

To The Literary Editor:

This book is sent you
for review. The publishers will
appreciate your sending them
a marked copy of your publica-
tion containing mention of the
volume.

PRINCETON UNIVERSITY PRESS

Princeton, N.J.

Price \$2.00 net

Published Oct. 1936

Problems of Industrial Development in
China

**PROBLEMS OF
INDUSTRIAL DEVELOPMENT
IN CHINA**

*LONDON: HUMPHREY MILFORD
OXFORD UNIVERSITY PRESS*

Problems of
Industrial Development
in China

A PRELIMINARY STUDY

BY
HAROLD M. VINACKE
PROFESSOR OF POLITICAL SCIENCE
IN MIAMI UNIVERSITY

PRINCETON
PRINCETON UNIVERSITY PRESS
1926

COPYRIGHT, 1926, BY PRINCETON UNIVERSITY PRESS

X9.11.N

F6

5164

PRINTED AT THE PRINCETON UNIVERSITY PRESS
PRINCETON, N. J., U. S. A.

To my wife

Preface

POLITICAL changes in China, and international relations in the Far East, which have centered in and around China, have tended to obscure and distract attention from the less dramatic economic movements which have been taking place since 1900. Consequently much of the recent literature on the so-called Republic has been political in character, or, where it has treated of economic development, it has been done incidentally or from the standpoint of foreign trade. There are notable exceptions to this, such as the social survey of Peking undertaken and reported by Mr. Sidney D. Gamble, the work of Mr. Julean Arnold, and the series of doctoral dissertations on particular phases of China's economic life prepared by Chinese students and published, most of them, in the Columbia University Studies in History, Economics and Public Law. But in spite of these exceptions the generalization remains true. Furthermore, the economic studies have been of particular interest to the specialist rather than to the general reader.

INDUSTRIAL DEVELOPMENT IN CHINA

This little study is not planned to improve the situation by giving to the special student of the Far East an exhaustive and definite analysis of industrial development in modern China, which in any case it is too early to undertake, but rather to sketch broadly some of the major problems to be solved before the new industry can establish itself on a firm and enduring foundation, or can progress much beyond the point at present reached. It should be regarded as distinctly a preliminary study of a large and important question. So considered, it is hoped that it will help to awaken a larger interest in the significant economic changes taking place across the Pacific. In sketching the problems the attempt has been made to indicate the probable or desirable lines of solution as they appear today. The method of treatment has been partly historical, partly analytical and to some extent frankly speculative, although the speculations engaged in have been based, as far as possible, on historical developments and on a careful analysis of the facts. Perhaps the study will lead to a more extensive analysis of the whole problem and to its more exhaus-

PREFACE

tive treatment. If so, one of the purposes of this work will have been realized.

Acknowledgment should be made of the aid rendered by Professor J. B. Dennison, of the faculty of Miami University, who read and criticised the entire manuscript, and by Dr. Warren S. Thompson, of the Scripps Foundation, who read parts of it. Further indebtedness to others is revealed in the notes and the bibliography.

HAROLD M. VINACKE

Oxford, Ohio

July 1, 1926

Contents

	PAGE
PREFACE	v
CHAPTER ONE <i>Industrial Development in China</i>	1
CHAPTER TWO <i>The Government and Industrial Progress</i>	31
CHAPTER THREE <i>Governmental Finance</i>	61
CHAPTER FOUR <i>Currency Reform</i>	93
CHAPTER FIVE <i>The Problem of Communication</i>	125
CHAPTER SIX <i>The Organization of Industry in China</i>	157
BIBLIOGRAPHY	193

Bibliography

- ARNOLD, J.
Commercial Handbook of China. 2 vols.
- BASHFORD, J. W.
China—An Interpretation.
- BLAKESLEE, G. H. (Ed.)
Recent Developments in China.
- CHANG, CHIH-T'UNG
China's Only Hope.
- CHEN, SHAO-KWAN
*The System of Taxation in China in the Tsing
Dynasty, 1644-1911.*
- CHENG, T'IH-GANG
Modern China.
- CHINA YEAR BOOK
1912, 1913, 1914, 1916, 1919, 1921-22.
- CHUAN, S. L.
Central and Local Finance in China.
- CUSTOMS, MARITIME
*Treaties, Conventions, etc., between China and
Foreign States.* 2 vols.
- ELDRIDGE, F. R. JR.
Trading with Asia.
- GAMBLE, S. D.
Peking: A Social Survey.
- HAN, LIANG HUANG
Land Tax in China.
- HIGH, STANLEY
China's Place in the Sun.

INDUSTRIAL DEVELOPMENT IN CHINA

- HODGKIN, H. T.
China in the Family of Nations.
- HSU, M. C.
Railway Problems in China.
- HUANG, F. H.
Public Debts in China.
- JERNIGAN, T. R.
China in Law and Commerce.
- JERNIGAN, T. R.
China's Business Methods and Policy.
- KENT, P. H.
Railway Enterprise in China.
- LIANG, Y. K., AND TAO, L. K.
Village and Town Life in China.
- MACMURRAY, J. V. A.
*Treaties and Conventions with and Concerning
China.* 2 vols.
- MORSE, H. B.
Gilds of China.
- MORSE, H. B.
Trade and Administration of China.
- MORSE, H. B.
International Relations of China. 3 vols.
- OVERLACH, T. W.
Foreign Financial Control in China.
- PARKER, P.
China—Her History, Commerce, etc.
- REINSCH, P. S.
American Diplomat in China.
- RICHARD, L.
Comprehensive Geography of the Chinese Empire.

BIBLIOGRAPHY

- RUSSELL, BERTRAND
Problem of China.
- SARGENT, A. J.
Anglo-Chinese Commerce and Diplomacy.
- SENATE DOCUMENT
Number 126; 67th Congress, 2nd Session, 1921-22. *The Conference on Limitation of Armament.*
- SUN, YAT-SEN
International Development of China.
- TYAU, MIN CH' IEN T. Z.
China Awakened.
- VINACKE, H. M.
Modern Constitutional Development in China.
- WAGEL, S.
Finance in China.
- WEN, PIN-WEI
Currency Problem in China.
- WILLIAMS, E. T.
China, Past and Present.
- WILLIAMS, S. W.
The Middle Kingdom. 2 vols.
- WILLOUGHBY, W. W.
Foreign Rights and Interests in China.

PERIODICALS CONSULTED

- China Weekly Review*, formerly *Millards Review of the Far East*; *Far Eastern Review*.

INDEX

- AGRICULTURE**, diversity of, 2
- ARBITRATION**
through Chamber of Commerce Court, 178-80
through gild, 164-5
- ARNOLD, JULEAN**,
on cotton production, 17-18
on iron production, 10
on wool production, 13
- BANK OF CHINA**, 99
and currency reform, 110, 113-16, 121-2
organization of, 188-9
- BANK OF COMMUNICATIONS**, 99
organization of, 189
- BANKS**
modern, 190-1
offer loan to government, 44
of issue, 99
private, 190
provincial, characterized, 189-90
issue paper money, 99-100
- CANALS**, see waterways
- CHANG TSO-LIN**, 38
- CHINA YEAR BOOK**
on coal resources, 7-8
on shipbuilding industry, 18
- CLIMATE**
diversity of, 13
makes possible varied agriculture, 13
- COINS**
dollars, kinds of, 97-8
Pei Yang as standard, 111

INDUSTRIAL DEVELOPMENT IN CHINA

- subsidiary, 98
 - standardization of value of, 120
- COMMERCE, Chambers of
 - and guilds, 177
 - cannot displace guild, 181
 - courts, 178-80
 - integrate business community, 178
 - origin of, 176
 - purposes of, 176-7
 - should contain labor representation, 177-8
- COMMERCIAL PRESS, policies, 186-7
- COMMUNICATIONS, see railways, roads, waterways,
 - and political centralization, 125-6
- CURRENCY, see tael, coins, money
- CURRENCY REFORM
 - and Mackay treaty, 106
 - and gold exchange system, 106
 - gold standard not practicable in, 101-2
 - lack of support for, 103-5
 - Passeri plan of, 109-21
- CUSTOMS, foreign, see tariff
 - administration of satisfactory, 73-4
 - foreign administration of, 73
- ECONOMIC INTERESTS
 - as basis of representation, 41-6
 - demand voice in government, 43-4
- ECONOMIC ORGANIZATION, see Commerce,
 - Chambers of, guilds, labor
 - through joint stock company, 158
 - through partnership, 158
- EDUCATION
 - China compared with U.S., 51
 - importance of to industry, 5, 51
 - relation of government to, 48
 - school statistics, 48
 - vocational, 49-50

INDEX

EXPERIMENTAL WORK

- in connection with schools, 50
- must be undertaken by government, 52

FACTORY SYSTEM

- replacing cottage industry, 40

GILDS

- and Chambers of Commerce, 177
- and modern industry, 169-72
- arbitrate disputes, 164-5
- as employer's associations, 173-4
- control of industry, 25
- control of members by, 166
- control weakened by factory system, 26
- craft, trade, 25, 160
- functions of, 161-3
- internal organization of, 25, 160-1
- opposition of to innovation, 24
- promote cooperation, 159
- provincial, 26, 159
- regulate industry, 24
- sources of strength of, 167-9

GOVERNMENT, see military, political

- and communications, 55, 57
- and currency reform, 58, 110-11
- and Han Yeh P'ing Corporation, 53
- and regulation of industry, 57
- functions of, in modern state, 28-9
- may directly develop industries, 53
- military in character, 35-6
- must be founded on consent, 39
- relation of to industry negative, 27-8, 39

HAN Y'EH P'ING CORPORATION

- and government, 53
- labor policies of, 186-7

INDUSTRIAL DEVELOPMENT IN CHINA

INDUSTRIAL DEVELOPMENT

- explanation of in light of political instability, 32
- facilitated by railway construction, 33
- hindrances to, 23
- indications of, 33
- in spite of political conditions, 32
- measured by foreign trade, 32
- measured by internal trade, 33
- reason why more rapid in Japan, 27

INDUSTRIAL ENTERPRISES

- types and policies of modern, 186-7

INDUSTRIAL SPECIALIZATION

- effect of on economic organization, 28

INDUSTRIAL UNION, LU PAN, 181

INDUSTRY

- backwardness of explained, 20-1
- cottage system of, 20
- cotton
 - comparison with foreign, 16-17
 - confined to production of cheap grades, 18
 - factors contributing to development of, 17
 - machine looms, 16
 - quality of raw, 18
 - spindles, 16-17
 - spinning and weaving mills, 16
- financing of, 181-3
- financing of by Chinese, 185-6
- modern, under foreign control, 183-5
- shipbuilding, 18-19
- silk
 - efforts at improvement of, 15
 - filatures, 16
 - inroads of Japan and India on Chinese, 15
 - most important, 16
 - retrogression of, 15
 - spindles, 16

INDEX

spinning and weaving, 15
woolen, 13

LABOR

organized in gild, 26
separation of from employers, 27
unions developing, 174-5

LAND TAX

accretions to, 72
basis of revenue system, 63
fixed since 1713, 63

LI HUNG CHANG

on railway policy, 133

LIKIN

abolition proposed, 73, 84
and tariff revision, 77-8
and transit pass system, 84-5
application of, 67-8
compensation for, 89
introduced, 67
objections to, 86-7
reasons for retention of, 88-9

MILITARY

in control of government, 37
organization in provinces, 36

MONEY

foundation of modern economic life, 93-4
paper, 98-9

OPEN DOOR POLICY

and railway construction, 145
reaffirmed, 148

PASSERI, see currency

POLITICAL

conditions chaotic, 31-2

INDUSTRIAL DEVELOPMENT IN CHINA

- situation in 1922, 38
- stability necessary to industry, 31

POPULATION

- as an asset, 3
- commercial and industrial aptitude of, 4
- distribution of through railways, 152
- estimates of, 3

RAILWAYS

- administration of satisfactory, 150-1
- and population distribution, 152
- building of complicated, 132
- Chinese financing and construction of, 139-40
- compared with U.S., 23
- concessions for, 135-7
- early program and policy, 133-4
- effect of war with Japan on construction of, 134-5
- fear of foreign control through, 138-9
- future financing of, 153-6
- Hu-Kuang, 142-3
- in Manchuria, 147
- international consortium and, 148
- lack of, hindrance to development, 23
- mileage, 22
- Open Door and, 145
- policy of Powers towards, 144-6
- present status of, 143-4
- profitable, 149-50, 152-3
- Shanghai-Woosung line, 22
- Tientsin-Pukow terms, 141-2
- unification of, 151-2
- Washington Conference and, 148

REINSCH, PAUL S.

- on political conditions in 1916, 35

REPUBLIC OF CHINA

- territory of, 2

INDEX

RESOURCES

agricultural, see raw materials

coal

production, 9

reserves, 7-8

iron

production, 10-11

reserves, 9-10

mineral

characterization of, 5

other than coal, iron, petroleum, 12-13

present production of, 6

petroleum

lacking, 11

long known, 11

not important, 12

Standard Oil concession in Shansi

unprofitable, 11-12

raw materials

cotton

production, 14

improvement of raw, 14

wool production, 13

RIVERS, see waterways

ROADS

condition of in Shansi, 129-31

good, movement, 131-2

lack of good, 128

methods of transportation on, 128-9

present mileage of, 131

SALT TAX, 64

accretions to, 72

returns increased by reorganization of, 72

SUN YAT SEN

death of, 38

INDUSTRIAL DEVELOPMENT IN CHINA

in control at Canton, 38
proposes program, 56-7

TAEI

as standard of value, 95-6
kinds of, 97

TARIFF

and reciprocity, 82
autonomy regained, 77
consequences of autonomy, 78-81
for protection, 76
of 1842, 1858, 65
revision, 54, 65
of 1900, 1917, 66
provided for at Washington Conference, 66

TAX SYSTEM

administration of, 69-72
reform of, 74-5

TRANSPORTATION, see roads, railroads, canals
methods of, 21

TRIBUTE

commutation of, 64

WASHINGTON CONFERENCE

and China's railways, 148
agreement on tariff revision, 77
agreement to withdraw foreign post-offices, 55
statement of Mr. Koo on railway administration, 151

WATERWAYS

Canal, Grand, 21
not kept up, 21, 127
restoration of, 56
canals supplementary to rivers, 127
chief means of communication, 126

INDEX

need to be supplemented by roads, 128
rivers, 21, 126

WU PEI-FU, 38-9

YUAN SHIH-KAI, 36-7

2003-03
CHECKED

5164

Problems of Industrial
Development in
China

Name of borrower	Lent on	Received on
Miss S.S. Joshi	15/4/58	16 APR 1958

SERVANTS OF INDIA SOCIETY'S LIBRARY
POONA 4.

1. Books taken from the Library may not be retained for more than a fortnight.
2. Borrowers will be held strictly responsible for any damage done to books while the books are in their possession.