Issues & Studies 35, no. 6 (November/December 1999): 29-58.

The Origins of State-Local Relations in Taiwan: A New Institutionalist Perspective*

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Many scholars have studied the importance of local factions in Taiwan's political economy since 1945. However, important historical and theoretical questions about Taiwan's local factions remain unanswered, possibly affecting the accuracy of scholarly analyses. Understanding the dynamics of Taiwan's factional politics requires an understanding of the political institutional environment and development dating back to Japanese and early Kuomintang (KMT) rule. This paper finds that the historical and institutional relationships between the "foreign" rulers and the local elite were very similar during these two periods. Similarities existed in government structure, initial control strategy, initial administrative quality, administrative reform, political control, local elite reaction to "foreign" rule, government rewards to the local elite (the third realm), and the business and social connections among the elite.

KEYWORDS: **Taiwan; politics; factions; history; institutionalism**

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*An earlier version of this paper was presented at the 1999 Annual Meeting of the American Political Science Association, Atlanta, September 2-5, 1999. This paper was supported by the National Science Council of the Executive Yuan, NSC 87-2418-H-004-018-S4. I thank Bruce Dickson, John Fuh-sheng Hsieh, Chi Huang, and two anonymous reviewers of *Issues & Studies* for their helpful comments, and Tzeng-jia Tsai for his research assistance.

theoretical questions about Taiwan's local factions remain unanswered, possibly affecting the accuracy of scholarly analyses.[1] For instance, where did local factions come from? Why did they choose to cooperate with rather than oppose the Kuomintang (KMT, Nationalist Party) government? Why has the KMT government, being an omnipresent Leninist state, been unable to rule the country without local factions? How did local factions maintain their bargaining advantages vis-à-vis the government and other local factions?

This paper suggests an understanding of the dynamics of Taiwan's factional politics requires the tracing of its institutional environment and development back to Japanese and early KMT rule (before 1958).[2] The institutional environment consists of both constraints and opportunities for factions to develop; the history of factional politics reveals its continuity and change. The next section will describe this historical-institutional approach and the major institutional agents involved in factional politics. Following is a study of factional politics during the Japanese and then KMT rule. The paper concludes with the major findings of these comparisons.

Institutional Relationships in Historical Perspective

The analytical framework of this paper takes new institutionalism (especially historical institutionalism) as a point of departure and tries to identify the formal and informal institutional factors that affected the be-

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[1]The exemplars of factional studies include Chen Ming-tung, *Paixi zhengzhi yu Taiwan zhengzhi bianqian* (Factional politics and Taiwan's political development) (Taipei: Yuedan, 1995); Wu Nai-te and Chen Ming-tung, "Political Transformation and Elite Mobility," in *Taiwanshi lunwen jingxuan* (Selected papers on Taiwan history), ed. Li Hsiao-feng, Chang Yen-hsien, and Tai Pao-tsun (Taipei: Yushanshe, 1996); and Joseph Bosco, "Faction versus Ideology: Mobilization Strategies in Taiwan's Elections," *The China Quarterly*, no. 137 (March 1994): 28-62. Although these studies provided very valuable data and analysis on Taiwan's factions, they were insufficient either because they did not trace the origin of factional politics to the first half of Japanese rule, or because they did not provide a systematic theory to examine the impact of state institutions, social institutions, and "third realm" institutions on the rise and consolidation of local factions.

[2]"Early KMT rule" is defined as the period of 1945-58, because the 1958 Taiwan Strait crisis and the 1959 Nineteen-Point Program for Economic and Financial Reform would gradually change Taiwan's factional environment.

havior of local factions in Taiwan.[3] A distinguished feature of Taiwan's factional politics before 1987 was that the government leaders were mostly "foreigners," i.e., Japanese and mainlanders. When first arriving on the island, these "foreign" rulers needed to engage in political transaction with local leaders in order to consolidate their regime. This transaction was filled with problems of insufficient information, cheating, monitoring, and contract enforcement on both sides, as described by North's theory about the market.[4] Therefore, both the ruler and local factions tried to develop a set of institutional relationships to protect and maximize their political and economic interests. Before introducing these formal and informal institutions of Taiwan's factional politics, however, necessary is to identify the major agents and their institutional assets for bargaining and exchange.

First, the states were colonial and dominant. Taiwan was ceded to Japan in 1895 and did not return to Chinese government control until the end of World War II; Japanese colonial rule lasted for fifty years. In 1945, the mainlanders took over the government machinery and maintained their control over the Taiwanese until 1987. Although both the mainlanders and the Taiwanese (except for the aborigines) belonged to the same race, differences in dialects, customs, and historical experiences as well as the extensive assimilation efforts by the Japanese rulers rendered the relationship between the mainlander rulers and the Taiwanese similar to a colonial relationship. Hence, I equate the early KMT state with the Japanese colonial empire.[5]

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[3]Following the usage by Crawford and Ostrom, institutions are defined as "enduring regularities of human action in situations structured by rules, norms, and shared strategies, as well as by the physical world. The rules, norms, and shared strategies are constituted and reconstituted by human interaction in frequently occurring or repetitive situations. Where one draws the boundaries of an institution depends on the theoretical question of interest, the time scale posited, and the pragmatics of a research project." See Sue E.S. Crawford and Elinor Ostrom, "A Grammar of Institutions," *American Political Science Review* 89, no. 3 (1995): 582. Scholars often subdivide new institutionalism into rational-choice, sociological, and historical institutionalism. For reviews of these subtypes of institutionalism, see Peter A. Hall and Rosemary C.R. Taylor, "Political Science and the Three New Institutionalism," *Political Studies* 44 (December 1996): 936-57; Ellen M. Immergut, "The Theoretical Core of the New Institutionalism," *Politics and Society* 26, no. 1 (1998): 5-34.

[4]Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990).

[5]I have no intention to inflame the debate about whether the Taiwanese are authentic Taiwan-

Both the Japanese and KMT states were dominant in the sense that they maintained a large, relatively rational bureaucracy, which, in different degrees, penetrated and controlled Taiwan's political, economic, and social spheres. The dominant states transplanted a large, rational bureaucracy to rule the island. The states commanded strong military forces to suppress rebellion. Both colonial states established effective intelligence organizations down to the local levels to monitor anti-government activities. Both states, moreover, dominated the economy through government enterprises and through the licensing of major economic activities of the island.

Second, local elite (factions) cooperated with the colonial rulers.[6] In the initial stage of colonial rule, the foreign rulers employed brutal military force to suppress rebellion. For the long-term consolidation of power, however, the colonial governments had to build up their legitimacy with the cooperation of local leaders. Taiwan's local factions were organized by those elite who possessed intellectual, economic, social, and/or political power in the local community. Because of their long-term and multiple networks with the local people, local factions acquired local privileged information critical for the colonial rulers, whose control over society was limited by language and cultural barriers. In other words, local factions emerged in Taiwan as a collective response to a foreign regime by local elite in order to protect or maximize their interests. Thus, local factions assumed political roles and served as "linking-pin organizations"[7] connecting

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ese or Chinese, in concisely ethnic, cultural, or political terms. One can reasonably argue that before 1958, the majority of the Taiwanese could not fully identify with the mainlanders as a "we-group," either through spoken language or through extensive cross-ethnic marriage, except in imposed political terms. The term "foreigner" is used here to reflect this strong feeling of differences. The February 28th Incident of 1947 certainly did not help to dilute this feeling of separateness. With the success of KMT socialization programs and increased cross-ethnic marriages later on, this strong feeling subsided rapidly but remained significant in Taiwan's politics until the 1990s.

[6]For the sake of simplicity, the terms "local elite," "local leaders," and "local factions" are used interchangeably in this paper, except for a few places where making a clearer distinction is necessary. For analytical complexity, these terms do not refer to the same entities. For instance, some local elite, such as doctors and educators, do not necessarily belong to any faction. But in the study of Taiwan's factional politics, which is the main concern of this paper, politicians and analysts have used these terms interchangeably without much confusion. The key element of local faction in this analysis is its collective and political nature.

[7]Howard Aldrich and David A. Whetten, "Organization-Sets, Action-Sets, and Networks," in *Handbook of Organizational Design*, ed. Paul C. Nystrom and William H. Starbuck, vol.

the local people with the colonial governments. Local factions were organized mostly around family ties, but business relationships and political connections often served as a reinforcement to family loyalty. Neither the Japanese nor the KMT colonial government, despite how omnipresent and omnipotent they were described as by the statists, was able to find substitutes for these complex social, business, and political relationships. However, these social, economic, and political relationships might lead to splits within and the decline of factions as well, due to conflicts within and among factions.

Third, the effective rule of the colonial governments was due not only to their large and rational state apparatus, but also to the existence of a "third realm" where both colonial governments and local elite jointly ruled society.[8] The existence of an extended third realm could not eliminate all political movements against the government—including the Taiwan Cultural Association and the People's Party of the 1920s as well as the *Free China Journal* of the 1950s—yet could greatly restrain the influence and growth of such movements.[9] The content of the third realm included local administrative functions, symbolic consultative positions, and licensed business, social, and political activities (see figure 1).

The most important formal institutional factors that affected Taiwan's economic and political agents included the constitutional and legal systems, which specify the relationships among government branches and between the state and the people. The military and the police were employed to enforce law and order. The government had control over monopolies

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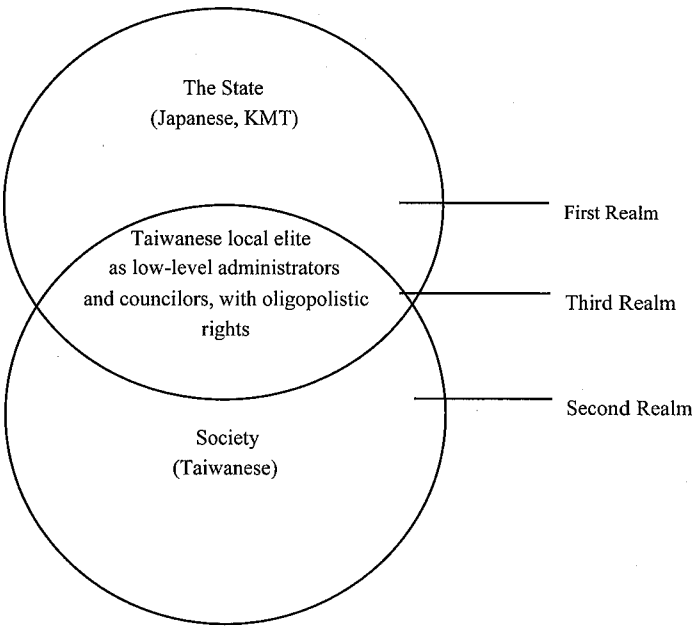
1: *Adapting Organizations to Their Environments* (New York: Oxford University Press, 1981).

[8]I borrow the term "third realm" from Philip C.C. Huang's seminal piece on the distinguished nature of Chinese societies. He suggests that the analytic strategy of state versus society might be insufficient when applied to Chinese societies. Instead, Chinese societies always reveal three tiers of governance: the state, society, and a "third realm" where both the state and society jointly govern. See Philip C.C. Huang, "Public Sphere/Civil Society in China," *Modern China* 19, no. 2 (1993): 216-40.

[9]For descriptions of these political movements, see Chen Li-fu, *Rizhi shiqi Taiwan zhengzhi yundong zhi yanjiu* (A study of Taiwan's political movements during the period of Japanese rule) (Taipei: Daoxiang, 1996); and Chi Kuang-yu, *Zhonghua minguo de zhengzhi fazhan: Minguo sanshiba nian lai de bianqian* (Political development of the ROC: The transformation since 1949) (Taipei: Yangzhi, 1996).

Figure 1
Three Realms of Governance in Taiwan



and licenses, which were used to encourage political cooperation by local elite. Low-level administrative offices and symbolic consultative positions were offered to local elite in order to strengthen legitimacy and to consolidate local rule.

The informal institutional factors consisted of the norms and conventions about how the above relationships actually proceeded in real politics. Did the government set limits on the reward and punishment of factional behavior? Was the clientelistic relationship stable? How did local elite interact with one another?

For the rulers, these formal and informal institutional relationships were developed to assist the government in controlling the political activities of the population, mobilizing the economic resources of society, and maintaining their legitimacy. For the local factions, these relationships were to protect and maximize their political and economic interests. The next two sections explain these institutional relationships during both the

Japanese and early KMT rule.

The Japanese Rule

The formal institutions of the Japanese government in Taiwan prescribed a centralized state with little political power shared by other branches of the government (legislative or judicial) or by local governments. In May 1895, Admiral Sukenori Kabayama was appointed the first governor of Taiwan to take over the island from China. At the initial stage of colonial rule, armed rebellions by Taiwanese occurred frequently. In 1896, the Japanese government promulgated Law No. 63 which authorized the governor in Taiwan to hold military, administrative, legislative, and judicial powers and to retain strong autonomy from Tokyo supervision.[10] At the same time, the governor established the bureaucratic system according to the Japanese model. It should be noted that the initial quality of the Japanese rulers was rather low. Corruption, inefficiency, and abuses of human rights were widespread, which provided political ammunition to rebellion forces. In its first three years of rule, the colonial government itself was further paralyzed by internal factional struggle between military officers and civil servants, as well as between the administration and the judiciary.[11] These problems did not lessen until Gentarou Kodama, the fourth governor (1898-1906), adopted extensive government reforms and purged 1,080 incompetent officials.[12]

Three major formal institutions helped consolidate Japanese rule in Taiwan: the military and police/*baojia*, government monopolies and licenses, and government symbolic positions. The colonial governments, initially led by the military (1895-1919), employed brutal force to suppress rebellion. In fact, after the devastation of rebel forces in Keelung upon the

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[10]Chung Shu-min, "A Study of the Establishment of the Colonial System and the Personnel Change of the Government in the Early Period of Japanese Rule, 1895-1906" (Part I), *Shilian zazhi* (Journal of History) 14 (1989): 86-87, 91.

[11]Ibid., 53-59.

[12]Ibid., 62-63.

landing of Japanese in Taiwan, resistance movements turned out to be sporadic, weak, and short-lived. Rebel forces lost an estimated 11,950 casualties in the first seven years of Japanese oppressive rule.[13] Beginning in 1898, three years after the Japanese arrival in Taiwan, the military government gradually replaced the military suppression strategy with a negotiation strategy and the police/*baojia* system.

The police system was transplanted from Japan when the army took over the island in 1895. At the beginning, the police were subordinated to the military police and policemen were all army soldiers. In 1901, governor Kodama implemented extensive administrative reforms and established an independent and powerful police system. The police were given enormous power to maintain law and order in its broadest meaning, including responsibility for regular police functions, census data collection, tax collection, education, and the monitoring and harassment of political dissidents.[14] The police system was so well-established that most political dissidents chose to flee the island to Japan or China. Those who stayed in Taiwan could exert their influence only among a very small circle of intellectuals.

Most of the 8,000-plus police were Japanese; a few hundred Taiwanese were also recruited, however, to assist the Japanese for translation and investigation work. The Taiwanese police were recommended by local elite to the Japanese rulers, and rarely received promotion to higher ranks in the system.[15] However, this little "third realm" provided a link between the colonial state and local elite for the joint rule over society.

A larger and more critical third realm existed in the *baojia* system. The third governor Maresuke Nogi promulgated the "*Baojia* Regulations" in 1898 but lacked implementation details. Governor Kodama energized the *baojia* system with expanded financial resources and personnel sup-

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[13]Sima Hsiao-ching, *Taiwan wuda jiazu* (Taiwan's five big families), 2 volumes (Taipei: Lianjing, 1987), 2:85.

[14]Tsai Yi-ta, "A Study of the Basic-Level Governing Institutions of the Taiwan Colonial Government: The *Baojia* System and the Police" (Master's thesis, Chinese Culture University, 1988), 133, 136.

[15]Ibid., 137-41.

port. Most important of all, he recruited reputable local elite into the system in order to improve the image of the colonial government.[16] Ten families constituted a *jia*, and ten *jia* constituted a *bao*. Japanese officials in the local administration appointed local elite as heads (*zhang*) of each *jia* and *bao*. These *jia* and *bao* heads assisted the police in tax collection, land survey, household survey, road construction, public sanitation, and reforming bad cultural habits.[17] All residents in the *baojia* system held collective responsibility in reporting anti-Japanese movement and suspects. In areas of insurgencies, the Japanese police trained and provided arms to adults in the *baojia*. The Japanese colonial government effectively maintained the *baojia* system until two months before the end of World War II. The KMT government later rebuilt the system, with a few modifications.[18]

Government monopolies and licenses were the second type of institutions that helped consolidate Japanese rule. From 1898 to 1902, the colonial government nationalized the major economic activities of the island, including mining and the production and distribution of salt, sugar, camphor, and opium.[19] The colonial government, joined by Japanese trading companies, ran these businesses. For economic and political reasons, however, the colonial government also granted licenses to local elite who were either efficient producers or political supporters of the government.

After an initial crackdown on rebellion, the colonial government began to reward loyal local elite with government nominal positions, such as councilors (*huiyuan, yiyuan*) and administrative heads (*zhang*) at the village, city, and county levels. Most of these positions resulted from the administrative reforms implemented during Den Kenzirou's rule (1919-23), the first civilian governor of the colonial government. These government

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[16]Hung Chiu-fen, "Taiwan's *Baojia* and the Movement for Life Improvement, 1937-45," *Shilian zazhi* 19 (1991): 73.

[17]Tsai, "A Study of the Basic-Level Governing Institutions," 168-70.

[18]Assisting the heads of *bao* and *jia* were the secretaries of *bao* and *jia* (*baojia shuji*), who later became the employees of KMT local governments. Tsai Hui-yu, "A Study of Taiwan's *Baojia* Secretaries during the Period of Japanese Rule, 1911-45," *Taiwanshi yanjiu* (Study of Taiwan History) 1, no. 2 (1994): 22.

[19]Tseng Yu-kun, "A Short Biography of Taiwan's Governors during the Period of Japanese Rule," *Shilian zazhi* 14 (1989): 69-70.

positions, however, were either low-level administrative positions with little autonomous power or were consultative positions with no supervisory or budgetary power. These positions, nevertheless, served as a stamp of approval by the colonial government as model citizens. With this stamp of approval, the incumbent could generate further economic and social benefits. The Japanese occupied all middle-to-upper positions in the colonial government. Even at the lowest levels of administration, village and city heads were filled mostly with Japanese.

In 1935, the colonial government allowed the Taiwanese to elect councilors at the village, city, and county levels. Taiwanese citizens of twenty-five years old, self-sufficient in livelihood, having attended local organizations for more than six months, and having paid local taxes, were eligible to vote or run for office. These residents elected village and city councilors, who, then, elected county councilors.[20] This indirect system of election helped to consolidate the political hierarchy of local factions, as factional members needed to choose among themselves candidates for the upper-level posts.[21]

Although powerful in formal institutions, the colonial government could not effectively rule the Taiwanese without the assistance of local elite. Who were these elite? How did they interact with the colonial rulers? What were the "specialized assets" they had that the colonial rulers could not acquire?

Due to the limited availability of historical data sets, I chose to rely on two sources: the two-volume historical accounts of *Taiwan's Five Big Families* written by Sima Hsiao-ching[22] and the local elite data set collected by Wu Wen-hsing.[23] By examining the history of the "five big families," certain important informal institutional relationships among the most im-

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[20]Ibid., 78.

[21]A similar buildup of local factions from low to high-level elections was present in the Philippines from 1899 to 1907. See Onofre D. Corpuz, *The Philippines* (Englewood Cliffs, N.J.: Prentice Hall, 1965), 96-97.

[22]Sima, *Taiwan wuda jiazu*.

[23]Wu Wen-hsing, *Riju shiqi Taiwan shehui lingdao jieceng shi yanjiu* (A study of the social elite during the period of Japanese rule) (Taipei: Chengchung, 1992).

portant ruling elite can be identified to exemplify the political clientelism of the colonial rule. By contrast, the local elite data set, which is the most reliable and comprehensive data set on Taiwan's local elite during Japanese rule, reveals institutional relationships in general. It is possible that the "five big families" might exhibit political attributes different from the average local elite. However, the following analysis will demonstrate that, for the analytical questions raised in this paper, these two data sets reveal similar attributes for both types of elite. The following description of the big families will focus on the family's political, social, and business connections which constituted their "privileged information network."

The "five big families" referred to the Yen family in Keelung, the Lin family in Panchiao, the Lin family in Wufeng, the Ku family in Lukang, and the Chen family in Kaohsiung. The Yen family prospered in the coal mining business in the late Qing Dynasty, before the Japanese arrival. In 1896, the Japanese government confiscated all mines and issued mining licenses to large Japanese companies. However, without the cooperation of local people in production and distribution, many of these large companies soon accumulated deficits. The Japanese thus began to sublease the mining business to local elite. A member of the Yen family, who was skillful in communicating with both the Japanese and local people, took up the lease of gold and coal mines and prospered. He further subleased the mining rights to other local elite, and established a huge business empire.

The Yen family network was not confined to business relationships with other local elite only. The family donated land and money to establish a primary school for the children of mine workers, thus consolidating the relationships between the capitalist and the workers. Furthermore, via marriages the Yen family built up various political connections with newspaper editors, lawyers, nationalist activists, and other political families (e.g., the Lin family of Panchiao). However, as compared to other big families discussed below, the Yen family did not establish very solid and important political connections. Only two or three members of the Yen family held administrative or consultative positions in village governments.[24]

[24]Ibid., 164.

In terms of assets, the Lin family of Wufeng was the second largest Taiwanese family during Japanese rule. The Lin family prospered in the late Qing Dynasty in the area of agricultural production and by military contributions to the dynasty. The family, with its own militia and financial support, helped the government to suppress local bandits affiliated with a nationalist rebellion movement, and defeat French troops invading Taiwan. The Qing government rewarded the Lin family with official positions and the lucrative monopoly rights over camphor production and distribution. The Lin family became the largest producer of camphor products before the Japanese arrival.

The Lin family, headed by Lin Hsien-tang, maintained a hostile relationship with the colonial government throughout Japanese rule. On the economic side, the colonial government established a monopoly bureau to govern the production and distribution of wine, cigarette, and camphor. The Japanese confiscated the Lin's lucrative camphor enterprises with only token compensation. Later on, the Lin family survived by relying on their real estate business, the family heritage since the Qing Dynasty. Lin Hsien-tang also helped to establish a bank mostly funded by the Taiwanese landlords to compete with all other Japanese-owned banks. On the political side, the Lin family had organized, though unsuccessfully, armed rebellions against the Japanese takeover. Afterwards, Lin Hsien-tang espoused Taiwanese nationalism in cultural affairs to counter the assimilation efforts of the colonial government. The family established the first locally funded high school in Taiwan during the colonial period.[25]

Why did the Japanese government tolerate the Lin family's uncooperative behavior? First, the family's anticolonial behavior was mostly restricted to cultural activities, which presented no organized, grass-roots threat to the government. Second, the Lin family maintained various connections with other prominent Taiwanese, e.g., the Ku family, who were trusted by the Japanese governments.[26] It is worth emphasizing that even

[25]Ibid., 98-103.

[26]Ku Chen-fu participated in Lin Hsien-tang's education-related, banking, and trading business. The Lin family of Panchiao was also a shareholder of the trading business. Ibid., 104, 109, 110.

though Lin and Ku disagreed strongly on political matters,[27] they maintained good business relationships. Finally, one member of the Lin family, Lin Lie-tang (Lin Hsien-tang's cousin), collaborated closely with the new government and held various governmental positions. Other members of the family, including Lin Hsien-tang's sons, held administrative positions in local governments.[28] These political connections might have served as a buffer between the government and Lin Hsien-tang.[29] On balance, the Lin family of Wufeng survived colonial rule, but was unable to expand their wealth to any real degree due to its political stand. In fact, among the largest five families, the Lin family established the smallest number of new enterprises during the period of Japanese rule.

The Chen family of Kaohsiung prospered in the sugar business in the late Qing Dynasty. Chen Chung-ho, the founder of the family business in sugar, provided loans to sugar cane farmers in exchange for their stable harvest supply. Then, the family company took charge of the processing and distribution, almost monopolizing the sugar business in the city. When the Japanese came, Chen cooperated closely with the colonial rulers both politically and economically. On the political side, he helped conclude a critical negotiation between the colonial government and a strong rebel force. The colonial government allowed the rebel force to control a village and settle down, but later reneged on the deal and killed the rebel leader. At the same time, Chen was appointed head of an armed *bao* to help maintain law and order.[30] Around the breakout of the Russo-Japanese War in 1904, he made contributions to the colonial government by reporting the movement of Russian battleships in the Taiwan Strait and by donating money to the government. Most importantly, he consolidated his relationship with the colonial governor Kodama via various personal financial do-

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[27]Lin was a strong supporter of the "Establishing the Taiwan Assembly Movement," which aimed to strengthen the Taiwanese political participation. But Ku led an opposing movement, the Public Interests Association, to discredit the Taiwan Assembly Movement.

[28]Wu, *Riju shiqi Taiwan shehui lingdao jieceng shi yanjiu*, 174-76.

[29]Sima Hsiao-ching, *Taiwan haomen shijia: Ku Chen-fu jiazu* (Taiwan's big families: The Ku Chen-fu family) (Taipei: Yushanshe, 1998), 1:103-4.

[30]Ibid., 173.

nations.[31] He became the governor's major political and economic advisor in southern Taiwan.

On the economic side, Chen cooperated with a Japanese sugar company to jointly confiscate agricultural land around their factories and to force sugar cane farmers to sell their harvest to these two companies, an action which later led to periodic farmer protests.[32] In 1941, Chen's sugar-processing factories were merged by the Japanese company, but the family still retained large tracts of land, which provided the economic basis for the Chen family's postwar political prosperity. In addition to sugar processing, Chen also received from the colonial government monopoly rights over salt production and distribution. Other family businesses included commodity trade, real estate transactions, banking, insurance, ice production, and newspaper fields.[33]

In addition to his political connections with the colonial government and various business connections, Chen and his offspring established numerous networks with both the government and prominent leaders in Taiwan. Chen and his sons were appointed county councilors (*zhou xieyihui yiyuan*). His sons also took up various positions in the government's monopoly businesses. Chen also had close business relationships with the Ku family.[34]

The largest Taiwanese family during the period of Japanese rule was the Lin family of Panchiao. In contrast to other big families, which prospered through a few business activities, the Lin family became the most prominent family in the late Qing Dynasty due to very diversified business activities, important military and administrative positions, and marital linkages with high-level Chinese officials.[35] When the Japanese came, the family cooperated with the colonial government and Japanese companies, and

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[31]Ibid., 177.

[32]Ibid., 165.

[33]Ibid., 177.

[34]Ibid., 184-90.

[35]All of these official positions, however, were paid for, a practice common in the late Qing Dynasty to increase government revenue. Hsu Hsueh-chi, "The Lin Family of Panchiao during the Period of Japanese Rule," in Li, Chang, and Tai, *Taiwanshi lunwen jingxuan*, 82, 118.

established ten new family enterprises in trust, banking, sugar production, construction, building materials, rice processing and distribution, chemicals, and newspaper fields.[36] With respect to political connections, many family members took up positions in local governments and councils. The Lin family also joined the loyal movement to oppose the Taiwan Assembly Movement, which was sponsored by the Lin family of Wufeng.[37] The Lin family had business and/or marital relationships with all other four big families. Two major figures of the family married Japanese women.[38]

Although not the largest in terms of assets, the Ku family was certainly the most prominent in terms of political influence during the period of Japanese rule. The founder of the influential Ku family was Ku Hsien-jung, who was an inconspicuous trader before the Japanese came. He prospered by helping the colonial government to consolidate its rule. He represented Taipei's business elite to lead the Japanese army to enter Taipei. He requested and was granted by governor Kabayama a militia chief to protect Taipei's business elite.[39] Three years later, as the colonial government faced strong rebel resistance on the island, Ku proposed to governor Kodama three strategies to consolidate Japanese rule. One was to negotiate with rebel forces with sticks and carrots, with Ku as chief negotiator. Another was to establish the *baojia* system in every city and village. The third strategy was the proposal that the Japanese government monopolize the production and distribution of camphor, salt, tobacco, wine, and sugar, with licenses issued to loyal local elite. All three strategies turned out to be very effective in terminating organized rebel forces and in consolidating Japanese rule.[40] Ku's other political contributions included spying on the Russian battleships during the Russo-Japanese War (as did the Chen family) and organizing the Public Interests Association (*gongyihui*) to criticize the Taiwan Assembly Movement.[41]

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[36]Sima, *Taiwan wuda jiazu* 2:48-52.
[37]Hsu, "The Lin Family of Panchiao," 78.
[38]Ibid., 118.
[39]Sima, *Taiwan wuda jiazu* 2:84-86.
[40]Hsu, "The Lin Family of Panchiao," 86, 93-98.
[41]Ibid., 108-12.

Based on his political connections, Ku rapidly expanded his family enterprises. His businesses included agricultural and industrial activities such as the production and distribution of rice, fish, sugar, timber, tea, pineapple, cement, and iron; and commercial activities such as trust, cigarette wholesale, opium trade, banking, real estate transactions, newspaper, and foreign trade.[42] Many of these businesses were related to oligopolies or government licenses.

What can we conclude from the above analysis regarding the institutional relationships the five big families had with the colonial government and among themselves? First, the colonial government established clientelistic relationships with the five big families. The government provided monopoly rights, government-sanctioned business opportunities, low-level administrative positions, and high-level nominal consultative positions to these big families. In return, the big families helped the colonial government to suppress anti-Japanese activities, mobilized local support for government policies, and assisted the government in developing the economy. Second, the big families extended their connections with other local elite by diversifying their business activities, joint ventures, and marital relationships, regardless of differences in political standpoints (e.g., the Ku family versus the Lin family of Wufeng). The Lin family of Panchiao, the Yen family, and the Ku family had joint ventures in at least three enterprises.[43] These multiple networks served as an insurance policy at times of political and economic downturn, and as catalysts for further business expansion in normal times.

The pattern of multiple networks was not limited to the five big families alone, but was also repeated by Taiwan's other local elite during Japanese rule. Based on the local elite data collected by Wu Wen-hsing, this author found the following statistics that support this thesis.[44] Among the

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[42]Ibid., 108, 111.

[43]Sima, *Taiwan wuda jiazu* 2:172.

[44]Wu's data set did not include some important elite. For instance: the Yen family of Keelung had only two unimportant representatives in the data set; the Lin family of Panchiao was totally absent from the data set. See Wu, *Riju shiqi Taiwan shehui lingdao jieceng shi yanjiu.*

total 222 families in the data set, 193 had family members holding positions in the colonial government as nominal administrative chiefs in villages, towns, cities, and counties, or as consultants to local and provincial governments. Among these 193 families that held official positions, 164 families managed about 1.6 different enterprises on average. This average is a gross underestimate, because the original data very often used the word "entrepreneur" or "capitalist" to describe the elite's various enterprises. For instance, members of the Ku family were all entrepreneurs, and I counted them as one family enterprise. In fact, the Ku family managed more than ten different enterprises. This author estimates that each family, in actuality, managed at least three different enterprises. These statistics demonstrated, first, that the colonial government systematically built clientelistic relationships with local elite in order to consolidate political control. Second, these local elite were selected as liaison between the government and the Taiwanese probably because they had multiple connections with the local people through their various business activities.

The Early KMT Rule

The history and institutional relationships of the early KMT rule were very similar to those under the Japanese, with only minor differences. In terms of formal institutions, the KMT government had similar attributes as the Japanese colonial government.[45] In fact, at the end of World War II when the KMT was contemplating the reconstruction of Taiwan's administrative system, a "parallel principle" was laid down; the new Taiwan government would have a similar structure, including departments and administrative layers, as the colonial government had.[46]

When the Japanese government returned Taiwan to the Chinese gov-

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[45]For a description of the authoritarian government, see Wu Wen-chen, *Taiwan de minzhu zhuanxing: Cong weiquanxing de dangguo tixi dao jingzhengxing de zhengdang tixi* (Democratic transition in Taiwan: From an authoritarian party-state system to a competitive party system) (Taipei: Shiying, 1996).

[46]Cheng Tzu, "The Takeover and Reestablishment of the Postwar Administrative System in Taiwan," *Shilian zazhi* 19 (1991): 131.

ernment in 1945, the KMT sent a military leader, Chen Yi, to govern Taiwan. According to the Bylaws of the Taiwan Provincial Administrative Office, the head of the Office enjoyed military, judicial, legislative, and administrative powers. Chen was responsible only to the supreme commander President Chiang Kai-shek, who was busy fighting the civil war in mainland China. Thus, strong similarities existed between the Japanese colonial governor and the KMT leader upon takeover: both enjoyed four types of power based on a special law, and both had political autonomy from their homeland superior.

In 1946, representative bodies were established in Taiwan from the village level to the provincial level. These representative bodies served, however, only as consultative institutions and had no significant influence over the Office's policies. In 1949, the KMT government, driven out by the Chinese Communists, moved to Taiwan and immediately imposed martial law on the island. Along with the KMT came the National Assembly, the Legislative Yuan, and the Judicial Yuan—the other branches of government. However, these representative and judicial organizations had earlier been subordinated to the administration under the Temporary Provisions in 1948.

Similar to the early Japanese colonial government, the early KMT government from 1945 to 1947 was characterized by corruption, human rights violations, and inefficiency. President Chiang Kai-shek kept the best troops and bureaucrats in China to fight the civil war, while sending undisciplined armies and incompetent bureaucrats to Taiwan. Severe conflicts between the mainlanders and the Taiwanese soon emerged. Factional rivalries within the KMT government further exacerbated the problem of governing, which culminated in the February 28th Incident in 1947 as described below. Government inefficiency and corruption did not improve until the KMT implemented administrative reforms in the early 1950s, which resembled the timing and reforms introduced by Governor Kodama three years after the takeover.

During Japanese occupation, three sets of formal institutions helped consolidate Japanese rule in Taiwan: the military and police, government monopolies and licenses, and symbolic government positions. The KMT government adopted very similar institutions to govern Taiwan, with only

minor differences.

The first major military crackdown on the opposition movement was the February 28th Incident that occurred in 1947. The incident has so far been depicted as a result of racial conflict between the mainlanders and the Taiwanese. However, serious scholarly work reveals that the real cause of the incident was more complicated. The process and consequence of the incident, this paper argues, had important effects on the institutional relationship between the local elite and the government. According to Chen Ming-tung[47] and Chen Tsui-lien,[48] factional conflict, instead of racial conflict, was the real cause of the incident. These factions were not the local factions organized by Taiwanese local elite, but rather factions within the KMT (e.g., the CC faction, the Administrative faction, the Youth Corps faction) and of some categories of the Taiwanese (e.g., the Taiwanese living in China and Taiwanese nationalists). Chen Yi, the first head of the Taiwan government, belonged to the Administrative faction. He grabbed all political and economic power during his administration, and other factions waited for an opportunity to topple Chen. The February 28th Incident was one such opportunity.

Started as a minor incident about arresting a vendor selling smuggled cigarettes, other factions soon organized large-scale demonstrations and expanded political demands. The political struggle careened out of hand and ended in a massacre of about 10,000 Taiwanese. Were these 10,000 Taiwanese factional elite? Although many were professionals (doctors, lawyers, teachers, etc.), they probably were not local factional leaders or members. I checked the roster of the February 28th Incident victims; few of them belong to the local elite data set collected by Wu Wen-hsing.[49] During the massacre, Chen Yi proposed a list to President Chiang of about thirty persons to be arrested and/or executed. None was in Wu's data set.

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[47]Chen, *Paixi zhengzhi yu Taiwan zhengzhi bianqian.*

[48]Chen Tsui-lien, *Paixi douzheng yu quanmou zhengzhi* (Factional conflict and conspiracy politics) (Taipei: Shibao, 1995).

[49]Among the victims, Lin Hsueh-ping of Tainan was a county administrative head and Juan Chao-jih was a village councilor. Lin's name was in Wu's data set, while Juan was probably a member of the Juan family of Kaohsiung listed in the data set. Wu, *Riju shiqi Taiwan shehui lingdao jieceng shi yanjiu.*

Among the thirty persons, thirteen lived in the Taipei area; three in Taichung; four in Tainan; one each in Keelung, Hsinchu, and Kaohsiung; and four unknown. The geographic distribution of these "major criminals" probably implies that the massacre occurred only in certain cities, not a blanket, island-wide massacre. Therefore, most of the local elite were left intact during the incident.

After the incident, the mainlander government did not fully consolidate its rule until 1952, when the KMT had just completed an internal restructuring and extended its political control to all categories of social activities.[50] In addition to the police/*baojia* system[51] employed by the Japanese ruler to monitor political opposition, the KMT government established about six systems of intelligence collection, including the omnipresent KMT party cells. Chiang Ching-kuo, the eldest son of President Chiang, transplanted the Leninist party organization on the island.[52] In all social organizations with more than a couple hundred members—such as the army, government agencies, schools, business associations,[53] labor unions, and large companies—the KMT would establish party cells and hierarchies to monitor the political activities of these organizations. Most of the heads of local party organizations were personal followers of Chiang Ching-kuo, who established the Chinese Anti-Communist Youth Corps in 1952 to train Taiwanese cadres.

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[50]For the party reform, see Chi, *Zhonghua minguo de zhengzhi fazhan*, 222-54.

[51]In order to remove their bad reputation but retain their functions, *bao* and *jia* were merged into the village, town, city, and county governments immediately after the February 28th Incident. *Bao* became *li*, containing between 150 and 300 families. *Jia* became *lin*, consisting of 6 to 15 families. *Li* and *lin* also had administrative heads, which later became vote mobilizers at elections. See Cheng, "The Takeover and Reestablishment of the Postwar Administrative System," 132.

[52]On the relationship between Chiang Ching-kuo and the KMT party/security system in Taiwan, see Chiang Nan, *Chiang Ching-kuo zhuan* (Biography of Chiang Ching-kuo) (Taipei: Qianwei, 1997). For descriptions of KMT corporatist organizations, see *Toushi dang zhongyang* (Fluoroscoping the party center) (Taipei: Fengyun luntanshe, 1986).

[53]Chao's research found a strong continuity of Taiwan's business associations before and after 1945. There was, however, a major difference. During Japanese rule, the central government disliked pluralist business associations, while the local governments maintained a cooperative relationship with them. After 1952, the KMT reorganized business associations into state-corporatist associations. See Chao Yu-chih, *Riju shiqi Taiwan shanggonghui de fazhan 1895-1937* (The development of Taiwan's business associations during the period of Japanese rule 1895-1937) (Taipei: Daoxiang, 1998).

These party organizations, along with the police/*baojia* system inherited from the Japanese rule, became effective monitoring institutions over opposition movements and local factions. Before the late 1970s, opposition movements were restricted to a small circle of intellectuals, and were not able to develop into an island-wide, grass-roots opposition movement. Local factions were influential in local politics, but they were forbidden to extend their influence to national politics or to form cross-county coalitions.

What was the relationship between the local elite and the KMT government? Ties were almost the same as those during Japanese rule. The KMT government also adopted the monopoly and license system, although with different contents from its Japanese counterpart, to reward loyal local factions. These monopoly businesses and licenses included banking, insurance, trust, local transportation, shipping, salt, agricultural cooperatives, government procurement at the local level, and real estate speculation.

In addition to these material incentives, the KMT government would assist in the election of factional members to local governments and assemblies, organizations which did not have much political and financial autonomy from the central government. In December 1945, the KMT government promulgated the Law for the Establishment of Representative Bodies in Taiwan Province, and held local elections in 1946. The KMT government followed its Japanese predecessor by adopting the indirect election system: Taiwanese citizens could vote for their *cun* (village) and *li* (neighborhood) heads. These elected officials would elect town and district representatives. In turn, these representatives elected county and city representatives, who, then, elected provincial representatives. This indirect system of election, as during Japanese rule, strengthened the hierarchy and cohesion of local factions. In 1950, the KMT changed the electoral rules from indirect to direct elections. But the hierarchy of local factions had already been formed.[54] These representative positions had little real political power. However, along with these symbolic positions came various oligopolistic rights and local political influence. In return, local factions were

[54]These local elections have been held regularly since then.

responsible for supporting government policies and mobilizing voters at local elections.

Thus, a large third realm persisted from the Japanese rule to the KMT rule with only minor modifications. The *baojia* system, including personnel, was merged into the new administrative system. Local elite put on new clothing as elected representatives and low-level administrators in a pseudo-democracy. They acquired oligopolistic rights in localities, providing a stable stream of income. In return, they actively supported the legitimacy of the KMT government at elections.

Again, the five big families were exemplary of the continuation of the clientelistic relationship inherited from Japanese rule. The following describes the political connections, business activities, and social connections of these families.

In the postwar period, the Yen family of Keelung transformed its business activities mainly for technological reasons. After 1945, the Yen family resumed gold and coal mining. The KMT government controlled the price of gold, however, which was below the production cost. Thus, the family gradually closed down the gold mine. Coal production reached its zenith in 1964, but was gradually driven out by the rising oil consumption. In place of these traditional enterprises was the diversification of investments into other new areas, including shipping, machinery, transportation, trade, and chemicals. These new ventures, in different degrees, were still closely tied to local oligopolistic rights or social networks.

When the KMT government came to the island, a member of the Yen family actively built up political connections with the "foreign" ruler. Yen Ching-hsien became a KMT member when the KMT first opened its branch office in Keelung in 1945. The next year, he was elected as a member of the Taiwan Provincial People's Political Council (*Taiwansheng renmin canyihui*, hereafter the provincial council) and a representative in the constitutional assembly. Two years after the February 28th Incident, he was appointed commissioner of the provincial government.[55] Other members of the family showed no interest in politics, however, choosing to

[55]Sima, *Taiwan wuda jiazu* 1:65.

become professionals and businessmen. This probably explains why the political and economic influence of the Yen family gradually declined. The family is not even one of the three factions active in Keelung's local politics.

The Lin family of Wufeng readjusted itself well with the new government, although with a slightly rough start. Lin Hsien-tang, the leader of the Lin family at the time, was regarded as a liberal by the Chen Yi government. In 1946, Lin was almost arrested under the charge of "collaborating with the Japanese government." In the same year, Lin withdrew from the competition for the speaker position of the provincial council due to political pressure. His competitor, Huang Chao-chin, was a Taiwanese who stayed in China during the period of Japanese rule and, therefore, earned a stronger friendship and trust from the KMT than did Lin. After the February 28th Incident, Lin became disappointed with the new government and moved permanently to Japan.[56] Other family members, however, benefiting from Lin Hsien-tang's prior business and political networks, maintained the family's political influence in the locality. The family established the Lin faction (later called the "Red faction") in Taichung County and routinely sent its members to the county government and assembly.[57]

The family businesses made a substantial readjustment after the war. From the KMT government, the family received oligopolistic rights to manage agricultural cooperatives, banks, trusts, and hotels. The family also invested in a few other industrial productions.[58] The family's political and economic fortune thus seems closely tied to local elections.

The Chen family of Kaohsiung was probably the exemplar of a successful readjustment of local factions to the new political regime.[59] Chen Chung-ho's sixth son, Chen Chi-chuan, was twice elected the mayor of Kaohsiung (from 1960 to 1968). Chen Chi-ching, the eighth son of Chen

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[56]Ibid., 142-46.

[57]Ibid., 126.

[58]Chen, *Paixi zhengzhi yu Taiwan zhengzhi bianqian*, 284.

[59]There was a setback at the beginning. Two members of the family did not get elected as members of the provincial council in 1946. See Wu and Chen, "Political Transformation and Elite Mobility," 308.

Chung-ho, was elected a city council member, a representative in the constitutional assembly, and an eight-year commissioner of the provincial government. Furthermore, Chen Chi-ching established political connections with other prominent politicians via marriages. He himself was the brother-in-law of Huang Chao-chin, who was the first speaker of the provincial council. Chen's eldest son, Chen Tien-mou (the multi-term speaker of the Kaohsiung City Council from 1981 to 1998) married the daughter of a former mayor of Tainan. Chen Tien-mou's only daughter was married to the son of a KMT powerful figure, Ku Cheng-kang. Chen Chi-ching's seventh son was the son-in-law of former Taiwan provincial governor, Chiu Chuang-huan. Chen Chi-ching's eldest daughter was married to Chang Feng-hsu, the former mayor of Taipei. Therefore, via marriage, the Chen family was well connected from the local to the central levels of government.

Building on the experience and land associated with sugar production, the Chen family diversified rapidly into other businesses. Licensed by the KMT government, the family managed many agricultural cooperatives, credit unions, and banks, and invested in cement, trusts, steel, chemicals, gas, construction, and soft drinks (both Taiwan Coca Cola and Pepsi are owned by the family).[60] Among the five big families, the Chen family probably has the most solid political and economic basis.

The Lin family of Panchiao declined long before the end of the war. The major reason was a family squabble over inheritance during the 1910s. Many family members made bad investments or were poor in managing inherited assets.[61] After the war, the Lin family seemed to be interested only in business, not in politics. The only exception was Lin Tsung-hsien, who was elected a magistrate of the Panchiao township in 1946, the highest elected position the Lin family held after the war.[62] In terms of other political connections, the Lin family had established few. In 1949, Ku Chen-fu was remotely related to the Lin family by marriage.[63] No wonder the Lin

[60]Ibid., 294; and Sima, *Taiwan wuda jiazu* 1:207.
[61]Hsu, "The Lin Family of Panchiao," 92-94.
[62]Sima, *Taiwan wuda jiazu* 2:68.
[63]Ibid., 67.

family lost political and economic status and has been replaced by four other new factions in local politics.

Lastly, the Ku family became the most influential political family during the period of Japanese rule due to the political tactics of Ku Hsien-jung. Ku died in 1937 and his family members kept the wealth until the end of the war. The family wealth did not seem to be a significant factor in the career development of its members, however. At the time of Taiwan's retrocession to the KMT government, Ku Hsien-jung's son, Ku Chen-fu, made a political mistake: he joined a Taiwan independence movement and was jailed for two years. However, with prior political connections inherited from his father, Ku was later recommended by political figures to be an adviser in the Economic Affairs Ministry, in charge of the privatization of public enterprises.[64] He took up some minor diplomatic responsibilities before becoming the manager of the Taiwan Cement Corporation in 1959. His political fortune started in 1961, when he was appointed the president of the Association of Industry and Commerce, the organization responsible for foreign trade negotiations after the 1960s. Ku's business empire also included investments in trust, petrochemicals, hotels, insurance, department stores, construction, trade, and electronics, most of which were related to oligopolies and government licenses.

Hence, Ku's political and economic influence was not related to local politics but rather to national oligopolies and licenses. Most of the Ku family members do not even reside in the family's original village of Lukang. There seems to be a gap between his business interests and his political interests, which are mostly related to diplomatic affairs. Other members of the Ku family have not been actively involved in politics. Their professional experiences and marital relationships have had very little political color. One notable marriage relationship was Ku's third daughter married to the son of a competing cement company.[65]

Finally, there have been many joint ventures among the five big families after the war. These included the Taiwan Cement Corporation

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[64]Ibid., 45.

[65]Sima, *Taiwan haomen shijia* 1:30-33.

(invested in by four families, excluding the Lin family of Wufeng) and the Taiwan Television Station (invested in by both the Lin family of Panchiao and Ku).[66]

The transformation of the five big families revealed similarities with and differences from their situation before the war. First, the similarity lies in the continuation of the clientelistic relationship between "foreign" ruler and local elite (e.g., the Lin family of Wufeng and the Chen family). If local elite actively cooperated with the government and built up other political connections (e.g., via marriage), the government would reward the local elite with political and economic benefits.[67] Second, conversely, if the local elite decided not to actively get involved in politics, their political and economic influence would gradually decline. Past family fortune could not be sustained too long without reinforcement. Third, despite differences in political opinions, local elite kept and benefited from close business relationships.

These institutional relationships among the five big families and between the government and the families seemed to spread to other local elite after the war. Although further statistics are needed to substantiate the claim, the February 28th Incident seemed to discourage some traditional elite from participating in local politics, while encouraging others to establish new patron-client relationships with the "foreign" ruler. According to Wu and Chen's calculation, among the 1,180 candidates in 1946 provincial council elections, more than 400 had served in the local governments during Japanese rule. About half of the 523 county and city assemblymen were local elite previously holding Japanese official positions.[68] Given the same institutional constraints and opportunities, there was large room for voluntarism, which affected the rise and decline of local factions.

Despite their competition in local politics, business connections

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[66]Sima, *Taiwan wuda jiazu* 2:65-66.

[67]This conclusion is consistent with the research by Li Hsiao-feng and Jacobs. See Li Hsiao-feng, *Taiwan zhanhou chuqi de minyi daibiao* (Taiwan's representatives in the early post-war period) (Taipei: Zili, 1986); J. Bruce Jacobs, *Local Politics in a Rural Chinese Cultural Setting: A Field Study of Mazu Township, Taiwan* (Canberra: Contemporary China Center, Australian National University, 1980).

[68]Wu and Chen, "Political Transformation and Elite Mobility," 370.

among local factions remained substantial. They often shared ownership and management in local oligopolies. For instance, three of the five factions in Taichung are shareholders of the Third Credit Union of Taichung and the Taiwan Association of Credit Cooperatives. Many incidences can be found where local factions in one area are connected to factions in other areas via joint ventures in cross-regional oligopolies and other business relationships. Thus, regardless of the continuity or change of incumbents, the institutional relationships between the state and local factions, as well as among the local factions, remained the same after the war. This continuity contributed to the consolidation of KMT rule.

These complex social and business connections of local factions may provide an answer to the question: Why could the Leninist party not substitute for local factions in elections? Being dependent on local factions was never an integral part of the KMT's Leninist philosophy. A Leninist party was supposed to build a direct relationship with the people, not indirectly through local factions. Therefore, after the KMT government had consolidated its control by the late 1960s, Chiang Ching-kuo orchestrated a "purging the local factions" project. From 1972 to 1977, the KMT placed party cadres, chosen by the party center, on the candidate roster of local elections instead of accepting the nomination of factional members. Unfortunately, the project failed. Party organizations at the local level were not able to replace the factions in vote mobilization. The KMT backed down in subsequent elections and allowed local factions to nominate their own candidates. From 1984 to 1989, the KMT made a second attempt to undermine local factions by introducing the American primary system, but failed again.[69] The primary system was later revised to let local factions recommend candidates.[70]

One explanation for the KMT's failure to purge local factions lies in the rising popularity of the opposition candidates. The KMT could not risk losing more elected positions in a competitive environment. This explanation, however, still does not answer the question of why party cadres could

[69]Chen, *Paixi zhengzhi yu Taiwan zhengzhi bianqian*, 182-89.
[70]Wu, *Taiwan de minzhu zhuanxing*, 368-74.

not substitute for factional leaders. The explanation offered in this paper is that local party cadres and those party candidates who came from outside do not understand the local political, social, and business networks, which were critical to vote mobilization. Even if they had a grasp of these networks, these party cadres were only observers, whose interests were linked to the party center. They were not direct participants—only the local factions had political, social, and economic interests intertwined with the local people. Therefore, the party machinery could not exert as much influence over voters as could the local elite.

Conclusions

Despite major differences in ethnic background, temporal setting, and political environment, this paper has argued that the history and institutional relationships between the "foreign" ruler and local elite were very similar during the periods of Japanese and early KMT rule (see table 1). The similarities lie in the government structure, initial control strategy, initial administrative quality, administrative reform, political control, local elite reaction to "foreign" rule, government rewards to local elite (the third realm), and the business and social connections among the elite.

Several conclusions can be drawn from the above analysis. First, the existence of the third realm seemed to be a critical factor for the success of colonial rule. No matter how strong, the colonial state had to coopt local elite into the governing structure to jointly govern the local people. True, in other parts of the world colonial governments before World War II had also employed a similar strategy to consolidate their rule. However, the extensiveness and severity of Taiwan's *baojia* system was rare in other colonies. Furthermore, by nationalizing the island's major economic activities and, then, allocating their licenses to local elite, the Japanese government strengthened its rule by making the local elite economically dependent on the government. These institutional legacies from the Japanese rule contributed greatly to the stability of the KMT martial law regime after 1949.

Second, although depending on the colonial states, Taiwanese local

Table 1
Comparison between Japanese and Early KMT Rule

History and Institutions	Japanese Rule	Early KMT Rule
	State	
Government structure	Colonial government, power centralized at top administrative level	Martial law regime, power centralized at top administrative level
Initial control strategy	Military suppression	February 28th Incident
Initial administrative quality	Low, internal factional struggles	Low, internal factional struggles
Administrative reform	Governor Kodama	1952 KMT reforms
	Third Realm	
Political control	Police and *baojia*	Police, new *baojia*, security forces, and the KMT
Local elite reaction to "foreign" rule	Active cooperation	Active cooperation
Government rewards to local elite	Monopoly rights, symbolic consultative positions, low-level administrators	Monopoly rights, symbolic representative positions, low-level administrators
	Society	
Connections among elite	Business networks and marital relationships	Business networks and marital relationships

elite developed privileged information networks to safeguard their interests from excessive state intrusion. Complicated political, social, and business networks were formed among local elite through decades of intimate interactions. The predominant states, no matter how omnipresent, could hardly take over these networks or make the local elite expendable. The strength of local factions derived not only from government licenses but also from these multiple networks. Thus, local factions continued to play critical political roles during the periods of Japanese and KMT rule.

Third, the adaptability of Taiwan's local elite to different rulers and even to different forms of governing was strong. Economic interests seemed to outweigh the causes of nationalism and democracy. When economic interests were at stake, Taiwanese elite were willing to sacrifice nationalist

and democratic values. This institutional norm of factional adaptability, thus, also contributed to the stability of the colonial states.

Lastly, local factions expand and decline over time, depending on whether they adjusted well to technological change and diversified business environment, and whether they maintained multiple networks.