

CHINESE GOVERNMENT ECONOMIC PLANNING
AND RECONSTRUCTION SINCE 1927

By

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CHINA INSTITUTE OF PACIFIC RELATIONS

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CHINESE GOVERNMENT ECONOMIC PLANNING AND RECONSTRUCTION SINCE 1927.

I. THE ORIGIN AND NATURE OF ECONOMIC PLANNING IN CHINA

One of the outstanding features of Chinese civilization is that the economic development of the nation has not been based on the individualism that has characterized Western economic development. Neither has it, however, been based upon active government participation. The symbol of the Chinese Emperor holding the plough and the Empress raising silk worms was just a picturesque symbol and nothing more. The rulers have never actively participated in the economic life of the nation. The whole economic system has been built upon the social collectivism of the family, the gild, and the village. The situation, however, began to change in the days of the *Taipings*; near the end of the Manchu Dynasty the statesmen of the Peiyang School, led by Li Hung-chang, created a keen interest in the economic development of the nation and initiated a vague sort of economic planning for China. Some pioneer work in introducing modern industry into China was admirably carried out by them. But the genuine and systematic planning for a national economic development of China as a whole, in the modern use of the word "planning", was initiated by Dr. Sun Yat-sen. In his book he states that he began to form programmes for the economic reconstruction of China at the end of the recent world war.¹

DR. SUN YAT-SEN'S PLAN

It was at about the same time (1919) that the Supreme Economic Council of Russia was drafting its first industrial Plan for the Metal Industry in the Ural region, and the idea of economic councils as a body of planning became a live issue

¹ Sun Yat-sen: *The International Development of China* (Putnam; New York and London, 1921), Preface, pp. V.

All references are in English, unless otherwise stated.

throughout Western Europe, that Dr. Sun's Plan for the International Development of China, a project to assist the readjustment of post-bellum industries, was submitted to various governments in Europe and America for consideration. The programme, as then set forth, takes the following lines:

- I. The development of a Communications System.
 - (a) 100,000 miles of railways.
 - (b) 1,000,000 miles of Macadam Roads.
 - (c) Improvement of Existing Canals.
 - (1) Hangchow-Yangtze Canals.
 - (2) Sikiang-Yangtze Canals.
 - (d) Construction of New Canals.
 - (1) Liaoho-Sunghwakiang Canal.
 - (2) Others to be projected.
 - (e) River Conservancy.
 - (1) To regulate the Embankments and Channel of the Yangtze River from Hankow to the Sea thus facilitating Ocean-going Ships to reach that port at all seasons.
 - (2) To regulate the Hoangho Embankments and Channel to prevent floods.
 - (3) To regulate the Sikiang.
 - (4) To regulate the Hwaiho.
 - (5) To regulate various other rivers.
 - (f) The construction of more Telegraph Lines and Telephone and Wireless Systems all over the Country.
- II. The Development of Commercial Harbors.
 - (a) Three largest Ocean Ports with future capacity equalling New York Harbor to be constructed in North, Central and South China.
 - (b) Various small Commercial and Fishing Harbors to be constructed along the Coast.
 - (c) Commercial Docks to be constructed along all navigable rivers.
- III. Modern cities with public utilities to be constructed in all Railway Centers, Termini and alongside Harbors.
- IV. Water Power Development.
- V. Iron and Steel Works and Cement Works on the largest scale in order to supply the above needs.
- VI. Mineral Development.
- VII. Agricultural Development.
- VIII. Irrigational Work on the largest scale in Mongolia and Sinkiang.
- IX. Reforestation in Central and North China.
- X. Colonization in Manchuria, Mongolia, Sinkiang, Kokonor and Thibet."²

2. Ibid. pp. 7-8.

As to the objective of the whole plan, Dr. Sun has a very clear statement which runs as follows: "In my International Development Scheme, I propose that the profits of this industrial development should go first to pay the interest and principal of foreign capital invested in it; second to give high wages to labor; and third to improve or extend the machinery of production. Beside these provisions the rest of the profit should go to the public in the form of reduced prices in all commodities and public services. Thus, all will enjoy, in the same degree, the fruits of modern civilization. This industrial development scheme which is roughly sketched in the above six programs is a part of my general plan for constructing a New China. In a nutshell, it is my idea to make capitalism create socialism in China so that these two economic forces of human evolution will work side by side in future civilization."³ Dr. Sun, however, differing from the later Russian plans, did not set time limits for his scheme, nor estimate the approximate cost.

With regard to the organizational side of things, two main ideas are vividly presented; one is to have an International Organization to be formed by the various governments of the capital-supplying Powers; the other is a system of national control of industries, each industry having a central management under the International Organization. The latter seems to have anticipated the Soviet State Trusts.

Like Stuart Chase and many other social planners in America a few years later, Dr. Sun was impressed by the possibilities of economic planning as demonstrated during the European War, and wished to apply the same methods and machinery in times of peace. "First, that the various Governments of the Capital-supplying Powers" says Dr. Sun, "must agree to joint action and a unified policy to form an International Organization with their war work organizers, administrators and experts of various lines to formulate plans and to standardize materials in order to prevent waste and to facilitate work."⁴ Again, "If war work methods, that is, gigantic planning and efficient organization, were applied to the construction of the harbor and the city, then an Oriental New York City would

3. Ibid. pp. 237.

4. Ibid. pp. 9.

spring up in a very short time.”⁵ Except for war planning, we do not find throughout the whole book any reference to other planning such as the Economic Councils in Western Europe, and the Soviet Economic Plans which were simultaneously developing; perhaps they were too imperfect and immature at that time, as was Dr. Sun’s plan, and were very little known outside Europe. This shows the more clearly Dr. Sun’s farsightedness. He grasped not only the practicability of economic planning, but also its philosophy. For instance: “The modern civilization so far attained by western nations is entirely an unconscious progress, for social and economic sciences are not recent discoveries. But henceforth all human progress will be more or less based upon knowledge, that is upon scientific planning.”⁶ Undoubtedly, Dr. Sun’s work *The International Development of China* should be considered as one of the interesting documents among the early literature of economic planning, because of its contribution to the idea and practice of planning, and its stimulation of economic development in China.⁷

II. THE DEVELOPMENT OF ECONOMIC PLANNING SINCE 1927.

When Dr. Sun first presented his programme for the international development of China to the world in 1919, he was a political refugee in Shanghai with no backing except his own personality and reputation. A decade later, however, his party, the Kuomintang, was strong enough to establish a National Government at Nanking. Then his ideas of national reconstruction, and plans for economic development, were widely discussed in Government circles, and these plans of his gave birth to many others, some of which were actually endorsed by the National Government. There were three reasons which were instrumental in inducing the Kuomintang statesmen to plunge enthusiastically into economic planning, namely, the determination to carry out the economic plan of their great leader as a part of his pro-

5. Ibid. pp. 35.

6. Ibid. pp. 212-213.

7. The League of Nations' *Review of the Economic Councils in the Different Countries of the World* prepared by Dr. Elli Linder, does not recognize sufficiently the historical significance of Dr. Sun's plan, but incidentally refers to it in passing.

gramme of national reconstruction; the practical need for economic improvement of the nation in face of civil wars, banditry, flood, famine, etc.; and finally as an antidote to the influence of the apparently successful experiment in the U.S.S.R.⁸ Unfortunately this enthusiasm for planning has resulted in the drawing up of a large number of isolated, competitive and overlapping plans.

A. SUN FO'S TEN-YEAR PLAN.

The various economic plans drawn up in the last few years may be classified into central plans, plans for particular industries, and regional plans. It is almost impossible in a short paper to make even a brief summary of all these many plans. Still, a large number of them will be briefly recorded in the following pages in order to show the amount of interest in economic planning in China, rather than to analyse them from the standpoint of their scientific value. Of the central plans, Sun Fo's *Outline of Reconstruction* will be considered first.

Sun Fo, Dr. Sun's son, was probably the first man who attempted to set a time limit and estimate a budget for Dr. Sun's gigantic plan for the economic development of China. According to Sun Fo's statement, which was made in 1928 in his capacity as Minister of Railways, it would take fifty years with a minimum budget of twenty-five billion dollars⁹ to complete his father's whole scheme.

The estimated minimum budget is as follows:

I. The Development of a Communication System:

(a) 100,000 miles of railways (@ \$100,000 per mile)	\$10,000,000,000
(b) 500,000 miles of Macadam Roads (@ \$20,000 per mile) ¹⁰	10,000,000,000
(c) Improvement of existing canals (1,000 miles @ \$100,000 per mile)	100,000,000
(d) Construction of new canals (1,000 miles @ \$300,000 per mile)	300,000,000
(e) River Conservancy	

8. Cf. *Ibid.* Dr. Linder seems to have over-emphasized the Russian influence and neglected the Chinese background.

9. All money figures are in Chinese local currency unless otherwise stated.

10. Dr. Sun's original figure was 1,000,000 miles.

(1) The Yangtze River	300,000,000
(2) The Yellow River	400,000,000
(3) The Sikiang	50,000,000
(4) The Hwaiho	50,000,000
(5) Other Rivers	200,000,000
(f) New Telegraph Lines and Telephones and Wireless services	500,000,000
Communications Total	\$21,900,000,000
<hr/>	
II. The Development of Commercial Harbors:	
(a) Three Largest Ocean Ports, North, Central and South	150,000,000
(b) Other Ports: Four second class ports ..	80,000,000
(c) Nine Third Class sea ports	90,000,000
(d) Fifteen Fishing Coastal Harbors	30,000,000
(e) Ten River Ports	50,000,000
Commercial Harbors Total ...	\$ 400,000,000
<hr/>	
III. Modern Cities with Public Utilities to be Constructed; in all Railway Centers, Termini and alongside Harbors:	
(a) Construction of the National Capital	100,000,000
(b) Five New cities	100,000,000
(c) Ten Second-class cities	100,000,000
Cities and Public Utilities Total.	\$ 300,000,000
<hr/>	
IV. Water Power Development:	
(a) Five Water Power Stations	100,000,000
Water Power Total	\$ 100,000,000
<hr/>	
V. Development of Basic Industries:	
(a) Four Iron and Steel Works	200,000,000
(b) Five Cement Works	50,000,000
(c) Five Industrial Chemical Works	50,000,000
Industry Total	\$ 300,000,000
<hr/>	
VI. Mineral Development	200,000,000
VII. Agricultural Development	\$ 200,000,000
VIII. Irrigational Work in Mongolia and Sinkiang	500,000,000
IX. Reforestation in Central and North China	100,000,000

X. Colonization in Manchuria, Mongolia, Sinkiang, Kokonor, and Thibet (ten million people @ \$100 each)	1,000,000,000
Grand Total	\$25,000,000,000

The total cost of construction above is \$25,000,000,000 to be completed in a period of fifty years. The average cost for construction would be \$500,000,000 a year or \$5,000,000,000 a decade.

The programme and budget for the First Ten Years is as follows:

1. Construction of 20,000 miles of railways (2,000 miles per year @ \$100,000 per mile)	\$ 2,000,000,000
2. Construction of 100,000 miles of Macadam Roads (10,000 miles per year @ \$20,000 per mile) ..	2,000,000,000
3. Construction of Canals @ \$10,000,000 per year ..	100,000,000
4. Regulation of the Yellow River, the Sikiang and the Hwaiho @ \$20,000,000 per year	200,000,000
5. Construction of Telegraph lines and Telephone and wireless @ \$10,000,000 per year	100,000,000
6. Construction of the North and South Ocean Ports @ \$10,000,000 per year	100,000,000
7. Construction of Other Ports @ \$10,000,000 per year	100,000,000
8. Construction of National Capital @ \$10,000,000 per year	100,000,000
9. Establishment of Two Water Power Stations ..	40,000,000
10. Establishment of Two Iron and Steel Works ..	100,000,000
11. Establishment of Two Cement Works	20,000,000
12. Establishment of Two Industrial Chemical Works	20,000,000
13. Mineral Development @ \$5,000,000 per year ..	50,000,000
14. Agricultural Development @ \$5,000,000 per year	50,000,000
15. Reforestation @ \$2,000,000 per year	20,000,000
Grand Total	\$ 5,000,000,000

It is proposed to derive the annual budget of \$500,000,000 from the following sources:

1. Appropriation from the National Budget	\$ 200,000,000
2. Foreign Loans	200,000,000
3. Domestic Loans	100,000,000
	\$ 500,000,000

A Bank for Reconstruction would be established to handle the finances, but the responsibility for floating the loans, planning and control of construction would be distributed among the various Government bodies in charge of reconstruction work.¹¹

Sun Fo's Ten-Year Plan which was the first real attempt to select a few items from Dr. Sun's colossal plan as a programme for the first ten years' construction work, and to work out a budget for it, has had some influence on the later plans passed by the Central authorities.

B. 1929: PROGRAMME AND BUDGET FOR MATERIAL RECONSTRUCTION.

At the Fifth Plenary Session of the Second Central Executive Committee of the Kuomintang held at Nanking in 1928, after the unification of China through the success of the revolutionary army in its Northern Expedition, about twenty proposals on various aspects of economic reconstruction in Dr. Sun's plan were presented to the conference by different members of the Executive Committee according to their personal and local interests. These prepared the ground for the introduction of an important economic plan to the Third National Congress of the Representatives of the Kuomintang in the following year.

The plan passed by the National Congress of Representatives is entitled "Definite Fixing of the Programme and Budget for Material Reconstruction in the Period of Political Tutelage."¹²

I. The standard of the actual programme for material reconstruction is definitely determined according to the principles and policies formulated in Dr. Sun's "Plan of National Reconstruction", the development of communication being the most important.

II. One half of the income of the whole nation received from taxation shall be used for the budget of material reconstruction.

11. Sun Fo: *Draft of Outline of Reconstruction* (in Chinese) Ministry of Railways Series No. 1.

12. *Resolutions re Economic Reconstruction, Agriculture, Industry and Commerce passed by the various National Conferences of the Representatives, and at the meetings of the Central Executive Committee of the Kuomintang, pp. 5-7* (in Chinese).

- (A) Half of the National Income shall be used by the Central Government for the budget of National Economic Reconstruction for the following undertakings: (1) railways, (2) national roads, (3) other means of communications, (4) coal, iron and other basic industries, (5) river conservancy, (6) construction of seaports, (7) irrigation, reclamation of land, colonization, etc.
- (B) Half of the Provincial Income shall be used by the Provincial Governments for their budgets of local and provincial reconstruction for the following: (1) provincial roads and local communications, (2) improvement of agriculture, irrigation, land reclamation, (3) improvement of cities and public utilities, (4) public health.
- III. In the first five-year period, half of the national reconstruction budget shall be used for railway construction, and half of the provincial reconstruction budgets shall be used for constructive enterprises which have direct bearing upon the improvement of agriculture.
- IV. The previous two articles are but guiding principles governing the budget for material reconstruction, and the actual amounts to be appropriated shall be determined by the National Government according to the financial conditions of the times.
- V. The State Council, when it deems necessary, shall call National Economic Conferences to discuss and determine the practical problems of economic reconstruction, and shall establish an Economic Planning Commission by appointing or engaging Chinese and foreign experts of economic planning, either as members or advisers of the commission.

The above proposal was passed in principle by the National Congress of Representatives and referred to the Central Executive Committee. The section on finance was then modified, and definite sources of income were assured in the following manner: beginning from the 18th year of the Republic (1929) any increase in custom's revenue (which is National Income) over and above that of the 17th year, shall be used for national material reconstruction. Beginning from the 18th year of the Republic any increase of revenue from land tax (which is Provincial Income) above that of the 17th year, shall be used for local material reconstruction.

C. SIX-YEAR PLAN PASSED AT THE NATIONAL PEOPLE'S CONVENTION OF 1931.

In May 1931, a National People's Convention was called by the Nanking Government to discuss the outstanding issues of

the nation. A Six-Year Plan, under the title of a "Programme for Material Reconstruction"¹³ was introduced by the Central Executive Committee of the Kuomintang, and passed by the Convention. The ten items contained in the plan are as follows:

I. Dr. Sun Yat-sen's *International Development of China* shall be definitely recognized as an outline of the basic principles for the material construction of China, and the whole plan shall be carefully carried out by the National Government stage by stage.

II. Based upon the urgent needs of the nation, the following railways shall be constructed under time limits: (a) The Chuchow-Shiukwan section 株州—韶關段 of the Canton-Hankow Line, 粵漢綫 to be completed by the end of 1933; (b) The Tungkwan-Sian section 潼關—西安段 of the Lunghai Railway 隴海綫 to be completed by the end of 1932, the Sian-Lanchow section 西安—蘭州段 by the end of 1936, and the Grand Canal Station-Tsaiertung section 運河站—台兒莊段 by June 1932; (c) The Paotou-Ningsia section 包頭—鞏夏段 of the new Lung-Sui Railway 隴綏路 to be completed by June 1934; (d) The Nanking-Chuchow section 南京—株州段 of the Nanking-Hunan Line 京湘路 by the end of 1934; and the Chang-Shih Line 滄石綫 by June 1932.

III. The Hwai River Conservancy work shall be completed by the end of 1935, and the regulation of the Yellow River shall be undertaken by the Government as soon as possible, within a time limit to be determined.

IV. The first stage in the engineering work of the Northern and Eastern great ocean ports (the ports of Hulutao and Haichow) shall be completed by the end of 1935.

V. By the end of 1935, 200,000 miles of new roads shall be constructed; their distribution to be determined by the National Government according to communication needs.

VI. By the end of 1935, 50,000 miles or more of air lines shall be developed, with 1,000 commercial aeroplanes actively engaged, and promoted by the National Government.

VII. By the end of 1935, the National shipping lines shall be extended by 200,000 to 300,000 miles. In addition to river and coastal line services, the South Seas and foreign lines shall be developed. Private shipping enterprises should be encouraged and assisted by the Government.

13. The full text is found on pp. 47-52 of the *Records of the National People's Convention*, Main Report. It also contains some one-hundred and fifty economic proposals presented to the Convention by various delegates. (in Chinese).

VIII. Basic industries such as irrigation, electric power, iron and steel, coal, sugar, petroleum oil, and the manufacture of automobiles shall be actively established by the Government. Private enterprise should be encouraged, assisted and effectively protected by the Government.

IX. In regard to the increase of agricultural produce, the principle of applying science to agriculture should be established. Besides irrigation, electrification, and other important construction, the experimental sides should be emphasized. Afforestation shall be promoted. Every province shall have model districts for experiment in agricultural improvements. The detailed regulations shall be defined and carried out by the National Government.

X. In the development of the North-east and North-west the construction of communications, opening up of land and mines, immigration, and colonization shall be emphasized. Careful plans shall be drawn up and time limits set by the National Government taking into consideration the local conditions and the importance of national defence."

D. THE LEAGUE OF NATIONS AND THE TEN-YEAR PLAN FOR CHINA.

Since April 1931, the Chinese Government has been negotiating with the League of Nations in order to have closer collaboration with the technical organizations of the League in the economic reorganization of China. In August 1931 a Ten-Year Plan for China was announced in Geneva.¹⁴ It was a plan

14. There seems to be difficulty in tracing the authorship of the Ten-Year Plan. The main items were announced from Geneva on August 17th, 1931, and were published in the *Peking Leader* on August 19th, 1931, but different news agencies gave contradictory accounts of the authorship. Some said it was prepared by the League for China, others reported that the Plan was submitted by the Chinese Government to the League. *The Chinese Economic Journal* from which the summary was made, spoke of the Plan as drafted by the Ministry of Industries. *The Central Daily News*, Nanking, on the day of the first meeting of the National Economic Council (November 15th, 1931) mentioned that the Council would be in a position to consider the League's Ten-Year Plan for China. Correspondence from H. H. Kung, the then Minister of Industries; the present Ministry of Industries; and the National Economic Council, confess ignorance of the Plan. Dr. C. L. Hsia in his article on "China's People's Convention" published in *Pacific Affairs*, Vol: IV, No. 9, September 1931, included the Ten-Year Plan among the important questions taken up by the Convention, but mention of the Plan was not found in the official records of the Convention, thus making the matter still more confused. There is no time to enquire of the mystery from the League Secretariat, who might finally clear up the case.

drawn up more or less along the lines of the plan being applied in Soviet Russia.

The plan consists of a list of fourteen lines of work as follows:

- (1) Building harbours, canals, railways and roads.
- (2) Opening up the vast undeveloped area of the North-west, and developing agricultural and pastoral industries throughout the Republic.
- (3) Development of mines and quarries.
- (4) Construction of smelting-works and mills in connection with the metallurgical industries.
- (5) Production of iron and steel.
- (6) Manufacture of bricks, cement, and other building materials.
- (7) Construction of locomotives and rolling-stock.
- (8) Building of merchant-ships and fishing vessels.
- (9) Manufacture of vehicles of all types.
- (10) Development of the coal-tar industry.
- (11) Development of the basic chemical industry.
- (12) Development of hydro-electric systems and establishment of central power-stations.
- (13) Manufacture of electrical machinery.
- (14) Construction of waterworks.

Definite sums have been worked out for certain portions of the Ten-year Plan, for example, the creation of a merchant fleet of 8,000,000 tons, the construction of industrial power-plants totalling 20,000,000 horse-power, the production of 120,000,000 tons of iron and steel, the production of 2,220,000,000 tons of coal, the clearing of 300,000,000 acres of arable land, the installation of 36,000,000 new spindles, etc.

“The following is a summary of the value of the machinery China will have to instal annually for the next ten years in order to carry out this great programme of industrialisation:

Prime movers	\$ 229,400,000
Mining and metal industries	150,769,000
Agricultural and milling	120,320,000
Chemical Industries	150,000,000
Machine-tools	100,000,000
Textile Industries	270,000,000
Other machinery	100,000,000
Total	1,120,489,000

The proposals for state machine shops have been worked out in detail:

"The estimated cost of this scheme has been worked out in great detail, and in the aggregate comes to about \$3,100,000, of which total the most important individual items are as follows:—

Land (1,000 mu)	\$ 100,000
Buildings	572,000
Railway sidings and wharves	74,000
Other construction work	169,000
Machinery and power equipment	1,103,000
Working capital	810,000
Reserve fund	50,000
Purchase of samples of products to be manufactured	100,000
Machine foundations and shafting	48,000

Of the three million dollars estimated as necessary for starting this project, it is suggested that only about \$600,000 need be raised in China, the balance being taken from the proceeds of the Boxer Indemnity to be refunded by Great Britain."¹⁵

E. THE NATIONAL ECONOMIC COUNCIL AND THE THREE-YEAR PLAN.

The National Economic Council formally organized in November 1932, has been working on a Three-Year Plan, an outline of which was announced in the opening address by General Chiang Kai-shek, as follows:

"It is essential for the National Economic Council not to disperse its efforts and to concentrate on a few well selected schemes as the first part of the Three-Year Plan. The National Government would suggest that these be confined for the following:

"(1) *Public Works.* The organization of a Technical Civil Engineering Station in Nanking is to facilitate the training of civil engineers, to help in the preparation and supervision of future inquiries and surveys concerning any particular road building and river conservancy work, and to form a nucleus of the national civil engineering service. The Station would serve as an intermediary with appropriate institutions abroad for interchange of civil engineers through a system of fellowships.

"As regards river conservancy and land reclamation, the Government would propose, before the carrying out of the scheme is actually started, to submit the technical plans to the committee of specialized engineers, which would advise the Hwai River Commission and the Government on the best technical measures to be taken for the application of the scheme and suggest, if necessary, any adjustments or modifications which might be deemed expedient. The Government

15. *Chinese Economic Journal*, August 1931, Vol: IX, No. 2.

would also invite these experts to make a preliminary enquiry into the problems under consideration at the North China River Commission, and it would be the Government's desire to consult them on the technical aspects of a proposal relating to harbour development in the area of Greater Shanghai.

"Finally, the construction of the first part of the national motor road should be begun without delay, namely from Shanghai to Nanking. The Staff of the Technical Civil Engineering Field Station will be called upon to assist in the several schemes.

"(2) *Education.* The Minister of Education will certainly give the most serious study to proposals and recommendations which will be formulated by the Commission of Educators sent by the League. The National Government would suggest that the reforms in our system of education should be considered with particular care by the National Economic Council. The presence in our midst of distinguished educators would enable us to obtain competent advice, while the technical staff of the Ministry of Education is of course at our disposal at all times. The Minister of Education will make a special proposal to the Council in this respect.

"The National Government suggests that future reforms be made in the light of the needs of the development of the country as revealed by the studies and the plans of this Council, whose opinion will be asked in regard to any expenditure of money on new projects in this domain.

"(3) *Land Reform and Agricultural Improvements.* There is no need to elaborate the importance of this subject both from the economic, social and political points of view. It is proposed that the Permanent Technical Secretariat enter immediately into contact with those institutions which are engaged in surveys and studies of this subject throughout China. A special officer would be commissioned to make himself familiar as rapidly as possible with the progress of the several studies and the conclusions reached by them with the view of preparing for an early meeting of the Council a plan of co-ordinated study which would be entrusted to several selected centres.

"It is hoped that in the course of the year 1932, the studies will have advanced to a stage which will permit the National Economic Council to frame definite policies for the consideration of the National Government with a view of their early adoption.

"(4) *Industrial Development.* An accurate survey should be made of the chief industries in China with the view of formulating proposals as to the action to be taken by the Government with the view of technical improvements, such reorganizations and readjustments in the present legislation and administrative practice as would be found necessary.

"The National Government would particularly expect the National Economic Council to take the initiative in making suggestions

and proposals for study and action, taking into particular consideration the present international situation both from the economic and general point of view.

“(5) *Financial Policy.* The National Government proposes that the National Economic Council should confer with the National Finance Commission as to an immediate study of the principles which should govern the finance policy of the Central and Provincial Governments.

“A memorandum on this subject will be prepared by the Permanent Technical Secretariat and presented to a special joint sub-Committee which the National Economic Council and the National Finance Commission will, it is hoped, set up for the purpose. The Government will request the Council to pay particular attention to this subject.

“(6) *Public Health and Medicine.* The essentials of the Three-Year Plan of the National Health and Medical Service as approved by the Executive Yuan consist in the following:

“(a) The establishment of the Central Field Health Station and the development of the Central Hospital as a nucleus of the National Medical and Health Services, this Station to operate within selected regions as regards all major problems of sanitation, preventive medicine, and medical relief.

“(b) The creation of an Experimental Medical School, and the reinforcement of the few existing national medical colleges of the higher type, for the training of suitable officers for the later work.

“(c) the gradual extension of the National Quarantine Service.

“(c) The co-ordination of the various modern centres of public health activity in the country.

“The Government is fully aware that all this work, important as it is, obviously forms only the indispensable nucleus of activities which, as time goes on, will call for wide expansion and development.

“As stated before, the Three-year Plan has been already elaborated in details. The Central Health Station which has begun functioning since June 1931 forms a part of the Permanent Technical Secretariat of the National Economic Council and it is suggested that a special sub-committee be set up at this meeting to which all questions affecting the reform in public health and medical education will be referred for consideration likewise. Dr. J. Heng Liu will make a special proposal in this respect.

“(7) The National Government will present from time to time specific projects emanating either from the Ministries or competent departments and commissions.

“*Budget.* The estimates for the activities of the National Economic Council can only be evolved gradually as the work develops.

“At present, credits are required for making four or five chief appointments to the Permanent Technical Secretariat to provide for

expenses in connection with the various surveys to be made by our own and foreign experts and to allow for the activities of the Central Field Health Station, and the reform of medical education as provided under the Three-Year Plan already referred to."¹⁶

There are several significant points in this plan which need to be mentioned. Firstly, the plan as stated above only indicates lines of work, leaving the details to expert commissions. Secondly, the scope is much more comprehensive than all previous plans. It includes financial policy, public health and medicine, and education. This looks more like Soviet Planning, which is built on economic, social and cultural bases, but one big difference is that the Chinese Three-Year Plan does not mention the improvement of labour conditions, which occupies an important place in the Soviet Plan. Thirdly, due provision is made for the training of Chinese engineers and workers. Fourthly, international cooperation is sought through collaboration with the technical organizations of the League of Nations. Finally, and most important of all, is the machinery to carry out the plan. The National Economic Council is the body through which the Three-Year Plan is to be administered. Too many of the Chinese plans have failed to make such provision.

III. PARTICULAR AND REGIONAL PLANNING

In the last few years there have been several plans for the economic development of particular industries and regions, of which we shall cite as examples: H. H. Kung's Plan for Developing Basic Industries; Chen Kung-po's Four-Year Industrial Plan; Sun Fo's Railway Plan; and the Plan for Developing the North-Western Region. Other provincial and local plans will be touched upon in a later section on economic construction by the provincial governments. In passing we might mention that in accordance with the policy of the National Government, as announced in 1929, to terminate the Period of Political Tutelage by the end of 1935, every Ministry of the National Government has drawn up a Six-Year Plan covering this period from 1929 to 1935, as a guiding principle for general administration.

16. *The National Economic Council*, The Opening Address delivered at the First Meeting on November Fifteenth in the Twentieth Year of the Republic of China. pp. 11-14.

Several of the Ministries are in charge of reconstruction work in connection with different phases of the nation's economic life, and have drawn up programmes of work which may lead to real economic planning in the future.

A. H. H. KUNG'S PLAN FOR DEVELOPING BASIC INDUSTRIES.

When Dr. Kung was Minister of Industries during the years from 1928 to 1931, he several times presented his Plan for the Development of Basic Industries in China, to various Plenary Sessions and National Congresses. Two of the schemes may be mentioned as typical.

His Basic Industrial Plan adopted by the Fifth Plenary Session of the Second Central Executive Committee of the Kuomintang in September 1928, listed eight kinds of industries, namely:

- (1) development of iron and steel industries throughout the whole country.
- (2) electrification of the whole country.
- (3) establishment of State machine shops.
- (4) establishment of a State salt refinery.
- (5) establishment of State manufacturing works for acids and alkaline manufacture.
- (6) establishment of State fine cotton spinning mills.
- (7) establishment of State paper mills.
- (8) establishment of State alcohol factories.

The estimated minimum budget for the above industries and including the establishment of a State bank for international trade, came to a total of \$200,000,000 to be raised by the floating of loans.

After having been passed by the Plenary Session and referred to the National Government for execution, the list was reduced in 1929 to four items: iron and steel, acids and alkalies, fine cotton spinning, and machine shops. The list was further divided into two stages: the construction work involving small cost to be undertaken first, and the more costly, such as iron and steel foundries, to be undertaken later. In accordance with this decision a budget of \$15,000,000 to cover the expenses of five factories: a cotton mill, a woollen factory, an acids manufactory, an alkaline manufactory, and a sugar refinery, was drawn up. It was then expected that a portion of the additional income

from custom's revenue after the new rate was enforced, would be set aside for this purpose.

At the National Congress of the Kuomintang representatives, held in November 1931, Dr. Kung proposed another plan, somewhat similar to, but less detailed than the one drawn up in 1928, with a definite proposal that twenty per cent of the National Budget should be spent for industrial reconstruction, six per cent for agriculture, six per cent for afforestation, four per cent for mining, and four per cent for commerce and industry. A very ambitious plan for the development of state iron and steel works in north, east, and south China, which called for capitalization of \$300,000,000 was also introduced by Dr. Kung and passed by the Conference.¹⁷

B. CHEN KUNG-PO'S FOUR-YEAR PLAN.

Mr. Chen Kung-po succeeded Dr. H. H. Kung as Minister of Industries on January 1st, 1932. On his assumption of office the new Minister made a public statement regarding a Five-Year Plan. His Five-Year Plan was soon changed into a Four-Year Plan, presumably falling into line with the general policy of the National Government to complete all plans for reconstruction by 1935, at the end of the Period of Tutelage. The Four-Year Plan, according to Mr. Chen's address at the Memorial Service at the headquarters of the Central Kuomintang, Nanking, on October 17th, 1932, is to develop the Yangtze Valley as the centre of heavy industries. Several reasons are given for the choice of this particular region, namely: that the Yangtze Valley is the seat of the National Government; it occupies a central position in the country with easily accessible means of communication; and it is rich in natural resources. The Ministry of Industries has drawn up twelve separate industrial plans for the Yangtze region: (1) coal, (2) iron and steel, (3) sulphuric acid, (4) machinery, (5) copper, (6) petroleum oil, (7) motive power, (8) automobiles, (9) electrical supplies, (10) sugar refining, (11) paper making, and (12) porcelain.

Of the twelve industrial plans the first four to be put into operation are; coal mining, iron and steel work, sulphuric acid

17. All of Dr. Kung's plans are compiled and published by the Ministry of Industries in one pamphlet of seventy pages. (in Chinese).

manufacture, and machine shops. (1) The coal plans is based upon the division of the coal producing provinces in the Yangtze Valley into twenty districts. Each district is expected to produce 2,000 tons a day, making a total of 40,000 tons. A sum of \$33,000,000 profit per annum is expected.¹⁸ (2) The iron and steel plant will be a joint Sino-German enterprise. Annual production of iron is expected to reach 170,000 tons; of steel more than 100,000 tons, and coal and other by-products to realize \$8,100,000 profit per year. The capital will be \$40,000,000 to be raised in two instalments. (3) Sulphuric acid manufacturing works will call for \$15,000,000 as capital. German and British co-operation will be sought. (4) The steel machine shops will include twelve different kinds of machinery, but on account of financial difficulties, a state machine shop will be established first. The capital will come from two sources: \$1,500,000 for machinery from the British Indemnity Fund, and \$400,000 for buildings and other equipment from the Ministry of Industries.

In addition to the industrial plans listed above there are plans drawn up by the Ministry of Industries for developing agriculture, commerce, mining, animal husbandry, fisheries and light industries.¹⁹

C. PLANS FOR NATIONAL RAILWAYS AND HIGHWAYS CONSTRUCTION.

In Sun Fo's Ten-Year Plan, as stated previously, it was proposed that 20,000 miles of railways should be built in a period of ten years, or an average of 2,000 miles each year. On the basis of these figures he later worked out a "National Scheme of Railway Construction".²⁰

The first programme of railway construction for the first six years was to include the following lines:

"Group I. 1. Completion of Canton-Hankow Line (previously projected).

18. There would seem to be a necessity for some basis for these estimates, and for a time within which such a profit is expected to be realized.

19. According to information obtained from the Ministry of Industries the Four-Year Plan is a lengthy document of 300,000 to 400,000 words, and will probably be made public some time in the summer.

20. Ministry of Railways, Pamphlet Series No. 2. (in Chinese). An English translation has been printed in *The China Critic* and reproduced in *The China Year Book* (1929-30).

2. Completion of Lung-Hai Line (previously projected).
 3. Tsangchow-Shihchiachuang Line (previously projected).
- Group II.
1. Nanking-Changsha Line (previously projected).
 2. Nanking-Canton Line (Combining Swatow-Meihsien, Amoy-Lungyien, Foochow-Nanping, and Hangchow-Changshan Lines into one).
 3. Shiuchow-Nanchang Line.
 4. Foochow-Nanchang Line.
 5. Canton-Yunnan Line with a branch to Kweiyang.
 6. Changsha-Yunnan Line.
- (In this group Shiuchow-Nanchang and Foochow-Nanchang are alternative lines to Nanking-Canton Line, and Canton-Yunnan alternative to Changsha-Yunnan).
- Group III.
1. Paotou-Ningshia Line (previously projected).
 2. Chengtu-Chungking Line (previously projected).
 3. Taokow-Tsinan Line (previously projected).
 4. Tatung-Puchow Line (previously projected).
- Group IV.
1. Paoching-Chinchow Line (This line and Changsha-Yunnan line together constitute an alternative line to Canton-Yunnan).²¹

These lines are estimated to total 5,378 and 6,102.5 miles. The estimates for construction vary from \$751,521,627 to \$863,329,627. The expected sources of capital are the Boxer Indemnities of Great Britain, Russia and Italy, which calculated to the year 1929, amount to \$267,142,812; and Customs Revenue. Bonds on returned indemnities, and customs' surplus will be issued. A detailed scheme of issuing these bonds is shown in the tables for the years from 1930 to 1949.

Sun Fo was not only interested in railways but also in highways. In 1929, when Minister of Railways, he appointed a National Highway Planning Commission in his Ministry, and called a National Highway Conference in February 1929, and after three months' effort the Commission presented plans for a national system of highways.²² After having been endorsed by various Government bodies, as a result thereof, highway laws

21. *The China Year Book* (1929-30) pp. 358.

22. For further information see Ministry of Railways Pamphlet, Series No. 4; *Plan for the Construction of National Highways by Periods* (in Chinese). *The China Year Book* (1930-31) pp. 315-316 contains a summary of the plan.

were promulgated in September 1929 as the first step towards the realization of this national plan.

According to the plan, the following eleven National Roads, which are divided into two classes, namely: China Proper Roads, and Frontier Defence Roads, were projected:

1. Nanking-Kwangsi Road.
2. Nanking-Yunnan-Sinkiang Road.
3. Nanking-Tibet Road.
4. Fukien-Sinkiang Road.
5. Nanking-Mongolia Road.
6. Nanking-Heilungkiang Road.
7. Kansu-Suiyuan Road.
8. Kansu-Tibet-Sinkiang Road.
9. Heilungkiang-Mongolia Road.
10. Tihwa-Suilai Road.
11. Shensi-Kwangsi Road.

In the proposed construction programme the projected trunk roads were divided into four groups: the first two groups constitute the China Proper Roads, while the remainder are the Frontier Defence Roads. The plans call for the supervision by the Ministry of Railways of the construction of 67,553 *li* of national highway over a period of twenty years. The total cost of construction is estimated at \$364,068,000. It is expected that the first two groups of the China Proper Roads will be completed within ten years.

As far as planning goes, the highway plan comes nearest to scientific planning, and is based upon several years' experience of highway construction in the provinces. It is planned to standardize and systematize the universal, but scattered efforts for the construction of highways in all parts of China. The division of roads into national, provincial, district and village, which together form a national network, clearly defines the function of the central or local government organ concerned. Detailed construction costs have been tabulated, standards for various types of civil engineering work have been set, and national highway laws and other regulations have been promulgated. Indeed, it is an excellent plan from both the national and technical viewpoints.

D. OTHER PLANS.

Recently a great deal of interest has been aroused in connection with the development of the North-western part of China, and many schemes for such development have been put forth. It will suffice to call attention to two of them.

The Ministry of Industries has a Four-Year Plan for North-West Development.²³ General Liu Chin-hua, formerly Governor of Shensi announced a Ten-Year Plan for the Development of the North West, to be divided into periods.²⁴ The total estimated capital needed for the scheme, including communications, mining, manufacture, colonization, etc., is \$920,000,000.

The National Reconstruction Commission, created in 1928, which, if all its paper schemes were put into operation would be a very significant body, has projected several minor plans on certain types of manufacturing and mining, in addition to two big plans, one for National River Conservancy development, and another for National Electrification subdivided into districts.²⁵

Practically every province has an economic plan, and very often more than one. Most of them are paper schemes and there is no co-ordination among the various provincial plans. Some of them, however, are in actual operation, and will be mentioned later in connection with construction.

E. EVALUATION OF CHINESE PLANS.

One or two comments on the economic planning as summarized in the foregoing pages will perhaps be in order. There are several characteristics of Dr. Sun's plan which have been inherited and developed by his followers in China which deserve our special attention. Firstly, as in Soviet Russia and later Mexico, the idea of economic planning was suggested by the effort to promote new economic developments in which industrialization was to play an important part. Secondly, the plan for economic development as worked out by Dr. Sun's school, allows for the simultaneous existence of private undertakings and state

23. *The Chinese Economic Bulletin*, Vol: XXI, No. 23, pp. 320.

24. For details see *Scheme for North West Development*, by Liu Chin-hua, *Ta Kung Pao*, May 9-15, 1931 (in Chinese).

25. A collection of all the plans of the National Reconstruction Commission up to 1930, is published by the Commission. (in Chinese).

enterprise; it only covers the latter and is not a plan for the national economy as a whole. Thirdly, the Chinese economic plan from the outset welcomed international co-operation in the forms of capital investment and technical assistance. Fourthly, economic planning in China tends to lay emphasis on what is needed to be done, and to neglect the organizational side, how to do it, or the machinery needed to carry out the plan. Fifthly, the final objective of creating socialism in China emphatically announced by Dr. Sun Yat-sen has caused divergent views among his followers, although the general social purpose of economic planning is still kept in view by all.

The evolution of planning is natural and interesting. It started with Dr. Sun's comprehensive plan, which was narrowed down somewhat in Sun Fo's plan with a time limit and estimated budget; certain selections were made at the Party Congresses, and the ministerial plans further narrowed down the scope by planning for particular industries and regions; finally, the Three-Year Plan of the National Economic Council superseded the other plans by merely selecting a few items, indicating the general directions, and leaving detailed plans to be worked out by the various expert commissions. The method of planning as adopted by the National Economic Council seems to be a step further in the right direction, except that its wide scope of plan, and a basis of work which is not unified is a distinct drawback.

Because of the fact that economic planning is in its infancy in China, and of the unsettled conditions of the country, several unavoidable weaknesses have revealed themselves. The most pronounced difficulty is the lack of co-ordination among the various plans proposed. The necessity of making provision for machinery to carry out these plans is generally overlooked. Then there is the habit of drawing up plans without considering the question of finance. No-body could be more emphatic than T. V. Soong in advocating co-ordination in planning, when he remarked: "Reflecting the widening requirements of the public, we have seen each department of the Government proposing its own pet projects, all of them involving huge expenditures. Doubtless many of these projects are in themselves sound but they must be unrealizable because of the known lack of funds, and the fact that they are not co-ordinated with the projects

of other departments." "Surely a case has been made for discarding the haphazard, unrelated, and clashing programmes of the various branches of the Government, and the creation of a really effective planning organization."²⁶

The further criticism may be levelled that the Chinese economic plans are paper schemes so far. We have to recognize the fact that in the past the Chinese Government has played a very insignificant part in economic matters, and even an exercise in economic dreaming is a better thing than the old practice in "eight-legged" essay writing. The really significant thing is that the Chinese Government, for the first time in history, has shown a real interest in the economic reconstruction of the nation, and has entered into an elementary stage of economic planning, opening up enormous potentialities for Chinese experts and foreign friends, to utilize the opportunity to assist the Government in putting economic planning on a sound scientific basis.

V. MACHINERY FOR ECONOMIC PLANNING.

As has been pointed out in a previous section, most of the Chinese plans lack provision for proper machinery to carry them out. The following sections will show that such bodies are in process of being created.

A. GOVERNMENTAL BODIES CONCERNED WITH ECONOMIC MATTERS.

In the Central Government the Ministries which, in one way or another, have responsibilities in economic matters, are:

1. The Ministry of Industries.
2. The Ministry of Communications.
3. The Ministry of Railways.
4. The Ministry of the Interior.
5. The Ministry of Finance.

In addition to the regular ministries there are some standing commissions such as the National Reconstruction Commission, and a number of temporary commissions, such as the Commis-

26. *Financial Report of the Eighteenth Fiscal Year of the Republic of China.*

sion on Rural Rehabilitation recently appointed by the Executive Council.

The lines of demarcation between economic work among these ministries are not clearly drawn, and a certain amount of duplication has been shown. There is need for improving the central administration by some combination and co-ordination.²⁷

The situation in the provinces is more confused on account of the lack of a uniform organization. For instance, three of the northern provinces: Hopei, Shantung and Shansi, have both Bureaus of Reconstruction and Bureaus of Industries; some of the central provinces have both Bureaus of Commerce and Industry, or Bureaus of Agriculture and Mining, or Bureaus of Industries. These bureaus under different names, doing similar work, are examples of confused local administration. A uniform system of provincial bureaus for economic activities should be established without delay in order to increase efficiency in the colossal task of economic reconstruction.

B. CONFERENCES AND COMMISSIONS.

Since the establishment of the National Government at Nanking, the principle of the people's participation in the economic activities of government has been extensively applied. In the general national conferences "private bills" for economic planning and reconstruction have been allowed to be presented, though not necessarily to be carried out. Leading citizens, largely bankers, industrialists and business men, have been invited to participate in important national conferences called by the National Government on various aspects of economic life, notably the National Economic Conference in June 1928; the Financial Conference of July 1928; the National Conference on Communications, August 1928; the National Conference on Civilian Aviation, August 1928; the National Highways Conference, February 1929; the Industrial Conference, November 1930; the National Conference on the Unification of Weights and Measures, November 1930; the National Conference on

27. For details of the departments under the different ministries see *Two Years of Nationalist China* by M.T.Z. Tyau (Shanghai 1930). The Ministries of Agriculture and Mining, and Commerce and Industry have now been combined into a Ministry of Industry.

Railways, March 1931; and the recent Conference in Hsien (county) Reconstruction.

Some of the Government standing committees, with economic interests, have included a number of experts. A typical example was the Industrial and Commercial Planning Commission of the Ministry of Industry, Commerce and Labour in 1928-29, the membership of which was largely composed of bankers, business men, a few professors, but no labour representatives.

C. THE NATIONAL RECONSTRUCTION COMMISSION.

The National Reconstruction Commission, consisting of twenty-nine members, was established by the National Government in the Spring of 1928 under the chairmanship of Chang Chin-chiang, who served concurrently as the Chairman of the Chekiang Provincial Government. As defined by the law governing its organization, its functions are:

"1. To study and plan reconstruction works as enumerated in Dr. Sun Yat-sen's 'Plans for National Reconstruction.'

2. To undertake works relating to water conservancy, electrical power development and other governmental enterprises not belonging to the various Ministries of the National Government.

3. To direct and supervise private-owned electrical enterprises.

4. To undertake, with the consent of the Ministries concerned, such governmental enterprises as may come under their jurisdiction but have not been started by them.

5. To direct and supervise the works undertaken by the Reconstruction Departments of the various Provincial Governments."²⁸

"The technical work of the Commission is distributed between the Electrical Department and the Conservancy Department. The following institutions also come under its control:—

1. Nanking Electricity Works.
2. Tsishuyen Electricity Works.
3. Electrical Manufacturing Works.
4. North China River Commission.
5. Taihu Basin Waterways Commission.
6. Great Eastern Port Development.

28. *Two Years of Nationalist China*, Chapter IV, Sec. XII, pp. 283.

7. Great Northern Port Development.
8. First Irrigation District Commission.
9. Chang Hsin Coal Mining Administration.
10. Hwai Nan Coal Mining Administration.
11. Central Forest District Commission.²⁹

Owing to conflicts and duplications with the economic activities of existing Ministries, the National Reconstruction Commission has several times undergone a process of reorganization. The administration of the entire radio system was transferred to the Ministry of Communications; the conservancy work to the Ministry of the Interior. The main function of the National Reconstruction Commission has now been restricted to technical planning, but even this phase of work may sooner or later come into conflict with the newly created National Economic Council unless further reorganization takes place.³⁰ Out of the eleven institutions under its control as listed above, only six now remain:

1. Nanking Electricity Works.
2. Tsishuyen Electricity Works.
3. Electrical Manufacturing Works.
4. The Model Irrigation Administration (reorganized).
5. Chang Hsin Coal Mining Administration.
6. Hwai Nan Coal Mining Administration.

Two new institutions have been added:

7. Chekiang Economic Investigation Bureau.
8. Material Purchasing Commission.

D. THE NATIONAL ECONOMIC COUNCIL.

1. *Origin.* The National Economic Council is by far the most important governmental economic organization, and has the greatest possibilities if its efforts are wisely directed. Although the actual creation of the National Economic Council did not take place until the latter part of 1931, the need for such a body had been felt by some of the Kuomintang leaders

29. Ibid, pp. 285. For further information consult reports and publications of the Commission. (in Chinese).

30. Cf. chart showing the organization of the National Construction Commission, Tyau, pp. 281, with the chart showing the same in *Organization Charts of the National Government and its Committees*, pp. 28, Central Bureau of Statistics, (Nanking 1931). (Chinese).

and Government officials several years earlier. At the Fifth Plenary Session of the Central Executive Committee in 1928 two proposals to establish economic planning commissions were introduced.³¹ A similar proposal was made at the National People's Conference, 1931.³² The most significant pronouncement, however, was delivered by T. V. Soong on March 1st, 1931, when the Financial Report of the Eighteenth Fiscal Year of the Republic was submitted to the Political Council of the Central Executive Committee. He spoke of the necessity of "the creation of a really effective planning organization, which would guide the productive forces of the country, co-ordinate the activities of the Ministries, and rigidly map out the essential ends which for a given course of years each of the different components is obliged to pursue."³³

This feeling of the need for a central planning commission was encouraged and supported by the early visits of the technical experts of the League of Nations in the Spring of 1931, and resulted in the creation of a National Economic Council for China.³⁴ The preliminary steps in preparation for the organization of the National Economic Council were taken in April 1931; regulations governing the organization were promulgated on June 6th, 1931; members of the Economic Council were appointed on September 26th, 1931; and the first meeting of the Council took place on November 15th, 1931.

2. *Organization and Function.* The purpose in establishing a National Economic Council as given in Article I is to accelerate economic reconstruction, to improve the people's means of livelihood, and to regulate national finances. All State projects for economic reconstruction, which may require Government funds must first be submitted to the National Economic Council before

31. *Collection of Proposals presented to the Fifth Plenary Session of the Central Executive Committee*, pp. 58 and pp. 102. (Chinese).

32. *Main Report of the Record of the National People's Conference*, Part II, pp. 88. (Chinese).

33. *Financial Report of the Eighteenth Fiscal Year of the Republic of China*. (English and Chinese).

34. For the historical relations between the League and the National Economic Council see "*The Opening Address delivered at the First Meeting of the National Economic Council on November 15th, in the Twentieth Year of the Republic of China*, by General Chiang Kai-shek, (Nanking 1931).

they can secure Government approval. The Council is also empowered to investigate into the work and the expenditure involved in the execution of the approved plans.

The membership of the Economic Council is composed of (a) ex-officio: the President and Vice-President of the Executive Yuan, the Ministers of Interior, Finance, Railways, Communications, Industries and Education, as well as the responsible heads of the various Central Government organs connected with economic reconstruction; (b) appointed members, the number of which is limited to eleven, largely chosen from among bankers and industrialists.

Provision for the organization of technical committees is also made in the regulations. Five such committees have actually been constituted thus far, namely, The Seven Provinces Highways Technical Committee, the Emergency Technical Committee, the Health Technical Committee, the Education Technical Committee, and the Rural Reconstruction Technical Committee.³⁵

3. *Collaboration with the League of Nations.* The Chinese Government request in April 1931 to the Secretariat of the League of Nations for co-operation in economic reconstruction covers the following points:

"(a) First in the stage of first planning and organization the League might be able to send someone as it has already done in the special domain of health work for such limited period as might be practicable and convenient to the Government in order to help with his advice both as to the plan itself and as to any subsequent methods by which the League could assist it.

(b) Secondly in the execution of particular projects the League might at the request of the Government send or propose officers representatives or experts who apart from their own competence could be in contact with the relevant technical organization in Geneva.

(c) Thirdly in appropriate special cases a League Committee whether a standing committee or one appointed *ad hoc* might at the requests of the Government help to frame or improve some particular scheme.

(d) Fourthly the League might in several ways help in the training of China's own officers who will be required for the more

35. *First Collection of Regulations governing the National Economic Council and its Committees.* (Nanking 1932, December). (Chinese) Dr. Linder, Op. cit. has a somewhat different list.

extended work of later years. In the domain of health the League has already been able to arrange for technical education in practical work in other countries sometimes with the aid of Fellowships.

(e) And in addition the League might help the Government to find advisers to assist the development of the Chinese educational system and facilitate the intercourse between the centres of intellectual activity in China and abroad.

(f) Lastly China might sometimes desire to initiate League action in some sphere in which international cooperation or the co-ordination of the policy of a number of countries might be required in order to remove some obstacle to China's development."³⁶

Subsequently several technical commissions from the League have visited China. In addition to the experts on health, communications, and finance, distinguished specialists in education, agriculture, silk, tea, etc., have come from Europe to China to assist the National Economic Council in studying the problems and determining policies and making plans.

It is hoped that the National Economic Council will be able to function as the supreme body in Government economic planning and reconstruction according to the regulations laid down. But an absolutely essential prerequisite is the reorganization of the Central as well as the Provincial Governmental organs which have charge of economic reconstruction, into a co-ordinated system, with their relation to the National Economic Council clearly defined. Another problem which needs to be considered is the relation between private enterprise and state enterprise. It would be desirable to bring the two together into one national economic system, rather than to have them developing independently side by side.

V. ECONOMIC RECONSTRUCTION SINCE 1927³⁷

A. INITIAL STEPS TAKEN TOWARDS ECONOMIC RECONSTRUCTION.

The National Government, despite all kinds of difficulties and opposition, has courageously taken steps to clear away some of the age-long hindrances, and to lay a sound foundation for economic reconstruction in China. Tariff autonomy was restored from February 1929, and a slight measure of "safe-guarding"

36. *The Opening Address* pp. 8-9.

37. As the facts presented in this paper are chiefly drawn from official sources, and statistical work in China is still in its infancy, they can only be regarded as indications of general trends and no absolute accuracy is guaranteed. There are also certain private efforts in economic reconstruction which are outside the scope of this paper.

of Chinese industries has been initiated. Certain economic rights lost through granting special privileges to foreigners under treaties and contracts, such as navigation rights and telegraphic communication, have been recovered by the Government. Comparatively fair and "equal" commercial treaties have been concluded with foreign countries. Internally the notorious *likin* was abolished in January 1931. The policy for the free movement of rice over the whole country was announced this year. Taxes on certain industries and trades have been somewhat reduced. The practice of publishing an annual budget was adopted in 1928. There is strong reason to believe that the Government is aiming at the establishment of a sound financial policy, and a beginning has been made, although much still remains to be done.

As unification in elementary economic practice is necessary as a basis for economic reconstruction, the National Government has done several important things in this respect. The Government Commission on the Unification of Weights and Measures has been at work for several years, although actual enforcement is called for in three stages, beginning with 1930 and ending in 1933.

Another significant step taken is the abolition of the confusing *tael*, which has been replaced by the national dollar. A national mint, said to be the largest silver mint in the world,³⁸ was established in 1929, although actual coining has only just started (May 1933). With the establishment of the Central Bank of China in 1928, and the reorganization of the Bank of China and the Bank of Communications, and the proposals of the Kemmerer Commission, the Government is working on a banking policy which may lead to the unification of the paper currency, and to other phases of monetary reform. A beginning has also been made in the centralization and standardization of Government accounts, and statistical work by the creation of the *Chu Chi Ch'u* 主計處 in 1930, which will make possible comparison, analysis and interpretation of Government efforts in economic planning and reconstruction. Besides these, the Government is actively engaged in promoting trade and industry and in conducting relief work.

38. J. B. Condliffe: *China To-day: Economic*, pp. 82.

B. NATION-WIDE ECONOMIC RECONSTRUCTION.

I. Communications.

1. Telegraphs.³⁹

(A) Length of Telegraph Lines in Operation:

	1928	June 1932.
i. Aerial lines	99,790.00 Km.	99,124.50 Km. ⁴⁰
ii. Underground cables	16.70 Km.	29.66 Km.
iii. Submarine cables	87.92 Km.	3,442.70 Km.

(B) Radio Stations 22 stations 96 stations⁴¹

Radio telegraphy before 1928 was confined to military use only. The entire system has been developed during the last four years. Twelve out of the ninety-six stations are for international service. The installation of the R.C.A. (Radio Corporation of America) system has been opened for traffic with San Francisco and the German system with Berlin since December 6th, 1930; the French system with Ste. Assise, Paris, since February 19th, 1931; and the Telefunken system with the Philippines and Java since April 7th, 1930.

2. Aviation.

In the last few years a great deal of interest has been taken in aviation. Starting with military aviation distinct advances have been made in spite of political and financial difficulties. A beginning in civil aviation has also been made. The two present Sino-Foreign operating lines, sponsored by the Chinese Government in co-operation with American and German interests, organized the China National Aviation Corporation and the Eurasia Aviation Corporation respectively. The Sino-American air-route was opened to traffic in 1931, and has two lines operating:

- (a) Shanghai-Chungking Line, 1652 Km. later to be extended to Chengtu.

39. *Annual Statistical Reports of Communications, 1928-32, June*, published by the Ministry of Communications. (Chinese).

40. Tyau, *op. cit.*, pp. 223, gives the total of 167 stations, civil as well as military for 1929. The above figures are for civil stations only.

41. One of the effects of the civil wars has been the destruction of telegraph lines. The figures for 1932 include both the new lines and repaired lines, but they have not yet reached the total length in 1928.

(b) Shanghai-Peiping line, 1332 Km.

There is also a projected Shanghai-Canton line of 1457 Km.

The Sino-German Air Route was started in 1930 and has two operating lines:

(a) Nanking-Lanchow Line. 1580 Km.

(b) Peiping Tihwa Line 3780 Km.

The latter will soon be extended to Tacheng, thence to Europe through Russia, satisfactory arrangements having been made with the Soviet authorities. A projected line from Hankow to Canton, to be connected with the Peiping-Tihwa and the Nanking-Lanchow lines through Sian, will be carried out within the year, according to information obtained through the manager of the Corporation.

3. Railways.

Railways have been seriously damaged in the last few years as a consequence of civil war. Accordingly the Ministry of Railways is busily engaged in repairing and reorganizing work. Despite many political and financial difficulties during recent years the Government has been able to complete 346 kilometres of railways between 1929 and 1932, while another 410 kilometres are under construction.

(A) RAILWAYS COMPLETED.

i. National Railways:

(a) Lingpao-Tungkwang (Lunghai Railway) 72 Km. open to Traffic December 1931.

(b) Tungkwang-Hwayin (Lunghai Railway) 24 Km.

(c) Shiuchow-Lokchong (Canton-Hankow Railway) 50 Km. open to traffic, May 1933.

ii. Provincial Railways:

(a) Siaoshan-Lanchi (Hangchow-Kiangshan) 200 Km.

(B) RAILWAYS IN THE PROCESS OF CONSTRUCTION:

i. National Railways:

(a) Lokchong-Tashihmen (Canton-Hankow Railways) 45 Km.

(b) Hwayin-Weinan (Lunghai Railway) 49 Km.

(c) Yutzu-Taiku (Tatung-Tungkwang Railway) 35 Km.

(d) Taiku-Pingyao (Tatung-Tungkwang Railway) 45 Km.

ii. *Provincial Railways:*

- (a) Kinhwa-Yushan (Hangchow-Kiangshan Railway)
155 Km.

iii. *Private Railways:*

- (a) Wuhu-Sunkiapu (Wuhu-Chapoo Railway) 81 Km.⁴²

There are several projected lines mainly in the Southwestern and Chekiang provinces, and 5,000 kilometres of the Hunan-Yunnan line has already been surveyed.

The Nanking-Pukow Ferry also needs to be mentioned. The ferry was made in England, and the construction work begun in December 1930. It will be ready for use by June 1933.

4. *Highways.*

The construction of highways is being extensively carried out by the Central as well as local governments in close co-operation with voluntary organizations such as the National Road Association. The lengths of roads completed according to the National Road Association, are as follows:

1926	.....	26,111 Km.
1927	.....	29,170 "
1928	.....	30,550 "
1929	.....	34,444 "
1930	.....	46,666 "
1931	.....	66,111 "
1932	.....	80,899 "
1933 (March)	.....	81,278 "

II. *River Conservancy and Harbors.*

The regulation of rivers is one of the few economic problems in which the Chinese Government in the past was interested. In recent years millions of dollars have been spent for this purpose. Since most of the funds have come from Provincial Governments the administration is largely in the hands of local conservancy bureaus and other similar bodies. The Central Government, however, has subsidized certain local projects, and controlled the work on the Yangtze and Huai Rivers. The construction of the Great Northern Port and the Great Eastern Port are now under the joint control of the Ministries of Railways and Communications.

42. *Chinese Economic Bulletin*, Vol: XXII, No. 16, April 22nd, 1933 pp. 247.

The following table gives the amount of money spent on some of the important works:⁴³

(1) The Yunting Ho (Hopei Province) 1929-31	\$	936,402
(2) The Ching Ho (Shensi Province) 1931-32	\$	948,587
(3) The Kiangsu Section of the Canal, 1932	\$	3,520,000
(4) The Hai Ho (Hopei Province) 1930-32	\$	3,267,604
(5) The Yangtze and the Huai (after the floods) 1930-32		\$17,000,000

The annual expenditure for river work in the Northern and Central provinces varies between \$490,000 in Honan to \$189,000 in Chekiang. A total of \$8,247,200 was spent in Shantung from 1931 to 1933.

III. Rural Reform.

1. Rural Credit.⁴⁴

(a) *Farmers' Banks* have been established in Kiangsu, Chekiang, and Kiangsi, while in other provinces they are in process of organization.

(b) *Rural Co-operative Societies.*

	Number of Societies. Membership.	
i. Neighbourhood of Nanking	24	386
ii. Ho Hsien, Anhui	38	520
(The Societies in the above two places are organized by the Central Government).		
iii. Kiangsu	628	30,257
iv. Chekiang	452	19,640
v. Hopei	504	21,046
vi. Shantung	9	156
vii. Kiangsi	1,087	50,837 ⁴⁵
Total	2,742	122,842 ⁴⁶

43. Figures supplied by the Ministry of the Interior.

44. Information given by the Ministry of Industries — manuscript of the China Economic Year Book. (Chinese).

45. Figures obtained direct from the Kiangsi Provincial Government.

46. The above figures seem to be confined to Government rural co-operatives. The latest figures for the whole country give nearly 3,000 societies with a membership of almost 1,000,000. The figures for some of the provinces are also different.

The societies organized in Fukien, Anhui and other provinces have not yet reported to the Ministry of Industries.

2. Agricultural Extension and Promotion.

A Central Agricultural Extension Committee was appointed in October, 1929, and is now in charge of the Wookiang Agricultural Extension District and the Central Model Agricultural Extension District. An Agricultural Extension Law was promulgated in August 1929, and a national agricultural extension programme was adopted. Provincial Agricultural Extension Bureaus have been established in Kiangsu, Anhui, Chekiang, Shansi, Szechuan, Hopei, Honan, Kwantung, and Yunnan; other provinces will soon follow suit.

3. Farmers' Organizations.

With the promulgation of the Farmers' Organization Law in January 1931, farmers have been encouraged to organize themselves into unions. Up to the present time the registered farmers' unions number 11,137, spread over seventeen provinces.

4. Silk Egg Inspection.

The following number of silk egg farms have been inspected: 113 in Kiangsu; 46 in Chekiang, and 3 in Anhui.

5. Experimental Stations.

Sixty-two various kinds of agricultural experimental stations have been established in the country, of which two belong to the Central Government, and the rest are Provincial.

6. Afforestation.

A vigorous movement for afforestation has been successfully launched by the Government. The following table shows the total result in the twenty-five provinces:

	<i>Number of Trees Planted:</i>
1929	5,914,261
1930	2,519,412
1931	45,592,292
Total	54,025,965

7. Other Reforms.

A plan for a land survey of the whole country has been announced by the Government, but on account of financial

difficulties only a beginning has been made in the eighteen provinces.⁴⁷ Measures to protect and improve fisheries have been worked out by the Ministry of Industry. Schemes for improving the two ancient agricultural industries of silk and tea are under consideration.

IV. State Industries.

1. "The Big Five". The most important state industrial undertakings are the five big factories under the auspices of the Ministry of Industries,⁴⁸ viz: (a) The Central Machine Shops at Nanking with a capitalization of \$2,500,000 from the British Indemnity Fund for the purchase of machines in England. Steps have been taken in regard to building the factory and purchasing machinery.

(b) The State Steel Works. A draft contract has been signed between the Chinese Government and a German syndicate. The latter will finance the plant in the form of a loan from \$16,000,000 (gold) to \$20,000,000 (gold). The German Syndicate has agreed to advance \$100,000 (silver) for preliminary experiments in testing coal.

(c) The State Sulphuric Acid Manufactory. The estimated capital is \$15,000,000, of which the Chinese shares will be more than half, the rest being expected from foreign sources. Preliminary steps have been taken in inspecting the sources for supply of raw material by the Government in co-operation with the British Imperial Chemical Industries Inc. Ltd., and the German I G. Farbenindustrie A.G.

(d) The State Alcohol Distillery. The approved plan calls for a capital of \$250,000, of which the Government will contribute \$100,000 and the merchants \$150,000. £6,300 from the British Indemnity Funds has been agreed upon to be used for this purpose, as the Government's expected share.

(e) The State Paper Mill. Experts have been sent to Chekiang to investigate the possibility of establishing a State Paper mill in that province. Plans will be made in accordance with thier report.

47. Detailed information has been supplied by the Ministry of the Interior.

48. Information given by the Ministry of Industries.

2. State Mining Enterprises.

(a) The Chang Hsin Coal Administration and the Hwai Nan Coal Mining Administration are under the control of the National Reconstruction Commission.

(b) Aluminium and tungsten mines are nationalized in two places, according to the right reserved by the Government as stated in Article X of the Mining Law. In order to carry out the general policy of state monopoly of tungsten mines, some of the mines in Kiangsu were taken over from the Provincial Government in February 1933. The Ministry of Industries proposes to use \$6,000,000 as the initial capital for mining in that province. In March 1933, the aluminium mines in Shantung were also reserved by the National Government for State mining in the near future.

(c) The Hunan Provincial Government in co-operation with the Ministry of war is now working on zinc refining with a capital of \$100,000 loaned by the Ministry. The organization of the zinc refineries was begun in the Autumn of 1932, and production will start from June 1933.

3. The Woollen Factory.

The Ching Ho Woollen Factory under the Control of the Ministry of War, established near Peking towards the end of the Ch'ing Dynasty, was originally intended as a part of the system for military supplies, but recently it has engaged in manufacturing woollen cloth for commercial purposes as well, with a monthly output of 40,000 yards.

4. The Airplane Factory.

An airplane factory under the Control of the Naval Ministry, formerly located in Foochow, has recently been moved to Shanghai. This is one of the newest ventures undertaken by the Government.

5. Shipping.

The China Merchant Steamship Company, which was one of the pioneer works in modern industry in Li Hung-chang's time, and has a large amount of Government capital invested in it, was brought under the direct control and management of the Government in November 1932, by the purchase of the merchants' shares.

6. *Locomotives.*

A very significant occurrence in the history of railways in China was the construction of four locomotives for freight trains in the winter of 1931, and two locomotives for passenger trains in November 1932, by the well-known Tangshan Railway shop. Their success has been recognized by both Chinese and foreign experts.

C. ECONOMIC RECONSTRUCTION IN THE DISTRICTS EVACUATED BY THE BANDITS.

One of the important tasks in which the National Government has been actively engaged is in military operations against the bandits and the "communists". The success of the National Army, especially in Hupei, has created a new situation: the immediate problem of economic reconstruction in the districts devastated by the bandits. Policies for economic reform have been announced and carried out by the staff of the Headquarters of the Generalissimo of the Army for the Suppression of Banditry in the Three Provinces of Hunan, Hupeh and Anhui, at Hankow, since October 1932. There are three major economic reforms, namely: the redistribution of land, the organization of rural credit, and the construction of highways, which deserve our consideration; while of other minor reforms, such as the suspension of land taxes, conservancy and irrigation work, suppression of opium cultivation, financial reform, rural education, etc., space does not permit us to enter into detail.⁴⁹

1. *Redistribution of Land.*

Pending the organization of co-operative societies Rural revival Commissions have been set up in *hsien* (counties), sub-districts, and villages devastated by the bandits, to handle the problems of settling land ownership, credit, rent and co-operation. Upon production of satisfactory evidence the original holding will be restored to the private owners within certain limits. Unclaimed land, or that for which no satisfactory

49. For those who are interested in these matters, the *Collection of the New Regulations Dealing with Party, Political and Military Affairs* issued by the Generalissimo for the Suppression of Banditry in the Three Provinces of Hupei, Hunan and Anhui (already six numbers issued); or the *Political Affairs Weekly* by the same headquarters, may be consulted. (Chinese).

evidence can be produced will be held by the Commission temporarily and after three years public ownership will be declared. The land held in common will be distributed to the completely landless or to those with insufficient holdings. Certain limits as to the size of the land owned are set: for private land between 100 and 200 *mu* according to the quality of the land and other details laid down in the regulations. For public land the minimum per person is two *mu*, and the maximum six *mu*; while the minimum per family is eight *mu*, and the maximum twenty *mu*. A system of differential income tax in proportion to the size of the land holding is enforced. Provisions are made for reducing or suspending rent, for credit facilities, and for co-operation.⁵⁰

2. *Rural Credit.*

(a) Immediate relief. A system of rural credit relief with headquarters at Hankow and branches in fifteen *hsien* has been established up to February 1933. The working capital is one million dollars. Farmers are requested to organize preparatory co-operative societies when applying for loans. The loans must be used for productive purposes as specified by the regulations. The maximum amount of a loan is \$30.00 per member, with 10% interest per annum.⁵¹

(b) Permanent policy. Steps have been taken to organize farmers' banks in Hona, Hupei, Anhui and Kiangsi, with \$10,000,000 capital. The Four Provinces' Farmers' Bank was opened in Hankow on April 1st, 1933, with \$3,000,000 paid up capital.

The preparatory co-operative societies are only allowed to exist for one year. After that time rural credit co-operative societies must be organized to take their place. Since December 1932, training classes for co-operative organizers have been conducted. Regulations governing the organization of credit, purchasing, and supplies of co-operative societies have been promulgated.⁵²

3. *Highway Construction in Seven Provinces.*

In February 1933, the Headquarters of the Generalissimo of the Army for the Suppression of Banditry called a conference

50. For further information see *Collection of New Regulations*, No. 3, (Chinese) sixty-six articles in all.

51. *Ibid.* No. 4. (Chinese).

52. *Ibid.* No. 4.

of a Technical Commission for the Construction of Highways in the Seven Provinces, (Honan, Hupei, Anhui, Kiangsi, Kiangsu, Chekiang and Hunan). The co-ordinated plan for highway construction under the supervision of the National Economic Council was agreed upon, and is one of the biggest inter-provincial enterprises in the last four years. The plan is to construct a system of highways of about 20,000 kilometres. Sixty per cent of the budget will come from the Provincial governments; and forty per cent will be loaned by the National Economic Council. During the first period 1,481 kilometres at a total cost of \$5,664,500 will be constructed. The work was already started by the respective Provincial governments before the Conference took place, and the major part has been completed. The second period of construction, according to the plan, began from the date of the Conference (February 1933) and is to be completed at the end of this year, covering a total length of 7,115 kilometres, with a budget of \$30,615,000.⁵³ In several provinces the soldiers are actively used in the construction of roads.

A plan of military colonization in the districts devastated by the bandits and the "communists", has been worked out, and a small beginning has been made.⁵⁴

These experiments in economic reform in the districts evacuated by the bandits started from Hupei and gradually spread into other provinces. For some phases of their programme three or four provinces united, or as shown above in the case of highway construction, as many as seven provinces came together. Some of the experiments first attempted in the Yangtze Valley have since been reproduced in other provinces, especially in the western part of Fukien. This is a hopeful sign. One can see the process of national unification at work through these combined efforts in economic reconstruction. It is hoped that these worthy efforts in economic reform will be watched carefully, and studied. Their successes as well as their failures, should be a lesson for other provinces. As a matter of general policy, however, the aim of the government must be the creation of a new and better economic life in these provinces by even

53. *Second Collection of the Minutes of the National Economic Council.*
See also *Collection of New Regulations*, No. 6. (Chinese).

54. For regulations governing military colonization, see *Collection of New Regulations*, No. 8. (Chinese).

more radical changes if necessary, rather than merely to restore them to their old condition.

D. ECONOMIC RECONSTRUCTION IN THE PROVINCES.

Time, space and the material in hand do not justify us in giving a full statistical account of re-construction work done in the provinces. Nevertheless descriptions of some of the comparatively significant works undertaken by the Provincial Governments may be useful at this stage of economic development in China.

1. *The General Movement.*

Highways, conservancy, co-operative societies, and to a large extent, rural reform, have become matters of common interest to the provinces. In the construction of highways up to the end of March 1933,⁵⁵ Kwangtung with 7,961 kilometres leads the way; next comes Szechuan, 4,697 kilometres; Chahar, 3,898 kilometres; Kwangsi, 3,020 kilometres, and Shantung, 2,758 kilometres. Although different sources give different figures for co-operative societies, the general impression seems to be that Kiangsu, Chekiang, Shantung and Hopei take top place both for large numbers and effective organization. The recent effort in promoting co-operative societies in the provinces which have suffered from banditry may yield rapid results in the immediate future. As to the interest in conservancy, the chief efforts along this line are in those provinces in the valleys of the Yangtse, the Huang Ho, and the Huai River in connection with flood prevention; but irrigation and river control are problems for all provinces. With regard to rural reform, widespread interest prevails in all provinces, but owing to the technical and complicated nature of the problem only a few provinces are carrying on actual experiments.

2. *Special Experiments in some Provinces.*

In addition to the general movement mentioned above a few experiments in certain problems are worth our special attention.

(a) Rural reconstruction work in Shantung. Towards the end of 1930 some preparatory work for the Institute of Rural Reconstruction was done, and in February 1931 the Institute

55. Figures supplied by the National Road Association.

was legally constituted. Students recruited from various *hsien* of the Province are trained in the Institute in order to enable them to tackle various phases of rural work. An experimental district has been organized at Chouping Hsien under the direction of the Institute. Recently the Provincial Bureau of Industry has put forward a concrete plan for improving agriculture and supplementary industries. This plan has been under discussion for more than a year and will soon be put into practice.

(b) Agricultural Implements Factory in Kiangsu. This factory was formally opened in February 1929 with a capital of \$250,000 from the Provincial Treasury. Various kinds of agricultural implements have been manufactured. On account of financial and other difficulties the factory is in a rather precarious situation.

(c) Cement Works in Kwangtung. The new Cement Works was established at Canton in 1930 with a capital of nearly two million dollars.

(d) Power Station in Chekiang. Chekiang has been one of the enterprising provinces in economic reconstruction in recent years, with a many-sided development. A new Power Station has been established at Hangchow. This together with the old small stations gives a total of 22,100 K.W. for the province.

(e) Farmers' Banks in Kiangsu and Chekiang. The Kiangsu Farmers' Bank was opened in July 1928, having the honour of being the first farmers' Bank in China and giving credit facilities only to farmers. The total loans to farmers up to June 1931 amount to as much as \$1,504,582. There are 1,100 co-operative societies connected with the Bank.

The Chekiang Farmers' Bank was established somewhat later. The total amount of money loaned out was \$707,000 up to the end of 1931. Because of the successful experiments in these two provinces the Farmers' Bank movement is spreading to other provinces.

(f) "Controlled Economy for Shansi and Suiyuan". The Economic Reconstruction Committee at Taiyuan, capital of Shansi, has recently established a Bureau of "Controlled Economy" to plan for the economic development of Shansi and Suiyuan. The following nine proposals are announced:

- (1) to organize the thirteen million Shansi people for economic production.
- (2) to promote co-operative societies.
- (3) to develop public enterprise.
- (4) to safe-guard native industries.
- (5) to promote and protect agriculture.
- (6) to industrialize the whole province.
- (7) to reform the monetary system.
- (8) to regulate the high rates of interest.
- (9) to "labourize" all the people in the province.

How far this programme can be carried out remains to be seen. Nevertheless a plan for the large-scale promotion of village weaving in fourteen *hsien* has been worked out and some preparatory steps have been taken in the hope that the first part of the plan may be carried out by March 1934.

3. *The Three Eastern Provinces (Manchuria).*

Prior to the Japanese military occupation, the three Eastern Provinces had accomplished a great deal in the way of economic reconstruction. The North-Eastern River Conservancy Bureau was established in 1928, and since that date \$5,400,000 has been spent in conservancy work. The North-Eastern Shipyard constructed twenty-nine river steamers from 1928 to 1930. Before 1929 only a few radio stations were in existence, but between 1930 and the first half of 1931 fifteen radio stations were installed. The Government possessed three hundred airplanes, and an airplane factory. The construction of railways, beginning from 1925-26, and completed in 1929, totalled 1,189 kilometres, and 380 kilometres under construction. A beginning in the construction of the Hulutao Harbour was made in July 1930. The North-Eastern Mining Administration had charge of six mines, largely coal, with a total capital of \$5,410,000. All these constructive efforts and other plans under execution were suspended due to foreign invasion.⁵⁶

E. RELATION OF PLANNING TO RECONSTRUCTION.

Economic reconstruction by the Chinese Government, national as well as provincial, in the last five years, is as nothing compared with the Russian Five-Year Plan, but it is a very

56. Source of information: *The North-Eastern Year Book* (Chinese) 1931.

significant thing for China, significant because it is the first Government in the long history of China that has definitely and seriously taken up the responsibility of economic reconstruction of such magnitude; significant because, despite political upheaval, civil wars, extreme financial difficulty, foreign invasions and natural calamities in the forms of devastating floods and famine, the Chinese Government has kept ever before it the task of economic reconstruction. Indeed it is a matter for surprise that the Chinese Government has been able to do what it has in economic reconstruction in view of the obstacles that it has had to face. Instead of blind criticism for not having done more, due credit should be given to the Government for the work it has already accomplished.

The questions may be asked: what is the relation of economic planning to reconstruction in China? How far has planning proved useful? It is true that many plans drawn up have not yet materialized, and some of the reconstruction work is not exactly according to the plan; but certain plans are actually in operation and have a direct bearing upon the programme of economic reconstruction. The best example is the highway plan. By means of grants and aids, the enforcing of the Highway Law, and controlling the construction of the national and provincial roads, the district and village roads have naturally fallen into line with the national scheme. Because it is a State enterprise and therefore can be easily regulated, the railway plan is being carried out, though very slowly. River conservancy and harbor development are largely being carried out according to plan. The five State industrial enterprises in the process of organization are the beginning of the realization of the Four-Year Plan of the Ministry of Industries. Finally, the plans for reconstruction in the provinces devastated by the bandits are gradually being realized. So planning in China is not altogether on paper, and its usefulness to reconstruction has been demonstrated.

VI. PROBLEMS AND POSSIBILITIES.

From the foregoing pages on the Chinese Government's efforts to attempt to reconstruct economic life in recent years, one general conclusion may be reached, that is, a strong belief in national economic planning is clearly manifested. With rich

natural resources and an adequate labour supply, the potentialities of national economic planning as a means of fostering economic development in China, are enormous. Aside from the question of capital, the essential problem seems to be bound up with human resources rather than with natural resources. Lately, a good deal of discussion has been focussed on the question of the adequacy of iron supply. Important as this is to the industrial life of the nation, I do not feel that the iron situation is an insoluble one, especially during these early stages of industrialization. Experiences in other countries show that there are ways and means to get over the difficulty of scanty mineral supply, for instance, by the importation of foreign ores, the regulation of consumption, substitution by other metals, etc. The real issue at stake, as I see it, is the question of economic organization. How can a civilization of peasant farmers, handicraftsmen, small traders, with its intelligentsia not yet free from the influence of the separation of hand from brain, and the old tradition of government irresponsibility for economic matters, be changed into a modern civilization with engineers, mechanics, scientists, efficient administrators and economic organizers? National economic planning, in the real sense of the word, when properly introduced and faithfully carried out, will be a very effective means of assisting China in its economic transformation. But the problems involved in the application of economic planning methods in China, are just as great and numerous as its possibilities. Taking China as it is, and the Government interest in economic planning as expressed, the following principles are suggested as a basis for discussion, which I hope, will prove useful in helping to put the development of a national economy on a sound basis.

A. OBJECTIVES OF ECONOMIC PLANNING.

1. A definite goal towards which all efforts and energies of planning should be directed must be definitely agreed upon.

The reason for this is self-evident, for economic planning is an attempt to mobilize and co-ordinate various economic forces and activities of a nation under a plan, and the question: "planning for what?" must be discussed first, before any plan is drawn up.

There seems to have been a prevailing tendency in the China of to-day to avoid facing the issue raised by the fundamental

question of what kind of economic system China is going to develop. As far as the proposed economic plans are concerned, the ambition of planners seems to have been to copy from Dr. Sun Yat-sen rather than to plan for China. Professor R. H. Tawney's suggestion of a "piecemeal" policy for China,⁵⁷ which is typically English, and may be useful in some cases, and the absence of any discussion in his book on the future of economic systems, which is quite natural for a foreign visitor, does not minimise the importance of the subject. While it is true that nobody is able to foresee what kind of economic system China is ultimately to develop, the economic planners must look ahead towards the direction in which their plan is leading, for at least a decade or so. Just as different cultures have produced different forms of capitalism, so will economic planning evolve its own national forms. Neither Russian Communism, nor Italian Fascism can be immediately introduced into China, for both presuppose a strong political party, and an effective administration, which are not in existence in China just now. Capitalism too, would have a hard struggle to establish itself on Chinese soil, and it is doubtful whether it could stay. There is but one form of economic system which is endorsed in many quarters in China, namely: co-operation, because the principle of co-operation is in harmony with Chinese social and economic ideas and practices. Here again it would take a few generations before Chinese co-operators would be able to look after their own interests as the Danish co-operators do to-day. Exactly here is the golden opportunity for the Government, provided an effective administration and a strong and capable personnel can be developed, to take the lead in developing a new economic system in China.

Economic planning is not merely economic in the narrow sense of the term, and would better be called social-economic planning, for it has social and cultural aspects. A primary aim of economic planning is to increase production, not as an end in itself, but for the purpose of better living conditions; not only to raise the standard of living, but also to change the life and culture of the people. The social and cultural aspects should be planned and co-ordinated with economic activities. Any

57. R. H. Tawney; *Land and Labour in China* (London 1932) pp. 101 and pp. 169.

general plan for a national economy which neglects these important phases of planning is doomed to fail in the long run.

2. In the Chinese economy, the relative importance between, and the relation of, state enterprises and private enterprises should be clearly worked out in order to avoid unnecessary conflict, and to increase efficiency.

Once the goal is determined this problem can be easily solved. The difficulties would come from foreign private enterprises in China, which will not be considered here.

As to the relation between the Chinese State and private enterprises, it is desirable to have early co-ordination of these two groups of economic activities. The tendency of the State enterprises is towards large-scale development, while the dominating feature of the private enterprises is still small-scale. Whether the inherent weakness of bureaucracy and inefficiency of state enterprises and the failure of the Chinese Government in the past to run business, can be avoided in these new state industries or not, remains to be seen. On the other hand, a more definite policy for the private enterprises should be laid down by the Government, and vigorously carried out.

B. METHODS OF ECONOMIC PLANNING.

3. Economic Planning is the very antithesis of competition, overlapping, and independent planning.

The experience of Soviet Russia has convinced us of the importance and advantages of one big central plan. It took Russia five years, and the experience of several stages of development, to evolve a single system of planning in 1925 by means of control figures.

It would be a big step forward in national economic planning if the Kuomintang Party leaders and Government officials could agree on a central plan to be worked out by some sort of Gosplan, the State Planning Commission, and following that, each interested ministry or other Governmental body, to work out separate detailed plans to carry out the united central plan.

4. When a unified central plan is drawn up, it is necessary to have indication of priorities.

The general trend of all economic plans in China is rightly to emphasize the development of communications as of primary

importance. Chen Kung-po's Four-Year Industrial Plan begins with five factors: a machine shop, an iron foundry, a sulphuric acid manufactory, a cotton mill, and an alcohol distillery. Professor C. T. Dragoni, the League of Nations' Agricultural Expert to China, suggested a list of eight items, namely, research, rural credit and co-operation, land tenure, cultivation of tea, recovery of land occupied by graves, colonization of uncultivated land, rural reconstruction of the regions devastated by bandits, and statistics of annual crops, as agricultural problems which need immediate attention. All these and possibly other proposals should be carefully considered and coordinated into a general plan.

5. The principle of local or regional specialization should be recognized in economic planning.

To plan for China is as difficult as to plan for Europe. One Pan-European Planner is content to begin with Belgium, Holland, Luxembourg, France, Italy and Switzerland; Spain and the countries of central and northern Europe might be tackled at a subsequent time, and England still later.⁵⁸ Probably this is the very road by which planning in China should travel. There is a great deal to be said for Chen Kung-po's plan, using the Yangtse valley as a center for industrial development, but not to the extent of giving up the "primitive" north as suggested by Mr. R.H. Tawney.⁵⁹ Perhaps it might be possible to select a few items such as roads and other means of communication, to be universally applied to the whole country, and for experiments in other lines to be conducted in different regions.

The technique for economic planning must be worked out through experimentation somewhere, and the resulting experience would assist in extending planning to other fields and regions. It is through the principle of regional decentralization with a centralized co-ordination that the future national economy of China will develop.

6. An effective organization must be established as the machinery to undertake economic planning.

58. *A Ten-Year Plan (Europe)* By Léon Hénnebicq, *Revue Economique Internationale*, October 1931. An English translation is found in *The Annals of the American Academy of Political and Social Science*, July 1932, pp. 78-79.

59. *Land and Labour in China*, pp. 170.

The recently created National Economic Council has been looked upon in certain quarters almost as a panacea for all the ills in China. Space does not permit a discussion of the pros and cons of different types of national economic councils, their suitability to Chinese conditions, and the various problems connected with the inception of a National Economic Council in China; but a few conditions of success for the organization and working of such a body in China may be listed below:

(a) A National Economic Council is a scientific, technical, expert body, and not just an ordinary *yamen*, hence, the organization, administration and personnel both in the council and the permanent staff must be chosen with this idea in mind.

(b) The advisory and executive power in the Council must be clearly and separately defined.

(c) The National Economic Council should be supreme over other governmental bodies, and should not become merely one of the many ministries, committees, or boards dealing with economic matters.

(d) A definite relation between the Economic Council and other private collective economic organizations should be established.

(e) Its activities should be concentrated along a few general lines rather than broadened out to cover every phase of national life.

(f) A system of local Economic Councils should be developed as an integral part of the whole national system of planning, to carry out the agreed plan and to be responsible to the National Economic Council in the work of economic reconstruction.

(g) Experiences of the same machinery in other countries should be carefully studied aiming at the development of a genuine Chinese National Economic Council suitable to Chinese social structure and economic life, not an imported Council, which will fail as so many other Western political and social institutions have failed in China.

7. Necessity of co-ordination as a pre-requisite for effective administration.

The principle of co-ordination in economic planning has been well established in Russia. The industries, the co-operatives, the banks, the trade unions, the economic commissariats, the local soviets, and the scientific institutions, participate in the drafting and execution of the nation-wide social-economic plan. Gosplan and the Supreme Economic Council direct and co-ordinate all economic activities. At the same time, the system of counter-planning, widely developed in the Soviet enterprises, enables the workers themselves to check and elaborate the Control Figures of their enterprises and to modify general plans on the basis of their immediate knowledge and experience.⁶⁰

Over against the Russian picture, the lack of co-ordination in the central administration in China, not to speak of local and voluntary agencies, is vividly described by Professor Dragoni in connection with agriculture, thus: "This necessity of co-ordination is found also in the central administration. Many departments of the various Ministries deal with questions concerning agriculture. For instance, the Ministry of the Interior has a Department of Civil Affairs, and a Land Department, to deal with the investigation of local food supplies, the survey and registration of all lands; the opening up, exchange, and transfer and preservation of public land; investigation and determination of land prices; alteration of land taxes; relations between landlord and tenant; internal migration, planning of reclamation and conservancy; prevention of floods, registration of water rights, etc. It comprises also the Department of Statistics. In the Ministry of Finance there is the Department of Taxation, and the Ministry of Education, the Ministry of Communications, the Ministry of Railways, and the Ministry of Public Health each deal with matters pertaining to the most vital interest of the agricultural classes. Particularly the Ministry of Industry, in the three Departments of Agricultural Administration, of Forestry and Colonization, and of Labour, plays a more important part than any other for the future of agriculture.

"But all questions, if they can be well defined as practical questions, are so inter-related that in order to attain a real unity in public policy concerning agriculture it is necessary to take account of each of them in examining the general question. Also

60. *Pre-requisites and Aims of Soviet Planning*, by Peter A. Bogdanov, *The Annals*, July 1932.

from this point of view, a connecting body which furnishes the means for common discussion is a real need for the organisation of administrative machinery.⁶¹

What is true in agriculture applies also to other aspects of economic activities of the Government. Although China cannot easily develop a system of co-ordination of all economic activities like Russia, yet as Professor Tawney rightly insists, economic reconstruction in China necessarily involves reconstruction of government machinery.⁶²

8. Economic planning and reconstruction must be free from active political influence as much as possible.

That personnel and policy should not change with every change in administration is an absolutely necessary qualification of any economic plan. Let us share with Professor Tawney the hope that "its secretariat (The National Economic Council's) as it gets into its stride, will set new standards of administration, and serve as the nucleus round which a well-organized civil service can in time be built up."⁶³

C. TECHNIQUE OF ECONOMIC PLANNING.

9. Technical skill required for economic construction, methodology in economic planning, administrative technique, can be borrowed temporarily from the West in the hope that China will be able to learn and master them in due course.

The recent collaboration between the Chinese Government and the technical organizations of the League of Nations is one of the most hopeful features, which, if it works out satisfactorily, will undoubtedly play an important part in the economic development in China, and at the same time free it from any foreign political and business interests, which have so often operated in the past cloaked under the guise of technical assistance. Another wise move on the part of the Government is the cry for "productive education". Such an education when it is systematically and thoroughly carried out, will give Young China a scientific and technical background, which will enable

61. *General Report on Some Lines of Agricultural Policies* by Professor T. C. Dragoni in mimeographed sheets, pp. 22, March 1933.

62. *Land and Labour in China*, Chap. VI "Politics and Education".

63. *Land and Labour in China*, pp. 180.

them to participate in taking the lead in economic construction in China.

10. The tools of planning, such as statistical, accounting, and other factual information must be systematically developed so that an accurate basis for planning can be established.

In view of the fact that these planning tools are in their infancy in China it will be very necessary for the Government to appoint a Commission of Enquiry to study the experiences and thinking of other countries on this matter.⁶⁴

D. FINANCE.

11. International capital as proposed by Dr. Sun Yat-sen can only be attracted when political stability and economic security are guaranteed.

Sums received from Boxer indemnities should be considered as exceptional income.

12. Granted conditions of peace, order and security are possible, Chinese capital, especially from overseas Chinese, should be encouraged.

A fixed and reliable amount of capital is essential for the execution of any economic plan.

E. PUBLICITY

13. Wide discussion is the only way to achieve a unified idea, a unified national will, and a unified policy and programme, which are the foundation of national economic planning.

In Russia everyone carries out economic planning; in the U.S.A. everyone talks about it; but in China the tendency is to

64. The use of statistics and accounting in Russia is well illustrated by such a book as *Social Economic Planning in the U.S.S.R.* by V. Obolensky-Ossinsky, August 1931. An outline of statistics pertinent in economic planning has been worked out by Dr. J. F. Dewhurst, chief of the Division of Economic Research of the U.S. Department of Commerce. This list of thirty items is reproduced in *Readings in Economic Planning* by J. F. Rrederick (1932) pp. 91-94.

Another source of valuable information on the organization of statistics and research for economic planning is found in La Follette Committee Hearings on S. 6215 (71 Cong.) on Bill to Establish a National Economic Council (1932), especially statements of Miss Mary Van Kleeck, pp. 507-524, and Dr. Dewhurst, pp. 583-587.

draw up plans. We have as much to learn from the American talking as from the Russian doing. The principles, problems, possibilities, limitations, policies and programmes, ways and means, achievements and failures, of economic planning should be widely discussed before its inception, during the course of operation, and after the completion, of any plan.

“Economic planning is thus merely a phase of a new mode of feeling life, and living. The laissez-faire of the nineteenth century was based upon a metaphysics of providential guidance. The planning of the twentieth century rests its case on a philosophical faith in the power of scientific research and constructive imagination.”⁶⁵ Modern China has certainly professed such a faith, but the question is, how to realize it. Given conditions of political stability, administrative efficiency, with a national economic plan wisely drawn up and effectively carried out, the future economic development of China will be a blessing to its people and a happiness to the world.

65. *The Problem of Economic Planning*, by Dr. L. L. Lorwin (1931), pp. 31.