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CENTRAL INTELLIGENCE GROUP

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1. A recommendation that Canton become a special municipality has been passed by the Central Executive Committee and the National Defense Council and should become effective immediately. Under a special municipality, Canton's mayor will have more direct power and will have fewer levels of government to contend with in transacting business.
2. As a special municipality, Canton will collect its own business and land taxes, retaining 75% and turning over 25% to the Central Government. But as an ordinary city, it retains only 50% of these taxes, while 30% is turned over to the Central Government, and 20% goes to the province.
3. Municipal revenue comes primarily from amusement taxes (theaters, dancing, etc.), and while no new taxes have been levied, improved collecting methods have greatly increased the municipal income. Other taxes include those on restaurants and cafes, business taxes on profits, and land and building taxes. When the mayor assumed office last July, the city's income was two billion a month; by December it was thirteen billion /CNC 2/. The mayor has been appointed by the Executive Yuan as chairman of a committee to verify ownership of Shameen property, which was turned over to the Chinese Government at the end of the war. Taxes will be levied on Shameen property, owned by the British and French, as well as on other city property.
4. Canton, though appearing prosperous, is in a period of depression resulting from limitations on imports and exports. Trade has recovered to only 40% of the prewar level. Smuggling, including imports of cloth, gasoline, kerosene, canned goods, and other foreign goods, and exports of rice, firewood, wolfram, silk, etc., accounts for less than 50% of the present trade. The British are cooperating to reduce smuggling, but the extent of the small rivers and the size of the border make it almost impossible to stamp out. The Central Government is sending additional troops to suppress smuggling.
5. The population of Canton, which was 1,200,000 last August, has grown to 1,300,000 at this time, largely a result of refugees returning to the city. About 100,000 persons live on sampans.
6. There are about 50,000 industrial workers in Canton now. Government wages for common laborers are less than private wages for the same laborers, but in professional categories, private industry follows government rates in general. Coolies make up to \$3,000 /CNC 2/ a day; carpenters, about \$8,000 to \$9,000 a day. First quality rice is about \$93,000 a picul. The cost of living in Canton has risen about 6,000% since 1936, as compared with an 8000 to 9000% increase in Shanghai.
7. Before the war, 100 grammar and eight high schools were operating in Canton, but half of these were closed during the occupation. There are now 74 grammar and three high schools open, but these are far from enough for Canton's present population. There is a great need for improvement in public education. Municipal school teachers, whose income is comparable to that of municipal and provincial employees, receive better pay than private school teachers.

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