticism, I didn't do anything. My mind was in turmoil, my mood depressed, and I couldn't get anything done. Often late at night I couldn't sleep.

After a few weeks, the party committee gathered all the high cadres who had been dismissed at a local hotel, but no one arrived to give further orders or organize them in studying. They played chess to pass the time.⁵⁸

In the weeks and years that followed, Gu Zhun had time to contemplate his fall. With the accumulated perspective and experiences of seventeen years, he set out some the reasons for it in his Cultural Revolution era confessions. His writing on the subject is coy, elliptical, and built on unverifiable hearsay. Disentangling his retrospective understanding from his contemporary actions is not always possible, but he seems to have groped with how to assimilate the rumors he heard as he formulated his response. He kept his ear to the ground.

He heard encouraging news, suggesting that some regretted his dismissal. While this must have heartened him, Gu Zhun still had to decide how to craft his self-criticism and where to place the blame. He sensed it might be about taxation, but stubbornly refused to give in:

While writing, I was in a really painful state of mind. The party committee decided it wanted me to make a deep self-criticism. [If] I didn't make a self-criticism about democratic assessment, wouldn't that be taking the easy way

out? Also, just as I was writing it, I kept hearing that the tax receipts that March reached... ten times that of a year previously, and could democratic assessment have achieved that number?

But bad news also flowed in. He became the target of “several slanders,” including the charge that after being sacked he had gone to churches or temples to pray and burn incense. Another and perhaps even less flattering explanation of Gu Zhun’s downfall also circulated: that he was personally ambitious, and worse, gave the appearance of being so. Gu Zhun’s unrepentant attitude—even after he understood the precariousness of his position—probably only enhanced his reputation for arrogance.⁵⁹

Evidence suggests that Gu Zhun had some support. After his dismissal, superiors did him good turns, finding him work, securing entrance for his child into the elite Shanghai Party Committee nursery school, and getting him a transfer to the Economics Department of the Central Party School in 1956 over the objections of his own work unit. Nevertheless, two attempts to petition his organizational superiors to revisit the 1952 verdict failed. Perhaps no written verdict existed to amend. When, eleven years after his death, his family went to handle the formalities attendant to the Central Party Committee’s reversal of his case in 1985, no record of his dismissal could be found. Without definitive proof, several theories have been mooted. Gu Zhun eventually decided the tax controversies had tripped him up. Some biographers have suggested that Gu Zhun was a collateral casualty of a larger national factional battle in which Mao removed two men he thought had plotted to take power. Gu Zhun’s own brother understood it as a problem of personality.⁶⁰

Gu Zhun's influence grew after his death in 1974, two years before Mao died. Interest in him was carried forward by the people, writings, and reputation he left behind. Many colleagues survived persecution in the Cultural Revolution, and in the post-Mao era found themselves returning to positions of prominence. His subordinates regained positions and served as consultants on Shanghai's tax work in the 1980s, and Pan Xulun spearheaded the revival of the reinvigorated Lixin Academy.⁶¹ One imagines that even a former rival like Xu Dixin, who had his own struggles in the Cultural Revolution, might have pondered how narrowly he avoided his former colleague's fate. Most important, Gu Zhun's brother collected his writings. Reissues of Gu Zhun's accountancy primer appeared in the 1980s, along with his writings on economics, government, and philosophy.⁶² By these means, his conception of accounting as a neutral technology that might help develop China gained ground.⁶³

Publishing more personal or pointed material still proved difficult. Only in 1987 did his brother find a sympathetic reader at the Shanghai People's Press who appreciated its politics as well as style: "the writing is concrete and clear, the style incisive, and it stirs the heart—you can't put it down...the author was loyal to the revolution, loved the people, and wrote out of concern for the nation."⁶⁴ From there, matters gained momentum. Gu Zhun was an appealing figure, whose journey from youthful idealism to a more nuanced, even jaundiced empiricism mirrored the odyssey of a generation. The acute extremes he experienced combined to make him seem quintessential. Old comrades remembered Gu Zhun and his achievements, while a younger generation discovered him and recorded their emotional and intellectual reactions to his writings in popular journals.⁶⁵

In most of this eulogizing, Gu Zhun became more symbol than man. The way his surviving peers revere him reveals how they approach and understand their own experience. The violence of their metaphor—one man describes him tearing out a rib to tap his way through a benighted landscape—is striking. How the students, technocrats, and intellectuals of contemporary times relate his struggles to their own shows how they imagine the PRC’s past and present, and their own place in it. In both cases, Gu Zhun is a romantic but serious figure; his wonkish grasp of taxes is as essential to his lionization as it was to his disgrace. To many, he presents an alluring counterfactual possibility, about what could have been.

Gu Zhun’s brother finally framed the object lesson as a question of personalized power: “according to some leaders’ likes and dislikes, or for the sake of controlling individualistic cadres... [they] were able to decide these people’s fates as they like.” And yet, in the moral Gu Zhun’s brother drew from the tale, those in power would pay a price for this too. In his account, an unnamed man with decisive influence over the case had threatened that if Gu Zhun persisted in disobeying superiors, they “would not even give him food to eat.” Later, this same man supposedly complained that such a talented man was a rare find: “in this whole district we can’t find even a single cadre as good as Gu Zhun.” For Gu Zhun’s brother, these apparently opposing statements

seem to be in conflict, but actually just string them together and think carefully, and you realize that they are completely consistent; what he’s actually saying is that he recognizes ability, but you must submit—that is the most basic prerequisite; if you can do it, you’ll have everything, but if not, you won’t even get food.⁶⁶

In other words, the desire for talent would always be trumped by a distaste for dissent.

For Gu Zhun, unlike the others covered in this volume, the dilemma was never to stay or go. However much he had been formed by the bourgeois world of Shanghai, he was not a capitalist. When he borrowed from its playbook—with accounting, old-boy networks, tax strategy, or an acquired portfolio of local enterprises—it was to build socialism, albeit in a different image than would eventually emerge in the 1950s. In his restless activity and agnostic appropriation of business methods he resembled the entrepreneurs he knew so well even if he remained a loyal party member who shared its ultimate goals. He was a venture communist. As the product, advocate, and exemplar of a kind of bootstrapped professionalization, the meaning of Gu Zhun's life and career had long been derived from values other than pure loyalty. By 1952, he had run out of room to maneuver; his fall was just one early example of the great tide of de-professionalization that would change China in the years to come. Even the obvious reservoirs of support he retained within the party were not enough to rehabilitate him until the post-Mao era. From the perspective of the fate of capitalists in the 1950s, it was not so much that the new China was difficult for business, but that it became ultimately inhospitable to the style and values that derived from Shanghai's bourgeois world, whether espoused by capitalist or cadre.

¹ For descriptions of the economic team and their preparations see Wang Ruzhen, “Shan yu guo hou bu jian jun, bai hua cong zhong liu xiao rong: Shanghai jiefang qianhou Gu Zhun er san shi,” (Through Mountain and Rain without Meeting a Gentleman, From among Many Flowers Leaves a Smiling Face: A Few Matters about Gu Zhun before and after the Liberation of Shanghai) in Chen Minzhi ed., *Gu Zhun xun si lu* (Contemplating Gu Zhun) (GZXSL) (Beijing: Zuo jia, 1989), 331-336; and also Gu Zhun, *Gu Zhun zi shu* (Gu Zhun Memoirs) (GZZS) (Beijing: Zhongguo qingnian, 2002), 138-140.

² For Pan Xulun, the Lixin Academy, and accounting see Yeh Wen-hsin, *Shanghai Splendor: Economic Sentiments and the Making of Modern China, 1843-1949*, (Berkeley: University of California Press, 2007), 198-99; Robert Gardella, “Squaring Accounts: Commercial Bookkeeping Methods and Capitalist Rationalism in Late Qing and Republican China,” *Journal of Asian Studies* 51.2 (1992): 317-339; David Strand, *An Unfinished Republic: Leading by Word and Deed in Modern China*, (Berkeley: University of California Press, 2011), 162.

³ Gu Zhun’s early career is recounted in English in Yeh, *Shanghai Splendor*, 196-204, and also GZZS chs. 1-3.

⁴ Gao Jianguo, *Chai xia lei gu dang huo ba: Gu Zhun quan zhuan* (Tearing a Rib for a Torch: Biography of Gu Zhun) (GZQZ) (Shanghai: Shanghai wenyi, 2000), 267-8; Chen Xinhua, “Huiyi di yi ren shuiwu juzhang Gu Zhun,” (*Remembering the First Director of the Tax Department, Gu Zhun*) *Caishui zhi sheng*, June 10, 1990.

⁵ The thicket of agencies under Gu Zhun's control was dense. He took from the Shanghai municipal government its Finance Bureau, Land Administration Bureau, Accounting Office, and Auditing Office; and from the national Ministry of Finance its the Shanghai branches of its Commodity Tax Bureau, Direct Tax Bureau, Government Bond Office, and General Office. He had little use for some, and dissolved the Auditing Office, the Government Bond Office, and the General Office in short order; after putting the Land Administration Bureau in trusted hands, he rarely checked back on it.

⁶ These were on the one hand either capitalists like Zhang Qiwen, a commercial capitalist and relative of Huang Yanpei who had been politically active in the Shanghai Democratic National Construction Association and would go on to work for Gu Zhun in other offices; or so-called holdover personnel like Lu Ruoqian, who had worked for the tax office of the Nationalist government but who had been introduced by underground Party members. Details of staffing decisions are in GZZS, 139-142.

⁷ GZQZ, 273 has the Mei Lanfang anecdote. These are the recollections of Chen Danchen. There was confusion over the number of bureaus Gu Zhun headed. Chen had him heading the Commodity Tax Bureau, but Shanghai gazetteers indicated otherwise. Chen Danchen "Gu Zhun yu Gu Zhun riji," (Gu Zhun and the Gu Zhun Diaries) *Suibi* February, 1998. Found through a reference in Luo Yinsheng, *Gu Zhun zuihou ershiwu nian*, (Gu Zhun's Final Twenty-five Years) (GZ25) (Beijing: Zhongguo wenshi, 2005), 28.

⁸ GZZS, 193.

⁹ Pan Xulun, *Pan Xulun huiyilu* (Reminiscences of Pan Xulun) (Beijing: Zhongguo caizheng jingji, 1986), 51-52. At some meals others were present, for example, Nan

Hanchen, an executive at the Bank of China, or Wang Liangchen, a future head of the national Federation of Industry and Commerce.

¹⁰ Ibid., 52.

¹¹ Evidence of Lixin connections are evident in the backgrounds of personnel mentioned in GZZS, chs. 16-20. Details of the Lixin banquet and this anecdote are quotes from GZ25, 17.

¹² Li Hongshou “Huiyi Gu Zhun tongzhi er san shi,” (Remembering a Few Matters about Comrade Gu Zhun) in GZXSL, 317. In his own writing Gu Zhun just calls them capitalists. These were men like Zhang Qiwen or Wang Daifei, mentioned above, particularly the ones serving in the Direct Tax Bureau.

¹³ Ibid.

¹⁴ GZQZ, 290, 292.

¹⁵ GZZS, 201.

¹⁶ Chen Yun, “Kefu caizheng jingji de yanzhong kunnan” (Overcoming Serious Difficulties in Finance and the Economy) in *Chen Yun wen xuan* (Selected Writings of Chen Yun) (Beijing: Renmin, 1985) v. 2, 8.

¹⁷ These included the Shanghai Racecourse (present day People’s Square), the Sassoon Mansion (Peace Hotel), Hardoon Gardens (Shanghai Exhibition Center), the Cathay Apartments (Jinjiang Hotel), the French Club (Okura Hotel), and the Canidrome (Culture Square).

¹⁸ This tax was as effective but more obscure and was levied within the local political and fiscal context. Historically, the price of electrical power had been unequal across city districts, and was cheapest in the International Settlement where the American-owned

Shanghai Electric Company provided it at preferential rates. This promoted residential and industrial development there, and hindered urban planning. To compensate, Gu Zhun devised what amounted to an equalizing tax. He set different tax rates for different districts in order to equalize the price of power to the final consumer. This became an important and lasting source of city revenue, and Gu Zhun heard that when he visited Shanghai in 1962, it was still being collected, even though by then the power company was in state hands and the underlying price structure could have been changed. GZZS, 173. Deleted portions reproduced from the manuscript are in Luo Yinsheng, *Gu Zhun zhuan*, (Gu Zhun Biography) (GZZ) (Beijing: Tuanjie, 1999) 254-56.

¹⁹ Tuan-sheng Ch'ien, *The Government and Politics of China* (Cambridge: Harvard University Press, 1961), 212-14.

²⁰ The actual term he used was “direct tax,” which included the business operations tax on turnover and the earnings tax on profits.

²¹ GZZS, 145, 150-152. Shanghai finances stabilized by October 1949 and the quota increased thereafter; GZQZ, 279.

²² Wang Shaoguang, “The Construction of State Extractive Capacity: Wuhan, 1949-1953,” *Modern China*, 27.2 (2001): 229-261.

²³ Like the entire self-reporting system, the mechanism of “specially engaged auditors” was the suggestion of a democratic personage, Xu Yongzuo, a contemporary of Pan Xulun who had almost equal eminence in the accounting world. Gu Zhun noted that Xu resided in Shanghai during the Japanese occupation and had close relations with the enemy and with the capitalist class.

²⁴ Zhu Shangyi, *Shang Gong za yi* (Miscellaneous Pieces by Shang Gong) (Shanghai: Shanghai renmin, 1994) v. 2, 106-107. Found through GZXSL.

²⁵ GZZS, 152-53.

²⁶ *Ibid.*, 153-54. For an example of the approval of accountancy types, see Zhu Shangyi's praise in GZXSL.

²⁷ Xing Zongjiang and Huang Shouchen, "Zenyang jianli xin Zhongguo kuaiji lilun jichu?" (How to Establish a Theoretical Basis for Accounting in the New China?) *Xin Kuaiji*, 1 (1951): 12-16.

²⁸ This new socialist style of accounting would eventually be equated with Soviet accounting, which ironically maintained many of the techniques of capital accounting that Chinese critics objected to. Though focused primarily on the shifts in accounting from the Mao to the Deng era, the best English overview of the earlier debate is in Ezzamel, Xiao, and Pan, "Political Ideology and Accounting Regulation in China," *Accounting, Organizations, and Society*, 32.7 (2007): 669-700.

²⁹ GZZS, 147-8.

³⁰ *Ibid.*, 148, 151, 154.

³¹ *Ibid.* Gu Zhun himself admitted to being a part of this process: "In the 1930s when I revised the book *Earnings Taxes in Principle and Practice*, actually it was to aid capitalists in carrying out this kind of struggle."

³² His system was known as "specialized supervision, account checking, clerk cooperation." Wang Jihua, Wang Liang, and Zhou Xin all had objections to it. Gu Zhun implies that they had these objections because in his scheme he did not make good use of

shop clerks as collaborators. The Shanghai party committee gave consent but never issued a formal statement. Perhaps they were taking a wait and see approach. GZZS, 155.

³³ Ibid., 159-161; GZZ, 244-46.

³⁴ *Shuiwu tongxun* began its run earlier once the three bureaus merged; it was suspended by Pan Hannian during Three Anti campaign. GZZS, 162.

³⁵ Ibid., 162-3, 165-6.

³⁶ Gu Zhun remembered that the tax receipts in March 1951 (which included the earnings tax) were six times greater than in March 1950. GZ remembered it was 180 million yuan in 1951 compared to 30 million in March 1950. In fact, using the figures from the 1995 edition of the Shanghai Finance and Tax Gazetteer, Luo Yinsheng has shown that the difference was still greater, actually 10.8 times the size. GZZ, 248. GZZS, 163, 167-68. Zhu Ruyan to Chen Minzhi. See GZZ, 250 and Chen Minzhi, “Wo suo zhidao de Gu Zhun,” (What I Know of Gu Zhun) *Wenhui bao* March 31, 1994.

³⁷ GZZS, 174, 75-76

³⁸ Ibid., 145, 147. These people were Zhang Qiweng, Wang Zaifei, Chen Fuxiang, Hu Shisheng, also Liu Shaofu, Li Xiequan, Zhou Yukang (a friend of Lu Xiuyuan).

³⁹ Ibid., 176-7.

⁴⁰ Ibid., 184, 181.

⁴¹ Ibid., 183, 184.

⁴² Ibid., 177. Many municipal bureaus had factories that produced goods related to their function; for example, the Public Security Bureau owned a firefighting equipment factory.

⁴³ In textiles, the state-run Cotton Company (under East China) handled the sale of cotton to and the purchase of product from private mills, but stipulations of piece contracts and

fees fell under the rubric of private sector relations (under Shanghai) and so involved the municipal Bureau of Industry and Commerce.

⁴⁴ Ibid., 181-3.

⁴⁵ Examples include the Guangzhong Ranzhichang (later known as the Shanghai Rongbuchang), which had business trouble and needed investment; Yongxin Chemical (now Wujing synthesized Detergent Factory) and Tianshan Chemical (now Tianshan Plastics); and the Xiechang Sewing Machine Factory, and the Guanleming Pen Factory. Liu Xiao had invested in the latter during his underground days in Shanghai as a means of obtaining a cover identity as a manager. He turned over his shares to Gu Zhun's office.

⁴⁶ Ibid., 188.

⁴⁷ Ibid., 189, 191; these are the same so-called capitalist types who keep reappearing: Zhang Qiweng, Chen Fuxiang, and Han Hongchuo.

⁴⁸ Ibid., 178-9

⁴⁹ See Wang Yonghua, "Zhongguo lishi shang de jiguan shengchan," (Office Production in Chinese History) *Dangshi bolan* (2006.8): 41-43.

⁵⁰ GZZS, 197.

⁵¹ GZQZ, 316.

⁵² Wang Jihua had been a friend of Gu Zhun's since at least 1934, had been an underground cadre in Shanghai engaged in publishing and propaganda, and had been working in various parts of the Shanghai financial system since 1949. His was one of the families that shared Gu Zhun's house on Yuyuan Road.

⁵³ GZZS, 196.

⁵⁴ Ibid., 197. One of the reasons Gu Zhun's appointment was temporary might have been that the original choice was Xu Dixin, who was fortuitously sick.

⁵⁵ *Jiefang Ribao* February 2, 1952; Chen Minzhi, ed. *Wo yu Gu Zhun* (Gu Zhun and I) (WYGZ) (Shanghai: Shanghai wenyi, 2003), 22-26.

⁵⁶ GZZS, 209.

⁵⁷ *Renmin ribao* March 4, 1952.

⁵⁸ GZQZ, 334; also GZZ5, 57, quote from eldest son Gu Yidong.

⁵⁹ GZZS, 210, 211. For example, during the Cultural Revolution, when reviewing the reasons behind his condemnation as a rightist in 1957 (opposing the center by appending his rebuttal to the audit report on Shanghai's finances), he refused to admit his error: "Even now I still think my doing this was not wrong. The signed names on this audit report were Zhao Bingqian and Mi Qiuyang. I had clear reservations about the audit report of these two people, and I did not at all oppose the center." GZZS, 167, 168.

⁶⁰ GZQZ, 330-31; GZZS, 207. Gao, Gu Zhun's biographer, points out that in the summer of 1953 Mao spoke out against Gu in the context of the Gao Gang affair. Under the proposal of Bo Yibo at the Ministry of Finance, the tax system had lightened taxes on businessmen. Mao declared that this was capitalist and benefited capitalism rather than socialism. WYGZ, 37-48.

⁶¹ See Li Haibo, *Lixin kuaiji gaodeng zhuanke xuexiao zhi*, (Gazetteer of the Lixin Accounting Academy) (Shanghai: Lixin kuaiji, 1998).

⁶² WYGZ, 71.

⁶³ Ezzamel, Xiao, and Pan, "Political Ideology and Accounting Regulation in China," *Accounting, Organizations, and Society*, 694.

⁶⁴ WYGZ, 73.

⁶⁵ Many are usefully collected in GZXSL; these were publications like *Nanfang zhoukan*, *Dushu*, *Huanghe*, and *Zhongguo qingnian*.

⁶⁶ WYGZ, 37-48. Circumstantial evidence suggests the origin of this version came from Ren Piao-zhai, who transmitted it to Wang Bi in 1963. See GZQZ, 336.