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Yenching
Academic
Proposed School of Applied Economics
1928

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(A proposal which did not materialize)

The Yenching School of Applied Economics

A Proposal for Practical American Cooperation in China

THE AMERICAN ASIATIC ASSOCIATION has recently given considerable thought to the present acute situation in China. The special objective in view has been the formulation of some practicable plan of action whereby American friends of China might helpfully cooperate to hasten the process of transition through which the Chinese people are now passing. In order to give concrete expression to its views on this problem, the Association appointed the undersigned members as a committee to draft a program and take such measures as might seem to the committee best calculated to aid in giving practical scope to American interest in China's economic amelioration.

The result of the further study by this committee is the following statement which is hereby offered for consideration by those Americans who are interested in this major aspect of China's problem.

The Basic Need of China, and Its Cause

The all-pervading impression received by a stranger travelling through China is that of poverty, the vast masses of the most numerous people in the world living only a little above the minimum of human existence. Together with this impression comes the feeling of a resulting helplessness of the nation as a whole. An excessive amount of the vital energy of the race is being consumed in the struggle merely to exist. If poverty could be ameliorated in China numerous other difficult problems would begin at once to find their solution.

But what is the cause of this almost universal poverty? It is not a lack of natural resources. China as a geographic entity is a rich country. Early investigators may have exaggerated the extent of the country's resources,

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but all will agree that these are adequate to place the Chinese people on a comfortable living basis. Nor is the cause of so much poverty a deficiency in the Chinese race. No people in the world work harder or live more frugally. There is no lack of native ability and intelligence. China as the vastest single racial group in the world lives in ruinous poverty in spite of abundant natural resources and a capable and intelligent population.

This may seem like an impossibility. It becomes intelligible as soon as we visualize the contribution made to human welfare in the Occident by a third factor added to the two already mentioned—the application of scientific methods to the exploitation of natural resources by human labor. The cause of the poverty which is China's basic ill is her failure to employ scientific methods in the application of human labor to natural resources, in production and distribution.

and new factor

The Major Remedy

If the population of China is intelligent, capable, and laborious, and Nature has provided the necessary raw materials for the adequate support of human life, poverty can be removed by modernizing the means employed for the transformation of natural resources by human labor into the materials requisite to a high standard of life. If science can be brought to bear as the mediator between labor and raw materials, the standard of living will be gradually improved. Human life will take a different color. China will be changed from a world problem to a world asset by the same application of science to raw materials which has transformed the West.

This means, of course, that the pure sciences—chemistry, physics, geology, biology, botany and the rest—are needed and must be adequately applied in China as elsewhere. But it means much more fundamentally that a rational science of economics must be applied. The pure sciences will be of value to the Chinese people as a racial unit only when these sciences are applied systematically to the solution of problems clarified by an adequate understanding of the economic deficiencies of the nation and the economic changes needed to overcome these deficiencies. In other words, the main remedy for the basic ill of the country must be a sound economics using for its purposes all the other sciences. China must learn to produce the

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maximum harvests from her soil, the maximum output from her subsoil resources, and the maximum of manufactured products at a minimum cost. She must master the difficulties of transportation, of the distribution of raw and finished materials. She must master the even more difficult problem of the distribution of population, colonizing her sparsely settled areas and relieving the pressure in the excessively congested regions. Such surveys as have been made would seem to indicate that there is sufficient room for a much larger population living on an adequate scale provided these fundamental problems are solved. But this means that to save the situation sound economics must be mastered.

Application of the Remedy

But this declaration remains a mere truism to anyone at all familiar with China unless we proceed to reduce the definition of the remedy to a description of ways and means of applying it. How can a sound system of economics be developed for the vast extent and multitudinous population of China? Moreover, who knows what constitutes a sound economic system for this huge population, still living in patriarchal ways long out of date but still far removed in its actual desires and needs from the populations of Occidental countries? The first step toward the application of the economic remedy to China's ill must be a frank confession that we do not know just what economic system will prove at the present stage to be the one needed.

In other words, the first step toward removing the basic ill of China must be economic research—an inquiry into the actual economic conditions, a study of all the results of Western economic research and practice, and the experimental application of one element or another from Western experience to the ^eam_Xioration of conditions in this Eastern land.

The Concrete Versus the Abstract

The inevitable tendency of modern education in China has been toward the wholesale copying of Occidental theory and practice. Western teachers have gone to an Eastern people carrying with them a sense of the

great advance made by the Occident in contrast with the Orient. With all possible goodwill they have endeavored to bestow upon China in the form of theories and abstract information all the benefits of Western progress. Chinese students have come abroad to learn the secrets of the West and have returned to their homeland with their heads full of theoretical knowledge. In economics especially has this failure to become concrete been fatal to the best results. The picture of existing conditions held before the mind of the student has been taken from the West and not from the East. The theories of principles and methods have been developed out of Western experience and ill adapted to meet the ignored or misunderstood Eastern conditions. Scientific economic methods have not thus far been tested with due attention to Chinese conditions and needs.

The Passing Order

Eighty per cent of the Chinese people still live in villages—small groups of mud houses surrounded by tilled fields. Although remarkable methods of fertilization have been practiced by these “farmers of forty centuries,” modern methods of crop rotation, seed selection and breeding and other elements of scientific agriculture are unknown. Moreover, most farm units are so small as to render their cultivation by families wasteful of human labor. Poor roads and lack of railways prevent relief by means of a better distribution of population.

In like manner the village street shows these farmers exchanging their products with craftsmen who use methods of manufacture practiced at the time of Confucius. In the mud houses the women still weave the family textiles as these were woven in ancient times. The area of distribution is highly restricted, variety of products limited, production stereotyped.

Credit facilities are unknown. Farmers forced to borrow are already on the road to bankruptcy because of interest rates—as high as 36 per cent a year.

In these country districts, education is still restricted largely to the old Classical type of culture and is enjoyed mostly by a few sons of the gentry. Education does not touch the problems of actual life, the conditions of

over-population, lack of opportunities for remunerative productive work, consequent low standard of living, absence of elementary comforts, grossly unsanitary physical surroundings. The constant problem of the village—which is China in miniature—is the rice bowl, and a slight change in rainfall means a threat of famine.

If any fundamental improvement is to be effected in China, this actual situation of the whole country as illustrated in the typical village must be made the object of study and experimentation with a view to gradual but positive betterment.

A Proposal for Action

The natural center for a process of scientific inquiry and experimentation is a university. Here exist the intellectual background and the requisite accessories. If adequate measures are to be taken to investigate China's actual economic conditions, deficiencies, requirements, and the appropriate measures for altering her economic status, such an endeavor should be fostered in close connection with an existing university.

Moreover, America is the logical country to give the needed impetus to such an inquiry. America has gone further than any other country in the general application of science to life, and especially the application of science to business and industry. But American initiative in such an undertaking in China must assure itself of Chinese understanding, approval, and acceptance. Hence the logical center for this research would be an American university already established in China, with an American-Chinese faculty, and enjoying the goodwill of the Chinese people. Initiated in close conjunction with such an institution of higher education, an adequately planned School of Economic Research and practical experimentation would probably prove to be the instrumentality most directly calculated to begin the solution of China's basic problem.

Hence, it is proposed to establish such a School in conjunction with the leading American university in China—Yenching, at Peking. The School will be identified with the present department of economics of the University but will extend much beyond this. All postgraduate studies and

research will be directed from the special very practical point of view presented above—not so much to learn Western economic theory and practice, but rather in the direction of actually uncovering the economic conditions of China and determining appropriate remedial measures. Experimental undertaking will be emphasized. In these, the unit for experimentation will generally be the single village or group of villages, and the objective will be to develop improved methods of production both agricultural and industrial, better roads and means of transport, elementary sanitation, practical village schools, credit facilities, cooperative harvesting, purchasing of supplies and sale of products. Whatever proves advantageous in the village community may be extended to the district and province.

The system of home and craft industry and of the local trade area must yield place to some new type of economic order. At this transition point, a knowledge of the development of the factory system of the West must be associated with an understanding of the earlier Chinese system and its present disintegration in order to guide the evolution in the right direction and avoid the evils of a too rapid change.

Along with research by trained postgraduate students and specialists, there will be ample opportunities for practical work by undergraduates and also members of the community other than the student class. For those who do not qualify for research work, the School will develop an extensive system of vocational training.

Available Expert Direction

The initial study of this problem has been made with the counsel of one of the best informed Americans recently returned from China, Mr. John Earl Baker, for ten years adviser to the Ministry of Communications in Peking, author of a striking volume, *Explaining China*. Mr. Baker is deeply interested from long and intimate experience in such a plan for cooperation as is here outlined. The imperative demand for his service as director of the campaign for \$10,000,000 for famine relief has temporarily forced him to turn his attention to that acute problem, but it is expected

that he will direct the initiation of this plan of economic improvement when the funds required are available.

Associated with Mr. Baker will be the present head of the department of economics at Yenching University, Professor J. B. Tayler. Professor Tayler is known throughout China for his economic researches and for the successful credit institutions widely founded and fostered by him as well as his initiative in the development of the cooperative movement.

The success of the plan would be assured under such leadership and with the available competent Chinese associates in teaching, research, and experimentation.

The Requisite Means

At its first stage of full functioning, the School would require an annual budget of approximately \$25,000 to cover the following items:

1 American or British Head of the department of economics	\$4,200
1 American Director of Field Research and Experimentation	4,200
3 Chinese teachers	6,300
2 Chinese Specialists in Field Research and Experimentation	4,200
3 Student assistants	1,800
Library accessions	500
Publications	1,000
General Expenses of research, including travel	2,000
Stenographic and other office expenses	800
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	\$25,000

Although such a budget would later be required, it is proposed to initiate actual work in the direction planned as soon as a minimum of \$10,000 is assured for the earlier stages of the program. The plan contemplates an increase of budget after two or three years of the initial stage of

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operations. Since, however, an adequate demonstration might not prove feasible in the brief period of two or three years, it is proposed that the initial budget be assured for a five-year period.

For the first five years, therefore, the budget proposed (subject to expansion at the beginning of the third or fourth year) is as follows. This is in addition to the present staff of the department of economics—one foreign and two Chinese professors.

1 American teacher to release present head of department (Professor J. B. Tayler) for preliminary survey, preparation of bibliography, and detailed planning of work of School. (The service of Mr. Baker would be sought as soon as available.)	\$4,200
1 additional Chinese teacher to cooperate with present staff and Professor Tayler in preliminary research	2,100
1 Student assistant	600
Library accessions	500
Expenses of research and initial experimentation, including travel	1,400
Publications	700
Stenographic and other office expenses	500
	\$10,000

It is the hope of those responsible for this proposal that ten American men of affairs interested in China may be willing to pledge each \$1,000 a year for five years to cover the budget of the School at this initial stage. This initial cooperation would, we believe, render possible a sufficient demonstration to enable the School to secure a permanent financial basis in the form of adequate endowment.

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SCHOOL OF APPLIED ECONOMICS

Yenching University, Peking, China

Many believe that present assistance to China in working out a sound future is of the utmost importance. Assistance or advice, through diplomatic or other political channels, offers little hope of result, for it would not reach underlying causes. But it is clear to many that practical results can be hoped for if economic causes are reached.

The Chinese themselves are seeking knowledge of economics, but Western theory and practice are being studied. These are of little practical value. They do not meet Chinese conditions because they have a form growing out of and adapted to the advanced standards of the West, whereas China, for the most part, is in a primitive economic stage. Would it not be more useful to offer to these students the Western method of scientific approach to economic problems rather than the fruit of that method as grown in the West ?

The proposal has been made to set up a School of Applied Economics by the "project method". A "project" would consist of studies in one or more villages, in which surveys would be carried out; practical needs for the improvement of the economic structure ascertained; health economics, transportation, communication, production, trade, credit, finance, insurance, taxation, etc., studied not only objectively but in connection with the economic history of other countries at similar and later stages. Finally, experiments would be made in actual improvement.

Certain limited experiments along these lines have already been tried in China, have had marked practical effect and are being watched with such interest by prominent Chinese.

While Americans are interested primarily in the pacification of China for sympathetic reasons, it is a fact that any effort in China which encourages transportation, proper financial methods and communications, and tends to raise the standard of living, will have an effect upon the improvement of the Chinese market for Western products.

Peking University, which draws students from all parts of China, is willing to devote a portion of its faculty and facilities to the proposed project. The consideration of this subject at the luncheon to which you are cordially invited should produce some concrete proposals.

Respectfully,

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APPLIED ECONOMICS FOR CHINA

BY JOHN EARL BAKER

For several years China's students in America have in large numbers elected courses in economics. Similarly in China's colleges, where courses in economics are offered, a large proportion of the students elect them. However, foreign business men in China complain that graduates from these courses, whether from America or China, do not show an aptitude for actual business. It has been noted also that in very considerable numbers modernly conceived enterprises in China have failed, with consequent loss of fortune to their backers. The result of these losses, and of the criticisms which have been offered, if that of late the whole applicability of Western education, and of Western institutions in China, has been seriously questioned.

No more than casual reflection is necessary for any observer in China to realize that the courses in economics which have been studied by Chinese students are those dealing with the theories, or courses dealing with the description of institutions, which have grown out of or are the result of the advanced Western economic situation. China, on the other hand, is in a primitive economic stage. Naturally an institution belonging to a country economically advanced like the United States can be adapted to China only with great difficulty or under exceptional conditions. And theories belonging to such institutions are out of place in the life of a greater part of China today.

But if the substance of Western economic life is not immediately adaptable to China, the spirit of Western economic study can be very useful. If Western scientific methods of inquiry be applied to the facts of Chinese life, and

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if the Western method of analytical study can be applied to the facts obtained from such inquiry, Chinese graduates would undoubtedly be enabled to devise improved methods which, both locally and on a larger scale, would have a beneficial effect upon the condition of their countrymen.

The field of economics will undoubtedly impinge somewhat upon the fields of sociology and political science. In fact, it would seem that the inductive method of study in all three of these fields should proceed simultaneously. Hence it is proposed by Yenching University to establish a School of Applied Economics, which shall be related, as may be possible, with the schools of sociology and political science. The present courses in economics, under the plan proposed, will be modified somewhat to emphasize inquiry into Chinese conditions. It is probable that textbooks of Western origin will need to be superseded by textbooks written especially for Chinese use. Undoubtedly a great deal more will have to be made of the historical aspects of economic development. A considerable research into bibliography specially fitted for this work is necessary.

But an original departure seems required in the following fashion, namely, during certain portions of the course classes in economics should be taken into a country village, there make a survey of conditions, and from their observations, as supplemented by their studies, devise improvements which seem immediately practicable. Having hit upon some feasible project of improvement, it would then become the duty of the class to so influence the leading elements in the village that the necessary forces therein could be organized to the extent necessary to effect improvement.

Out of this method of teaching two results would be expected: First,

students would be fitted by education and inclination to become leaders of improvement projects in the communities in which their later active life happened to be spent. Second, out of a series of class experiences there might be formulated a general program of development for all China; a sequence for the profitable appearance of the institutions which figure in modern progress.

The ultimate hope of such an educational departure should be a pronounced improvement in the standard of living of the Chinese people. A further result from this improvement would be a correspondingly greater interchange of thought and goods between China and the outside world.

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March 1928

SCHOOL OF APPLIED ECONOMICS

YENCHING UNIVERSITY

General Statement:

The School of Applied Economics has as its special aim the preparation of men who either as teachers or in other walks of life desire to give an impetus to the improvement of the standard of living in the communities where they reside. Students whose health or whose personalities do not fit them rather especially for the task of leadership in small communities will be advised not to select this field of study.

It is expected that students enrolling in the School of Applied Economics will remain in college to complete the requirements for the degree of Master of Arts. However, candidates for the degree of Bachelor of Arts may elect the courses prescribed for the School of Applied Economics.

The prescribed courses in the School of Applied Economics consist of the usual formal class room subjects under the head of economics, political science, sociology, history, etc., supplemented by two vacation seminars, one following the completion of the Junior year of the college and the second following the completion of the Senior year. These seminars will be held in a selected village where the school will take up its residence for a period of eight weeks.

Vacation seminar courses will yield credit to the student on a basis similar to that by which credit is given for class room work. The eight weeks, six days a week, under the hours prescribed will make possible the gaining of ten credits toward a degree.

As far as possible, the results of all surveys will be put into permanent form to serve as laboratory material for later classes.

March 1928

SCHOOL OF APPLIED ECONOMICS

YENCHING UNIVERSITY

The outline for the courses of study for a School of Applied Economics may be drawn up from several points of view. First, it might be conceived as an entirely new unit within the student body of Yenching, but proceeding entirely by the inductive method under the guidance of separate instructor staff, much as the Meikeljohn experiment at the University of Wisconsin. Secondly, it might be treated as purely a graduate course, the purpose of which might be either to apply to Chinese conditions the formal courses in economics already studied in the classroom, or to pare from such subjects all of the material which has been found inapplicable to Chinese conditions. Before considering a third point of view a brief statement of the difficulties in the way of these two plans may tend to clarify one's ideas.

Monetary limitations prevent the founding of an entirely separate school in which inductive economics studies could be pursued together with a balancing group of liberalizing subjects, such as history, elementary science, literature, etc. etc. The time required for movement back and forth between campus and village practically prevents students from pursuing studies in history, literature, and other regular college courses on the campus and economics in the village. Furthermore, a great deal of time is required to accomplish merely the physical work of gathering data for an inductive study. This is especially true when minds are immature and the student has no definite idea of what he is looking for. Even adults find it difficult to observe in general.

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A purely graduate School of Applied Economics would find itself dealing with a group of students whose minds would have attained a certain degree of maturity. This maturity would have been attained, however, by the use of descriptive, abstract, and theoretical studies entirely. Experience so far is to the effect that the habits of mind so acquired make it difficult for such students to "come down to earth" in a coldly critical fashion. An attitude of scholastic superiority accompanies this maturity which would interfere seriously with the effectiveness of the approach to the villagers by the student. Besides, the period of observation if confined to the one year of graduate study offered is scarcely sufficient. Hence it appears that a third plan may be worth consideration.

The third plan accepts the first three years of undergraduate study as now offered, except as certain prescribed courses and the required grouping of electives modify the alternatives open to students in other courses. But during the vacation following the completion of the Junior (third) year a seminar lasting for eight weeks during which the student will give his entire time to economic and related courses is prescribed. A similar vacation course immediately following his graduation is also required. Credit is to be given for these seminars on the same basis as that for classroom work. Sessions will be held six days in the week, and as a result it will be possible for the student to earn ten credits for each session of eight weeks. One of the courses prescribed for the Junior vacation seminar is a village survey in connection with which formal instruction in economics and social statistics will be given. One of the advantages of the third plan is that this survey will put at the disposal of the Senior class a considerable quantity of first hand information useful in connection with the formal class room courses prescribed for the Senior year in college.

0802

SCHOOL OF APPLIED ECONOMICS

YENCHING UNIVERSITY

<u>Prescribed Courses</u>						<u>Suggested Electives</u>		
<u>In Economics</u>			<u>In other fields</u>					
No.	Name	Cred-its	No.	Name	Cred-its	No.	Name	Cred-its
<u>First Year</u>								
11-12	Descriptive Ec.	4	5-6	History of Civilization	4	1-2	Gen.Sociology	4
<u>Second Year</u>								
156	Life Insurance	2	1-2	Geography	8	1-2	Pol.Science	4
145	Transportation	3				1-2	Bookkeeping	8
<u>Third Year</u>								
15-16	Business Admin.	4	3-4	Chinese Social Problem	4	107	Public Health	2
113-4	Money and Banking	6				108	Med.Soc.Serv	2
						111	Community Prob.	3
<u>Vacation Seminar</u>								
117-8	Statistics and Survey	4						
132	Foreign and Dom. Trade	2						
146	Marketing	3		Lectures (Agriculture)	1			
<u>Fourth Year</u>								
13-14	Principles	8				115-6	Growth of Democracy in England	6
<u>Vacation Seminar (Graduate)</u>								
125	Rural Economics	3						
141-2	Public Finance	6						
	Promotion Work	1						
<u>Graduate Year</u>								
Promotion work (in lieu or together with Thesis)								
203-4	Pres Ec.Prob.	4	123-4	Public Admin.	4	121-2	Mun.Govt.	4
129-30	Accounting	6						
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It is expected that the prescribed courses in the second and third years will make use of as much local data as possible after same is made available by surveys.

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SCHOOL OF APPLIED ECONOMICS

YENCHING UNIVERSITY

I. SURVEY

1. Population and Property

a. Map village and assign subdivisions for survey

(The approach to the village so as to make possible the obtaining of correct information must be attended to by the authorities of the school before the survey is attempted)

b. Collection of Data

- i. Housing, kind size, etc.
- ii. Persons, relationships, ages, etc.
- iii. Land and tenure
- iv. Animals, tools, etc.

c. Compilation of data

- i. Totals
- ii. Averages, percentages, etc.
- iii. Methods of presentation; tables, graphs, diagrams

2. Production

- a. Crops (Collection, compilation, presentation, etc.)
- b. Handicrafts
- c. Industry (if any)

3. Consumption

- a. Diet - Home produce, purchases
- b. Clothing ditto
- c. Shelter ditto
- d. Comforts ditto

II. TRADE AND TRANSPORTATION

1. Local Exports

a. Objective

- i. Use
- ii. Destinations
- iii. Routes
- iv. Methods of Transport

0804

II - 1. Local Exports (Contd)

b. Profits

- i. Production costs
- ii. Transportation costs
- iii. Other costs
- iv. Competition
- v. Possible reduction of costs

2. Local Imports

a. Sources

- i. Usual locality
- ii. Method of transport
- iii. Method of production
- iv. Various cost factors
- v. Alternative sources, at a distance
- vi. Substitutes

b. Possibilities of Home Production

- i. Raw materials
- ii. Machinery
- iii. Skill

III. HEALTH ECONOMICS

1. Morbidity statistics of village

2. Relations of morbidity to age groups, occupations, housing

3. Losses by disease, deaths, costs, etc.

4. Possible sources of infection

IV. MONEY, CREDIT, AND BANKING

1. Money

a. Survey of coins, bills, etc. to be found in village

b. Peculiarities in local currency

2. Credit

a. Local conditions

- i. Distribution of wealth
- ii. Extent and cause of debt
- iii. Interest rates

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IV - 2 Credit (Contd)

- b. Local institutions
 - i. Pawn shops
 - ii. Banks
 - iii. Cooperative credit societies

V. TAXATION AND PUBLIC FINANCE

- 1. Survey of village, direct taxation
 - a. Tax collections, kinds, amounts
 - b. Disbursements, purposes, costs, etc.
 - c. Instrumentalities for control
- 2. Indirect taxation affecting village
 - a. On exports from village
 - b. On imports to village
 - c. Collecting agency, purposes, amounts, administration

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Suggested Daily Program for Vacation Seminar

6.30 A. M.	Breakfast
7.00 - 11.00	Surveys
11.00-12.00	Arranging and reporting on data collected
12.15	Luncheon
1.00 - 4.00	Reading and textbook study
4.00 - 5.00	Tabulation under supervision, or reading and study
5.00 - 7.00	Recreation
7.00	Supper
8.00 - 8.50	First seminar period
9.00 - 9.50	Second seminar period

It is left to the instructors in charge to arrange whether subjects shall be treated one hour each evening or two hours alternate evenings.

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DEPARTMENT OF APPLIED ECONOMICS AND BUREAU OF ECONOMIC RESEARCH

YENCHING UNIVERSITY, PEKING, CHINA

SUBSCRIPTION SHEET

With a view to the establishment and maintenance of a Department of Applied Economics and Bureau of Economic Research in Yenching University, Peking, China, under the general direction of John Earl Baker, C. E., and, in consideration of the securing, by representatives of Yenching University, of gifts from others for this purpose, we, the undersigned, hereby severally agree to pay to E. M. McBrier, TREASURER, at 150 Fifth Avenue, New York, N. Y., the amount set opposite our respective names, annually, for five years beginning in 1928, payment each year to be on or before the date indicated opposite the amount subscribed or in no case later than December 1 of each year during which this subscription is valid.

It is understood and agreed that these subscriptions of the undersigned shall not be binding unless the total pledged enables the University to begin the work described above during the autumn of 1928.

Signed	Address	Amount Subscribed Per Year For Five years	Date For Payment In Each Year

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THE YENCHING SCHOOL OF APPLIED ECONOMICS

A Proposal for Practical American
Cooperation in China

The Basic Need of China, and Its Cause

The all-pervading impression received by a stranger travelling through China is that of poverty, the vast masses of the most numerous people in the world living only a little above the minimum of human existence. Together with this impression comes the feeling of a resulting helplessness of the nation as a whole. An excessive amount of the vital energy of the race is being consumed in the struggle merely to exist. If poverty could be ameliorated in China numerous other difficult problems would begin at once to find their solution.

But what is the cause of this almost universal poverty? It is not a lack of natural resources. China as a geographic entity is a rich country. Early investigators may have exaggerated the extent of the country's resources, but all will agree that these are adequate to place the Chinese people on a comfortable living basis. Nor is the cause of so much poverty a deficiency in the Chinese race. No people in the world work harder or live more frugally. There is no lack of native ability and intelligence. China as the vastest single racial group in the world lives in ruinous poverty in spite of abundant resources and a capable and intelligent population.

This may seem like an impossibility. It becomes intelligible as soon as we visualize the contribution made to human welfare in the Occident by a third factor added to the two already mentioned, and realize that this factor has been lacking in China,- The application of scientific methods to the exploitation of national resources by human labor. The cause of the poverty which is China's basic ill is her failure to employ scientific methods in the application of human labor to natural resources, in production and distribution.

The Major Remedy

If the population of China is intelligent, capable, and laborious, and Nature has provided the necessary raw materials for the adequate support of human life, poverty can be removed by modernizing the means employed for the transformation of natural resources by human labor into the materials requisite to a high standard of life. If science can be brought to bear as the mediator between labor and raw materials, the standard of living will be gradually improved. Human life will take a different color. China will be changed from a world problem to a world asset by the same application of science to raw materials which has transformed the West.

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This means, of course, that the pure sciences--chemistry, physics, geology, biology, botany and the rest--are needed and must be adequately applied in China as elsewhere. But it means much more fundamentally that a rational science of economics must be applied. The pure sciences will be of value to the Chinese people as a racial unit only when these sciences are applied systematically to the solution of problems clarified by an adequate understanding of the economic deficiencies. In other words, the main remedy for the basic ill of the country must be a sound economics using for its purposes all the other sciences. China must learn to produce the maximum harvests from her soil, the maximum output from her subsoil resources, and the maximum of manufactured products at a minimum cost. She must master the difficulties of transportation, of the distribution of raw and finished materials. She must master the even more difficult problem of the distribution of population, colonizing her sparsely settled areas and relieving the pressure in the excessively congested regions. Such surveys as have been made would seem to indicate that there is sufficient room for a much larger population living on an adequate scale provided these fundamental problems are solved. But this means that to save the situation sound economics must be mastered.

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But this declaration remains a mere truism to any one at all familiar with China unless we proceed to reduce the definition of the remedy to a description of ways and means of applying it. How can a sound system of economics be developed for the vast extent and multitudinous population of China? Moreover, who knows what constitutes a sound economic system for this huge population, still living in patriarchal ways long out of date but still far removed in its actual desires and needs from the populations of Occidental countries? The first step toward the application of the economic remedy to China's ill must be a frank confession that we do not know just what economic system will prove at the present stage to be the one needed.

In other words, the first step toward removing the basic ill of China must be economic research--an inquiry into the actual economic conditions, a study of all the results of Western economic research and practice, and the experimental application of one element or another from Western experience to the amelioration of conditions in this Eastern land.

The Concrete Versus the Abstract

The inevitable tendency of modern education in China has been toward the wholesale copying of Occidental theory and practice. Western teachers have gone to an Eastern people carrying with them a sense of the great advance made by the Occident in contrast with the Orient. With all possible goodwill they have endeavored to bestow upon China in the form of theories and abstract information all the benefits of Western progress. Chinese students have come abroad to learn the secrets of the West and have returned to their homeland with their heads full of theoretical knowledge. In economics especially has this failure to become concrete been fatal to the best results.

The picture of existing conditions held before the mind of the student has been taken from the West and not from the East. The theories of principles and methods have been developed out of Western experience and ill adapted to meet the ignored or misunderstood Eastern conditions. Scientific economic methods have not thus far been tested with due attention to Chinese conditions and needs.

The Passing Order

Eighty per cent of the Chinese people still live in villages--small groups of mud houses surrounded by tilled fields. Although remarkable methods of fertilization have been practiced by these "farmers of forty centuries", modern methods of crop rotation, seed selection and breeding and other elements of scientific agriculture are unknown. Moreover, most farm units are so small as to render their cultivation by families wasteful of human labor. Poor roads and lack of railways prevent relief by means of a better distribution of population.

In like manner the village street shows these farmers exchanging their products with craftsmen who use methods of manufacture practiced at the time of Confucius. In the mud houses the women still weave the family textiles as these were woven in ancient times. The areas of distribution is highly restricted, variety of products limited, production stereotyped.

Credit facilities are unknown. Farmers forced to borrow are already on the road to bankruptcy because of interest rates--as high as 36 per cent a year.

In these country districts, education is still restricted largely to the old Classical type of culture and is enjoyed mostly by a few sons of the gentry. Education does not touch the problems of actual life, the conditions of over-population, lack of opportunities for remunerative productive work, consequent low standard of living, absence of elementary comforts, grossly unsanitary physical surroundings. The constant problem of the village--which is China in miniature--is the rice bowl, and a slight change in rainfall means a threat of famine.

If any fundamental improvement is to be effected in China, this actual situation of the whole country as illustrated in the typical village must be made the object of study and experimentation with a view to gradual but positive betterment.

A Proposal for Action

The natural center for a process of scientific inquiry and experimentation is a university. Here exist the intellectual background and the requisite accessories. If adequate measures are to be taken to investigate China's actual economic conditions, deficiencies, requirements, and the appropriate measures for altering her economic status, such an endeavor should be fostered in close connection with an existing university.

Moreover, America is the logical country to give the needed impetus to such an inquiry. America has gone further than any other country in the general application of science to life, and especially the application of science to business and industry. But American initiative in such an undertaking in China must assure itself of Chinese understanding, approval, and acceptance. Hence the logical center for this research would be an American university already established in China, with an American-Chinese faculty, and enjoying the goodwill of the Chinese people. Initiated in close conjunction with such an institution of higher education, an adequately planned School of Economic Research and practical experimentation would probably prove to be the instrumentality most directly calculated to begin the solution of China's basic problem.

Hence, it is proposed to establish such a School in conjunction with the leading American university in China--Yenching, at Peking. The School will be identified with the present department of economics of the University but will extend much beyond this. All postgraduate studies and research will be directed from the special very practical point of view presented above--not so much to learn Western economic theory and practice, but rather in the direction of actually uncovering the economic conditions of China and determining appropriate remedial measures. Experimental undertaking will be emphasized. In these, the unit for experimentation will generally be the single village or group of villages, and the objective will be to develop improved methods of production both agricultural and industrial, better roads and means of transport, elementary sanitation, practical village schools, credit facilities, cooperative harvesting, purchasing of supplies and sale of products. Whatever proves advantageous in the village community may be extended to the district and province.

The system of home and craft industry and of the local trade area must yield place to some new type of economic order. At this transition point, a knowledge of the development of the factory system of the West must be associated with an understanding of the earlier Chinese system and its present disintegration in order to guide the evolution in the right direction and avoid the evils of a too rapid change.

Along with research by trained postgraduate students and specialists, there will be ample opportunities for practical work by undergraduates and also members of the community other than the student class. For those who do not qualify for research work, the School will develop an extensive system of vocational training.

Available Expert Direction

The initial study of this problem has been made with the counsel of one of the best informed Americans recently returned from China, Mr. John Earl Baker, for ten years adviser to the Ministry of Communications in Peking, author of a striking volume, Explaining China, Mr. Baker is deeply interested from long and intimate experience in such a plan for cooperation as is here outlined. The imperative demand for his service as director of the campaign for \$10,000,000 for famine relief has temporarily forced him to turn his attention to that acute problem, but it is expected that he will direct the initiation of this plan of economic improvement when the funds required are available.

Associated with Mr. Baker will be the present head of the department of economics at Yenching University, Professor J. B. Taylor. Professor Taylor is known throughout China for his economic researches and for the successful credit institutions widely founded and fostered by him as well as his initiative in the development of the cooperative movement.

The success of the plan would be assured under such leadership and with the available competent Chinese associates in teaching, research, and experimentation.

The Requisite Means

At its first stage of full functioning, the School would require an annual budget of approximately \$25,000 to cover the following items:

1 American or British Head of the Department of Economics	\$4,200
1 American Director of Field Research and Experimentation	4,200
3 Chinese teachers	6,300
2 Chinese Specialists in Field Research and Experimentation	4,200
3 Student assistants	1,800
Library Accessions	500
Publications	1,000
General Expenses of research, including travel	2,000
Stenographic and other office expenses	800
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	\$25,000

Although such a budget would later be required, it is proposed to initiate actual work in the direction planned as soon as a minimum of \$10,000 is assured for the earlier stages of the program. The plan contemplates an increase of budget after two or three years of the initial stage of operations. Since, however, an adequate demonstration might not prove feasible in the brief period of two or three years, it is proposed that the initial budget be assured for a five-year period.

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For the first five years, therefore, the budget proposed (subject to expansion at the beginning of the third or fourth year) is as follows. This is in addition to the present staff of the department of economics--one foreign and two Chinese professors.

1 American teacher to release present head of department (Professor J.B. Taylor) for preliminary survey, preparation of bibliography, and detailed planning of work of school. (The service of Mr. Baker would be sought as soon as available.)	\$4,200
1 additional Chinese teacher to cooperate with present staff and Professor Taylor in preliminary research	2,100
1 Student assistant	600
Library accessions	500
Expenses of research and initial experimentation, including travel	1,400
Publications	700
Stenographic and other office expenses	500
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	\$10,000

It is the hope of those responsible for this proposal that ten American men of affairs interested in China may be willing to pledge each \$1,000 a year for five years to cover the budget of the School at this initial stage. This initial cooperation would, we believe, render possible a sufficient demonstration to enable the School to secure a permanent financial basis in the form of adequate endowment.

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