

# DEMOCRACY AND FINANCE IN CHINA

A Study in the Development of  
Fiscal Systems and Ideals

BY

KINN WEI SHAW, Ph.D.

*Secretary, China Institute in America, New York City*  
*Formerly Professor in Government College of*  
*Law and Political Sciences*  
*Hangchow, China*



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AS A TOKEN OF AFFECTION

To

MY BELOVED FATHER

WHO TAUGHT ME HOW TO STUDY CHINESE HISTORY AND PHILOSOPHY AND  
HOW TO APPRECIATE THEM, WHO AWAKENED MY INTEREST IN THE  
CONSTRUCTIVE ASPECTS OF PUBLIC FINANCE WHEN IN MY EARLIER  
DAYS I WAS BEGUILLED BY THE MODERN SCHOOLS OF RADICALISM  
AND WHO HAS NEVER FAILED TO ENCOURAGE ME TO  
DEVOTE MYSELF TO ACADEMIC LIFE AND TO CARRY  
ON THE WORK IN MY ESPECIAL FIELD AS  
THOROUGHLY AS POSSIBLE;

And to

MY BELOVED MOTHER

WHOSE IDEAL OF HIGH MORAL CHARACTER IS INSPIRING  
AND WHOSE CARE OF MY FAMILY HAS ENABLED ME TO  
DEVOTE ALL MY ATTENTION TO MY STUDIES  
IN AMERICA

THIS BOOK IS RESPECTFULLY  
DEDICATED

## PREFACE

THE present volume of Dr. Shaw is interesting from several points of view. In the first place it shows us that there is indeed nothing new under the sun and that many of the ideas which we have considered as original with Western thinkers and statesmen are to be found in more or less developed form in their Eastern predecessors. It would indeed have been remarkable if the Chinese who at so early a period secured a primacy in philosophical and ethical discussion, should not have devoted much thought to certain problems, at least of fiscal obligation and fiscal practice. The economic and social conditions of China, it is true, are so entirely distinct from those of the Western world that economic speculation in that country necessarily assumed a different form from that found in Europe. The recital, however, by Dr. Shaw of the successive schools of thought on fiscal topics is impressive and cannot fail to be of value to all students.

In the second place, Dr. Shaw discloses a happy combination of the results of Eastern and Western training. Deeply versed in the classic lore of his own nation, he shows that he is able to put to good use the lessons of his American experience without being untrue to his own traditions. In this respect he is much like another of his countrymen, whose dissertation has been published in this series, Dr. Chen Huang-Chang, the author of "The Economic Principles of Confucius and His School."

Although it has been my good fortune to have had many able students of fiscal affairs among the young Chinese that

through the halls of Columbia, Dr. Shaw is perhaps the first who has assiduously devoted himself to a fiscal science which should be in harmony with the teachings of his own forebears. His dissertation ought therefore to be of considerable value alike to the East and to the West. To his countrymen he brings the ripe fruits of an intimate acquaintance with all that is best in the modern fiscal science of Europe and America; to the Westerners he lifts for the first time the veil which has hitherto concealed the teachings and the motives that have guided fiscal theory and fiscal practice in China. For both of these reasons the book is warmly to be welcomed.

EDWIN R. A. SELIGMAN.

## AUTHOR'S NOTE

THE study of Chinese finance may be approached from a theoretical or a practical point of view. In a theoretical study the sphere of inquiry may be limited to the fiscal philosophy of a particular school, or it may be broadened so as to include a comparative study of the various aspects of a number of schools. A practical study may trace the development of a system of taxation during a certain period or throughout the whole course of Chinese history, or it may concern itself with specific present-day problems such as tariff reform, land tax reform, and, as some political writers have suggested, a Chinese "Dawes Plan" for China.

In the following pages the author proposes, *first*, to discuss the probable influence which the various schools of ancient Chinese fiscal philosophy have exercised upon the fiscal psychology of the Chinese people; *second*, to interpret the sociological phases of Chinese finance by showing that any fundamental political or economic change has generally been accompanied, or followed, by a reform in the fiscal institutions, and to point out that any program for Chinese fiscal reconstruction today should give due consideration to sociological factors; and, *third*, to formulate a few principles of fiscal ethics in accordance with the ideal of true and progressive democracy and to present certain recommendations for their practical application in China. In other words, an attempt will be made in this study to develop a system of fiscal philosophy or ideology by harmonizing the fiscal ethics, the fiscal psychology and the fiscal sociology of the Chinese people, taking into account Chinese philosophy, history and present-day conditions.

Grateful acknowledgment is made to Professors John Dewey, R. M. Haig, Paul Pelliot, and Lewis Hodous, of Columbia University, and Professor J. H. Hollander of the Johns Hopkins University, for their invaluable advice and assistance in the preparation of this work, and to Mrs. C. A. Stewart, secretary to Professor Seligman, and Miss Mary R. Boulger, of the Rockefeller Foundation, for their literary criticism.

A word of gratitude is due the friends of the author, especially Dr. P. W. Kuo, director of the China Institute in America, New York City; Professor Y. C. Ma, of Peking National University; Professor C. T. Tsai, of the Tsing Hua College, Peking; Dr. C. S. Li, of the Fuh Tan University, Shanghai; Professor T. D. Woo, of the Government College of Law and Political Sciences, Hangchow; Professor W. W. Wong, now editor-in-chief of the Commercial Press, Shanghai; Mr. T. Sheng, director of the Ministry of Finance Bureau of Markets, Shanghai; Mr. S. M. Chang, of the Ministry of Foreign Affairs, Peking; Messrs. N. T. Chao, C. T. Liu, and Milton C. Lee, of Columbia University; and his brother, Miachen S. Shaw, of the University of Washington, for their sincere encouragement and valuable suggestions.

The author owes his greatest obligation to Professor Edwin R. A. Seligman, McVickar Professor of Political Economy in Columbia University, under whose inspiring guidance, constant encouragement, sound teaching, and constructive criticism this monograph has attained its present form.

KINN WEI SHAW

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