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RAL ECONOMIC RECONSTRUCTION IN CHINA

By

FRANKLIN L. HO

CHINA INSTITUTE OF PACIFIC RELATIONS

1936

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RURAL ECONOMIC RECONSTRUCTION IN CHINA

1. BACKGROUND

China is fundamentally a country of peasants; and agriculture, including livestock raising and horticulture, is the chief occupation of the Chinese people. No less than three-quarters of the Chinese population is engaged in agriculture, while four-fifths of the national income is derived from the employment of farming.[1] No one can deny the importance of rural China even from a simple examination of these elementary facts, and in dealing with problems concerning China one necessarily has to begin with those of a rural order.

The most striking fact concerning rural China has been its uninterrupted decline since her open contact with the industrial powers of the West. Such contact, while bringing new stimulus to bear upon the dwindling economic order of old China, inevitably prevents Chinese industrial development by the stronger competition which cheap foreign imports offer to native products. Rural China thus went through a process of decline after the Opium War of 1841-2, no less than rural England or France did a century ago. The main difference is that while with the decline of the countryside in England or France there arose *pari passu* an urban industrial order within the country, in China such development has failed to take place because as a late comer in the race for industrialization she is not given an opportunity for free and unhampered growth.

Recent statistics from the National Bureau of Agricultural Research confirm the picture here painted. Although there has been a 31% increase in the population during the last

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[1] C. C. Chang: "Rural Economy", *Chinese Yearbook, 1935-36*, Commercial Press, p. 834.

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six decades, 1873-1933, the area of farm land has remained unchanged, showing the very small addition of one percent. The pressure of population on land has, in other words, become greatly intensified; but could have been released somewhat provided Chinese industrialization had not been hampered by economic encroachments from outside industrial powers.[2]

Rural decline has assumed predominant importance since 1931, the eventful year during which a series of major developments took place simultaneously which brought about a national economic crisis unparalleled in the previous history of China. During that year Japan forcibly alienated Manchuria from China, while the communists formally proclaimed the establishment of the first Soviet Republic in central China, with its capital in Juiching of Kiangsi province. Meantime, the great Yangtze River flood was ravaging a large part of central China, and the effects of the world economic depression were beginning to be felt in China with the apprecation of silver — a direct result of the suspension of the gold standard in Japan, Great Britain, and subsequently, the U.S.A. The effects of all these changes on Chinese economy and the rural population have been eloquently told in the simultaneous fall of wholesale prices all over China, as can be seen from the following table.[3]

Table I. Wholesale Price Indices in China

	1926	*1930*	*1931*	*1932*	*1933*	*1934*	*1935*
Shanghai	100	115	127	112	104	97	96
Tientsin	100	116	123	113	101	92	95
Canton	100	101	113	113	103	94	85
Hankow		100	115	112	99	89	89
Tsingtao		100	108	104	95	87	89

The effects of the spectacular decline of the Chinese countryside can be measured statistically by the decrease of purchasing power, as represented by that of imports, on the one hand, and by the phenomenal fall of land values on the

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[2] *Crop Reports* (in Chinese), Vol. II, pp. 40, 117, National Bureau of Agricultural Research, Ministry of Industries, Nanking, 1934.

[3] *Nankai Index Numbers, 1935*, Nankai Institute of Economics, Tientsin, 1936.

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other. The quantity index of imports fell from 130 in 1931 to 106 in 1932, 99 in 1933, 84 in 1934 and 77 in 1935,[4] while the land value index fell from 100 to 95 in 1932, 89 in 1933, and 82 in 1934.[5] Meantime, there has been a continuous drain of capital and talent from the rural into the urban districts. The gentry of the Chinese countryside is beginning to flock to port cities and foreign concessions for personal security and safe deposit of wealth. Shanghai, the industrial, commercial and financial metropolis of China, is at once the place of refuge for the victims of the Manchurian affair, the communist terror, and natural disasters such as drought and flood, etc. While all over China there is a crying need for more credit facilities to relieve the distressed, silver stock in Shanghai has shown an uninterrupted increase, from 253 million dollars in 1931 to 359 million in 1932, 457 million in 1933, and 517 million in 1934,[6] but decreased to 327 million in 1935,[6] due largely to the flight of capital after the suspension of the silver standard in November and foreign export in order to cover for exchange losses.

II. DEVELOPMENT

Rural economic reconstruction in China is a new development, which took root first in Dr. Sun Yat-sen's doctrine of "People's livelihood", but was not translated into action until the triumph of the new regime under the Kuomintang party in 1927. This does not mean that previous to the propagation of Dr. Sun's doctrine no need was felt for rural economic reconstruction in China. For one thing rural economic decline had seldom assumed the magnitude in Chinese history that it did in 1931 and afterwards. Again, until recently "it is no exaggeration to say that the traditional local government in China has been a negative one. If an official is able to collect the land taxes to the satisfaction of his superiors and if he is at all conscientious about hearing litigations, with which a great part of his time is

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[4] *Quarterly Journal of Statistics* (in Chinese), Dec. 1935, p. 132.
[5] *Crop Reports*, III:254, 1935.
[6] *Nankai Index Numbers, 1935*, p. 39.

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occupied, he may be said to have discharged his duties satisfactorily."[7]

Before the establishment of the present regime under the Kuomintang party in 1927, rural economic reconstruction was not seriously taken up as a proper function of the government, and whatever small achievements there might have been in the field represented merely private, extemporaneous attempts designed to relieve as well as to prevent suffering from famines caused by flood, drought, earthquake, locust pest, epidemic, and other disasters. There was some degree of government participation in these enterprises, but such participation was supplementary in character, and compared poorly with private efforts.

Famines have been a normal rather than exceptional feature of Chinese national economy, and in an agricultural country like China the peasant farmers are always the largest class of famine victims. One authority has estimated that during the 2,017 years between 108 B. C. and 1911 A. D. there have been 1,828 famines, or about one every year. For the last 19 years (1917-1935) definite records are available showing that there have been ten famines, ranging in importance from famines which affected only a part of one province to such disasters as the Yangtze flood of 1931, when it became necessary to mobilize forces on a national scale to combat the destruction. During all these famines relief measures were adopted, but the great North China drought famine of 1920-21, occuring as it did after the 1917 flood from which the province of Chihli (now Hopei) had not yet fully recovered, broke new ground in the history of famine relief, and initiated a movement in famine prevention which today has become embodied as an integral part of rural economic reconstruction in China. In that famine 317 *hsien* or districts with a total population of 50 million in the five provinces, namely, Shantung, Honan, Hopei, Shansi and Shensi, were affected, of which number approximately 20 million were rendered destitute. In the past many relief

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[7] C. M. Chang: "Chinese Standards of Good Government", *Nankai Social and Economic Quarterly*, Vol. VII, pp. 231-32, July, 1935.

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agencies, both Chinese and foreign, participated in the work of distributing aid to the suffering victims. During the 1920-21 famine it became clear that many of the efforts being made were not coordinated, and that unless they could be related in some way there would have been much confusion, overlapping of efforts, and attendant loss of efficiency. Steps were therefore taken with a view of setting up an international central organization to divide the famine areas and ensure the wise use of the funds subscribed. As a result the Peking United International Famine Relief Committee was created, on which were representatives of the various leading relief societies and foreign committees. Later similar committees were formed in Tientsin, Shanghai, Tsinan, Hankow, Kaifeng, and Taiyuan. These seven organizations, following the lead taken by the American Red Cross in Shantung, adopted, in addition to the method of free distribution of cash or food, that of providing constructive projects upon which the famine sufferers could be given employment in return for payment in grain. In this way the famine districts not only benefited by permanent improvements, but the able-bodied were enabled to earn their livelihood in a self-respecting way. During a period of six months the Red Cross employed nearly a million men in a program of road building, with most satisfactory results. Similarly, several of the international committees were engaged in a variety of constructive projects, including bridge and road repair, construction of irrigation channels, dike-repair, tree-planting and well-digging. At the end of the famine, November of 1921, the seven international committees got together to set up a permanent organization, the China International Famine Relief Commission (abbreviated as C. I. F. R. C.). This Commission, realizing the greater importance of famine prevention rather than famine relief, embodied in its constitution as one of the chief functions that of "promoting ways and means for the prevention of famine in China".[8] The preventive measures, which have since become also the principal methods for rural economic reconstruction, are of two types. One has consisted

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[8] *Constitution, By-laws and Regulations*, C. I. F. R. C. Series B, No. 30. 1928, p. 1.

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of engineering projects, such as roads, dikes, wells, and irrigation systems, in which the Commission, following the example set by the American Red Cross in Shantung in 1921, has long played a leading part and has thus influenced various public bodies in no small degree. During the six years up to the establishment of the National Government in 1927, the Commission has planned and built nine major projects in Shantung, Hupeh, Hopei and Kweichow related to road building, construction and repair of dikes, irrigation and river reversion works, at a total cost of about four million silver dollars.[9] Since 1927 its engineering operations have resulted in the establishment of the well-known canal of Sato-Minshengchu, in Suiyuan, Wei Pei Irrigation project in Shensi, Silan Motor Road in Shensi and Kansu, dikes in Kiangsi and Hupeh, and wells in Hopei.[10] The other kind of famine prevention, the organization of rural cooperatives, represents an even more significant development, for it aims at eliminating the very conditions of life which keep so many of China's millions on the destitution line even in good times. In May, 1922 the Committee on Credit and Economic Improvement, a standing committee of the Commission, held its first meeting, and proceeded to discover, through field investigation of rural economic conditions in north and central China, the best means by which rural improvement might be effected. As a result, in 1923, a sub-committee on rural co-operation was formed which went to work immediately to perfect a plan of action after the Raiffeisen type which, with necessary revisions, was embodied in a model constitution for the projected cooperative societies. Early in 1924, with an appropriation of $5,000 to finance the experiment, the first rural cooperative societies in China were established. Up to 1927 there were in the province of Hopei 561 societies, with a membership of 13,190 and a share capital of $20,698. During and after the Yangtze flood of 1931, the Commission extended its cooperative work in the four provinces of Kiangsi, Anhwei, Hunan and Hupeh through the organization of

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[9] *Insuring Food Supply in China*, C. I. F. R. C. Series B, No. 29, 1928, p. 10.

[10] *Annual Reports of C. I. F. R. C.*, 1928-34.

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"mutual aid" societies for the granting of farm rehabilitation loans. The procedure adopted, which was applied in the north China war area of Hopei and Chahar in 1933 as well as in the Yellow River flood areas of Hopei, Honan and Shantung in 1934, was to make loans to the refugees at a low rate of interest (usually 4%) on the basis of collective guarantee. These societies were eventually transformed into cooperative societies after the return of the loan, and have thus given great impetus to the growth of cooperative societies in China.[11]

With the unification of China under the Kuomintang regime in 1927 rural economic reconstruction has been embodied as a part of the government's policy to create a new China, in conformity with the teachings of Dr. Sun Yat-sen, the founder of the party. Dr. Sun's teachings relating to rural economic reconstruction are presented in one of his three great principles, namely that of *Min-sheng* or "People's Livelihood", as well as in his "Industrial Programs". The People's Livelihood denotes the livelihood of the people, the existence of society, the welfare of the nation, the life of the masses. Towards the realization of this principle, Dr. Sun outlines in his "Industrial Programs" ten general principles of national reconstruction, of which many have a direct bearing upon rural economic reconstruction, such as development of a communication system, agricultural development, irrigation work in Mongolia and Sinkiang, reforestation in central and north China, and colonization in Manchuria, Mongolia, Sinkiang, Kokonor, and Tibet. The four problems of livelihood, namely, food, clothing, shelter and means of travel, are intimately related to and bound up with rural life, and in their solution is found Dr. Sun's philosophy of rural economic reconstruction. The raw materials for the satisfaction of all of the four needs are derived from nature, to a larger or smaller extent, and it is for this reason that agricultural production above all else should claim the foremost attention in Dr. Sun's lectures on "People's

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[11] *Herr Raiffeisen among Chinese Farmers, 1922-34*, C I. F. R. C. Series B, No. 61, 1935, pp. 2-4; Fong, H. D.: "Cooperative Movement in China," *Monthly Bulletin on Economic China*, VII:181, 186, 1934.

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Livelihood". Here Dr. Sun not only proposes as a pre-requisite the equalization of land ownership by means of a system of progressive land value taxation, but also an improvement in the methods of agricultural production. For "in dealing with agricultural production, we should study not only this question of liberating the peasants [i. e. equalization of land ownership] but also the seven methods of increasing production. These methods are: use of machinery, use of fertilizers, rotation of crops, eradication of pests, manufacturing, transportation, and prevention of natural disasters." Many of these methods, like the equalization of land ownership, are, as we shall see in subsequent sections of this paper, being put into practice with varying degrees of success, under the government policy for rural economic reconstruction which has been carried on by the Kuomintang regime since 1927.[12]

In accordance with the teachings of Dr. Sun Yat-sen, the Kuomintang government has since its inception in 1927 pursued a policy of national economic reconstruction. The period of military operations, however, came to an end in 1929, during which year the period of political tutelage began, which will not come to its conclusion until the proposed constitution is passed in October of the present year. In the early years of the Kuomintang regime rural economic reconstruction did not, therefore, take a vigorous turn, because of military operations, and the attempts made were mostly confined to the field of rural cooperation. It was not until the occurence of the great Yangtze flood in 1931, which affected 25 million people in 131 *shien* in the five provinces of Hupeh, Hunan, Anhwei, Kiangsi, and Kiangsu and resulted in a total material loss of two billion dollars.[13] that definite steps were taken to carry out rural economic reconstruction on a fairly large scale. At the same time another

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12 For detailed references to Dr. Sun's writings see translation of his *San Min Chu I: The Three Principles of the People* by Frank W. Price, Commercial Press, 1929 (date of original publication is 1924): Sun's *International Development of China*, Commercial Press, 1920; article on "The Kuomintang" by Tsui Wei-Wu, *Chinese Yearbook, 1935-36*, pp. 132-149.

13 Buck, John Lossing: *The 1931 Flood in China*, University of Nanking, 1931.

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factor in favor of rural economic reconstruction developed, namely, that of General Chiang Kai-shek's new policy of suppressing the communist rebellion through the application of 70% political, social and economic reconstruction and 30% military operations.

The agencies engaged in rural economic reconstruction since 1927 are largely governmental, although private ones are not lacking. The first agency started by the National Government is the National Construction Commission founded in 1928. Its fields of activities included at first such state enterprises as power generation, coal mining, irrigation, manufacture of electric supplies, wireless, water conservancy and forest conservation, but the last three have now been turned over to the respective governmental institutions for administration and operation. The irrigation of rice fields by means of electric power in Wuching, Wusih and Wukiang of Kiangsu province was started in 1931, while in 1934 a Rural Planning Committee was added to take care of the planning work for rural rehabilitation.

The second governmental agency is the National Famine Relief Commission formed in February of 1929 under the Executive Yuan, which is composed of three departments: the Department of General Affairs, the Department of Famine Relief and the Department of Auditing. To meet the need of establishing branch committees in the provinces where famine exists and to facilitate the administration of relief the Commission has authorized the establishment of such committees in famine-afflicted provinces with sub-committees in the *hsien*. Its activities include the distribution of food, funds and medical supplies in famine districts especially the northern provinces of Honan, Shensi, Kansu, Shansi, Hopei, Chahar and Suiyuan; the employment of the people in the famine districts in reconstructive work such as dike building, afforestation, reclamation of waste land and the building of roads; the enactment of regulations permitting free transportation and tax exemption of relief and construction supplies, as well as free transportation of persons sent from the famine area to the less populated parts of the frontier to undertake the reclamation of waste land, and

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efforts in causing the passage of a law by the Legislative Yuan whereby the National Government would make an annual appropriation of five million dollars for relief and prevention purposes.

As a result of the great Yangtze flood of 1931 a third governmental agency, the National Flood Relief Commission, was created in August of the same year by a mandate from the National Government to the Executive Yuan. This agency, administering in cash and in kind a huge sum of nearly $70,000,000, performed its Herculean task through emergency relief consisting of provision of food, shelter, clothing and protection against outbreaks of disease to refugees during the flood, restoration of dikes after the recession of the flood, farm rehabilitation through the granting of loans at low interest to refugees on collective responsibility for the purpose of spring sowing, and sanitary precautions against epidemic diseases. A few figures selected at random will serve to illustrate the vast scale of the Commission's operations. Relief work extended to 269 *hsien*. Free relief was granted to just under 5,000,000 persons, and 1,000,000 were relieved in camps. In addition, the Commission distributed more than 500,000 suits of winter clothing and more than 2,500,000 of the needy and sick refugees received medical attention. Advances for farm rehabilitation were granted to 360,000 farmers. Some 2,800,000 were employed on labor projects. Thus, including the families of these laborers, a total of 10,000,000 as receiving relief from the Commission is certainly a conservative figure.[14] In 1932 after the end of the flood, the Commission was dissolved and its unfinished work was turned over to the National Economic Council.

The fourth governmental agency, the National Economic Council, is the most important of all of the institutions engaged in rural economic reconstruction. It was first established as a Preparatory Office in October of 1931, and did not formally come into being until November of 1933. During the preparatory stage the Council's work of reconstruction

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[14] Republic of China: *Report of the National Flood Relief Commission, 1931-32*, Shanghai, 1933, Foreword, Chairman, T. V. Soong.

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was seriously handicapped by a series of calamities which befell China—the protracted clashes with Japanese aggression, the trouble with the communists, the absence of political stability in China throughout this period, and the mobilization of resources to cope with the havoc wrought by the unprecedented flood disaster of 1931. The administrative machinery of the Preparatory Office consisted of five committees and three bureaux. The committees were deliberative, policy-making bodies, dealing respectively with public roads, hydraulic engineering, public health, education and rural reconstruction, to the first three of which were attached respectively the Bureau of Public Roads, the Hydraulic Engineering Bureau, and the Central Field Health Station. Since its formal inauguration in 1933 the Council has been given more definite powers and shape of organization. Its powers were defined as follows: (1) to plan, examine, and approve projects for economic reconstruction or development; (2) to examine and approve the necessary expenditure required for the execution of projects for economic reconstruction or development; (3) to supervise and direct projects for economic reconstruction or development; (4) to execute directly special projects for economic reconstruction or development. The administrative machinery was revised and enlarged, and includes at present eight executive bodies, namely, Bureau of Roads, Bureau of Hydraulic Engineering, Central Field Health Station, Bureau of Agriculture, Northwest Office, Kiangsi Office, Cotton Industry Commission, and Sericulture Commission. In addition to these executive bodies, there is a Standing Governing Committee and a Standing Advisory Committee. Other committees, created during the period of the Preparatory Office for advising on the policy in regard to roads, hydraulic engineering, public health, education, and rural reconstruction, have remained intact. The Hydraulic Engineering Committee was, however, reorganized in 1935 when the work of water conservancy in the country was centralized under the administration of the Council.[15] Pending detailed description of the

[15] Chin, Feng: "The National Economic Council", *Chinese Yearbook, 1935-36*, pp. 294-97.

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work of the Council in subsequent sections, it is obvious that most of it has a direct bearing on rural economic reconstruction, i. e., road building, water control by means of dike building, irrigation projects, cooperation (as promoted by the Bureau of Agriculture), cotton, tea, and sericultural improvement, and animal husbandry (as promoted by the Northwest Office). It is chiefly on account of the Council's emphasis on rural economic rehabilitation that proposals were put forth at a recent National Conference on Hsien Administration to reorganize the Council into a Ministry of Agriculture.[16]

The fifth governmental agency is the National Bureau of Agricultural Research of the Ministry of Industries, which was organized in April of 1931. On account of adverse circumstances arising from foreign invasion, natural disasters and internal political difficulties, it did not begin its work seriously until the middle of 1933. The work of the bureau is at present divided into two parts, the administrative and the technical. For the development of the technical work, three divisions, each with separate departments, have been established under the direction of the chief technician. The Division of Crop Production has four departments: Agronomy, Forestry, Plant Pathology and Entomology, and Soils and Fertilizers. The Division of Animal Production is subdivided into a Department of Sericulture and a Department of Animal Husbandry and Veterinary Science. The Division of Agricultural Economics is composed of a Department of Crop Reporting, a Department of Farm Management, and a Department of Rural Industries. The Bureau is now the largest of its kind, and its work is spread over all parts of the country. It has in Nanking, where its head office is located, a land area of 2,300 mow or roughly 400 acres in single tract, of which 170 mow are for rice experiments, 200 mow for cotton experiments, 180 mow for a nursery, 100 mow for a mulberry field, 150 mow for wheat experiments, 120 mow for soil experiments, 50 mow for entomological experiments, and

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[16] C. M. Chang: "The Problem of Coordination in Central Government Organization", *Quarterly Journal of Economics and Political Science* (in Chinese), April, 1936, p. 624.

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so forth. It is in possession also, of a headquarters building with offices, laboratories, a foyer, a large conference room, an assembly hall, a library, social rooms, a garage, and a dormitory together with important pieces of apparatus such as balances, microscopes, incubators, silk-testing machines, sprayers, calculating machines and the like; and a rich collection of books and journals on agricultural science in its new library.[17]

The sixth governmental agency is the Rural Rehabilitation Committee of the Executive Yuan established in May of 1933 to make plans for the rehabilitation of the rural districts and to devise ways and means to raise money for the execution of the plans proposed. The committee is a planning and promoting organ, but not an operating machine, within the Executive Yuan. During the course of its first year's existence, it recommended the following measures, a number of which have been put into practice, namely, (1) the establishment of a central agricultural experimental station, (2) the establishment of a central agricultural bank, (3) the relief of war-devastated areas in North China, (4) the reorganization of the provincial and district agricultural organs, (5) the abolishment of superfluous excise taxes and the convention of a national financial conference, (6) the establishment of local readjustment committees on excise taxes and provincial and municipal supervisory committees on excise taxes; (7) the establishment of a bureau for marketing of food supply to regulate the national food supply, and (8) the establishment of central rural district service institutes. In addition, in order to afford a factual and scientific basis for planning, the committee has been engaged in a series of studies on rural economics including (1) a study of the conditions of production, transportation and marketing of rice, wheat, cotton, silk, and tea in collaboration with the Institute of Social and Economic Research in Shanghai, (2) a study of rural financial economic problems, particularly from the viewpoint of the diversion of capital from the cities to

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[17] *The National Bureau of Agricultural Research of the Ministry of Industries: History and Scope of Work*, Nanking, 1935.

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the rural districts, and the establishment of agricultural banks, cooperative societies and grain storehouses, (3) a study of underground water problems, with special reference to the composition of the strata through which the water flows and the determination of its employment for drinking water supply and irrigation purpose, in the entire province of Chekiang, parts of Honan, and in the Municipality of Nanchang, and (4) a study of such rural conditions as distribution of land, proper utilization of land, tenure system of land, rural credit facilities and political organizations, etc. in the provinces of Kiangsu, Chekiang, Shensi, Honan, Kwangsi and Yunnan. The Committee was, with the reorganization of the Executive Yuan under the chairmanship of General Chiang Kai-shek, reorganized into the Citizens' Economic Planning Council, early in the present year.

In addition to the six governmental agencies listed above, the various departments and subordinate organs under the two Ministries of Industries and Interior are also closely related to the work of rural economic reconstruction. The Ministry of Industries has, besides a Forestry and Reclamation Service, seven departments, namely, Mining, Manufacture, Labor, Commerce, Agriculture, Fishery and Animal Husbandry, and Cooperation, as well as six subordinate organs including the National Agricultural Research Bureau, National Model Agricultural Warehouse, Bureau for the Inspection and Testing of Commercial Commodities,[18] National Model Forestry Area Administration Bureau, Fishery Protection Office, and Shanghai Fish Market. All of these departments, with the exception of the first four, and the subordinate organs are in one way or the other related to the administration of governmental activities on rural economic reconstruction. The Department of Land in the Ministry of Interior is in charge of land administration such as land

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[18] Five bureaux have thus far been established at the following five port cities, namely, Shanghai, Hankow, Tientsin, Tsingtao, and Canton, with branches at Ningpo, Shasi, Wanhsien, Tsinan, Swatow, Kiangmen, Wuchow, Foochow and Amoy (the last three branches are being suspended). The commodities covered include cotton, silk, wood oil, livestock, tobacco leaf, beans, vegetable oils, fertilizers, sugar, honey, tea, cassia lingula, agricultural products, etc.

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survey, state purchase of land, and reclamation and colonization. Meantime, the tremendous influence exerted by the Legislative Yuan in the passage of many laws related to rural economic reconstruction must not be overlooked. Of these the most important included, in chronological order of passage, the Fishery Law of November 11, 1929 (enforced July 1, 1930), the Land Law of June 30, 1930 (enforced March 1, 1936), the Forestry Law of September 15, 1932, and the Cooperative Societies Law of February 1, 1934 (enforced September 1, 1935). Indeed, the Department of Cooperation in the Ministry of Industries was created for the sole object of facilitating the enforcement of the Cooperative Societies Law; similarly, since the enforcement of the Land Law on the first of March 1936, agitation has been under way for the creation of a National Land Service, and even of a Ministry of Land if circumstances permit.

Next to the national governmental agencies are the provincial and district ones. The provincial government is usually composed of the following administrative organs, namely, the secretariat, the department of civil affairs, the department of finance, the department of education, the department of reconstruction and the peace preservation corps. Of these the department of reconstruction is responsible for rural economic reconstruction work in the province. Although no definite estimate of the amount of money devoted to such work is now available, its importance can be somewhat gauged from the fact that during the fiscal year 1931-32 a total sum of 55 million silver dollars or 16% of the total expenditure for twenty provinces in China was spent on reconstruction, communication, regulation of industries, etc. In some provinces the increase during the last decade on this item has been very rapid. This increase was from $255,000 to $3,445,000 in Shantung during 1921-31, and from $649,000 to $2,033,000 in Chekiang during the same period.[19]

The department of reconstruction is, however, not the only provincial agency engaged in the work of rural economic

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[19] C. M. Chang: "Local Government Expenditure in China", *Monthly Bulletin on Economic China*, VII:236, 239-40, 1934.

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reconstruction. In rural finance, for instance, special institutions, the farmers' banks, have been created in various provinces for this purpose. The Kiangsu Farmers' Bank, the first of its kind, was founded in 1928, and was followed by the establishment of a rural cooperative loan department at the Hangchow Branch of the China Agricultural and Industrial Bank in 1929, and the Four Provinces' Farmers' Bank in 1933 (reorganized now as the China Farmers' Bank). In Kiangsi, the province most badly affected by the communist scourge during 1927-34, a Provincial Agricultural Institute was founded in 1934 to underake work similar to that carried out by the National Bureau of Agricultural Research on a nation-wide scale. The Institute has five departments, namely, plant production, animal husbandry, agricultural education, rural economy, and agricultural extension, and its annual budget is $254,440; $150,000 being appropriated from the provincial agricultural education taxes and $104,440 from the reconstruction tax. Of the $330,000 required to initiate the work, $130,000 was provided by the provincial government and the balance by the National Economic Council.[20]

In the majority of the some 2,000 *hsien* or districts in China there are four bureaux, namely, the bureau of public safety, the bureau of finance, the bureau of reconstruction, and the bureau of education. Here the bureau of reconstruction carries out the work of rural economic reconstruction for the district, just as the department of reconstruction does for the province. However, since the promulgation on Dec. 1, 1934 of a set of measures for the various provinces within the communist-suppression zone relative to the reorganization of the present system of district government by the provincial headquarters of General Chiang Kai-shek at Nanchang, many of the bureaux have been reduced to sections. Just how much each *hsien* bureau or section of reconstruction spends on rural economic reconstruction is hard to estimate, but figures for 130 *hsien* in Hopei province indicate that reconstruction of all kinds receives only $543,000 or 6.5% in the total expenditure, or roughly $4,200 per

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[20] *Chinese Economic Journal*, October, 1935, pp. 353-54.

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hsien.[21] Considering the fact that each *hsien* in Hopei province has an average population of 240,000, the amount spent on reconstruction is pitifully small, being equivalent to a little less than two cents per capita.

The notable development in recent rural economic reconstruction by the district government is the establishment, by an order from the Ministry of Interior dated Aug. 16 of 1933, of the so-called experimental self-governing *hsien* under the jurisdiction of the provincial governments. Up to the present 14 experimental *hsien* have been established in the following 10 provinces, namely, Kiangsu, Chekiang, Shantung, Hopei, Yunnan, Kweichow, Hunan, Hupeh, Shansi and Chahar.[22] The activities in rural economic reconstruction carried on by these experimental *hsien* are varied in character, ranging from crop improvement to cooperative credit and marketing, reform in land taxation through a system of reporting land titles, rough census taking, construction of irrigation works, and promotion of rural industries. The more noted of these experimental *hsien* include Kiangning in Kiangsu province, Lanch'i in Chekiang province, Linchuan in Kiangsi province, Tsouping and Hotseh in Shantung province, and Tinghsien in Hopei province.

Besides the governmental agencies of a national, provincial or district grade, there have been since 1927 a considerable number of private bodies engaged in the work of rural economic reconstruction, both newly created and already in existence. Of these some are relief organizations such as the China International Famine Relief Commission, others, educational institutions such as the College of Agriculture and Forestry of the University of Nanking, commerical banks such as the Agricultural Department of the Shanghai Commercial and Savings Bank, and rural reconstruction agencies such as the Chinese Association of the Mass Education Move-

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21 *Monthly Bulletin on Economic China*, VII:245, 1934.

22 *Chinese Yearbook, 1935-36*, p. 156. For detailed information on these selected *hsien* see Djang, Y. S. and Hsu, Leonard (ed.): *Experiments in Rural Reconstruction*, Vol. II, Reports No. 11, 18, 19, 25, 28, Chung Hua Book Co., Shanghai, 1935 (in Chinese); *Report of Work during the First Month of Linchuan Experimental Hsien*, Sep. 1934 (in Chinese).

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ment and the Shantung Rural Reconstruction Institute. Taken as a whole, the private agencies, although exercising great influence in promotion and stimulation if not in execution, are in number fewer than the governmental ones. According to a recent extensive survey of the 691 agricultural institutions engaged in agricultural education, agricultural research, agricultural administration, rural finance and other aspects of agricultural activities, private individuals and associations claim only 109 or about 16% of the total. Of the other 582 institutions, all of which are public, 52 are national, 356 provincial, and 174 district.[23]

III. PRESENT STATUS

The fundamental problem of the Chinese peasants is undoubtedly the prevention of famine, which, as shown above, has been the main consideration in the past efforts in Chinese rural economic reconstruction, whether before or after the establishment of the National Government in 1927. China, indeed, has been styled by some foreign observers as the "Land of Famine". One authority has some to the conclusion that in order to prevent famine some lines of work will yield results more quickly than others, and these, arranged in order of importance, include (1) flood control, irrigation, land reclamation; (2) economic improvement, rural credits, colonization, home and village industry; (3) improved agriculture and afforestation; (4) development of transportation; and (5) education.[24] All these attempts, including even education in its broad sense, are main features of what is commonly understood to be rural economic reconstruction in present-day China. For our purpose we need not follow the above classification, but without question the first place should be given to water control which emberaces construction of dikes including levees and sea walls, dredging operations, irrigation canals and wells, and afforestation. The secpnd in order of importance is the construction of roads which has figured prominently in recent years as an important means

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[23] *Crop Reports* (in Chinese), Dec. 1934, pp. 120-21.

[24] Mallory, Walter H.: *China: Land of Famine*, New York, 1926, p. 189.

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of rural economic reconstruction; first, because of the employment it gives, notwithstanding the common commandering of free labor, to famine victims, and second, because of the free movement of goods and persons which it promotes and thus helps not only to alleviate the consequences of an acute famine but also to combat the communist uprisings and destruction. Only after these two sets of measures have been put into practice, is it possible to undertake positive steps for rural economic reconstruction, such as the reform in land tenure and taxation, improvement of agricultural production, and cooperative provision of credit and marketing facilities.

Water control has as its object the prevention of famines arising from flood or drought. The familiar means employed include the construction of irrigation canals and wells in drought famine area and the building of levees and sea walls and dredging operations in flood famine area. Afforestation has been advocated as a preventive measure against both flood and drought, but according to Mallory, first executive secretary of the CIFRC, it cannot work effectively as a drought prevention measure, for "the drought area in northern China is, for the most part, a great plain almost every foot of which is under cultivation," and even "if we must have a forest cover to 'attract' rain over this vast territory, 800 miles long and three or four hundred miles wide, where are we going to plant the trees?"[25]

The construction of canals for irrigation purpose is an ancient Chinese device. One of the oldest major projects and practically the only one maintained through the centuries at maximum efficency is the scheme that provides water to the Chengtu plain in Szechuen province. After the formation of the CIFRC, canals were built in the northwestern parts of China as the principal engineering projects for famine prevention, in Shensi and Suiyuan provinces. The first canal to be built in recent years was the Minsheng Canal in the two *hsien* of Saratsi (薩拉齊) and Tokoto (托克托) in Suiyuan province commonly known as the Sato-Minshengchu (薩托民生渠). Its construction was started

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25 *Ibid.*, p. 142.

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by the provincial government in the great north China drought famine of 1928-29, with the cooperation of the CIFRC. It was formally dedicated in June of 1931, completed by the end of 1932, and turned over to the Minshengchu Irrigation Association on January 1st of 1933, with an agricultural specialist in charge. The canal cost about $800,000, but since its completion it has not been in full operation and further improvement requires $3,000,000.

A second canal is the Weipei (渭北) or Kinghui (涇惠) Canal in Shensi province, which was begun in December of 1930 by the provincial government, but was completed in June of 1932 with the cooperation of the CIFRC. The whole project was estimated to cost about one million dollars, that is $550,000 for the upper part which was to consist of the construction of a dam, a tunnel and the reconstruction of the old rock canal and the earth canal leading to the plain, and $400,000 for the lower part which was to consist of the construction of the distribution system. The canal actually cost $1,400,000, of which the Commission contributed $710,000,[26] but much improvement was still necessary. An extension, the Lohui Canal (洛惠渠), therefore was begun, through the organization of the Kinglo (涇洛) Engineering Bureau by the National Economic Council in the early part of 1934. The total construction cost will be $1,500,000, $480,000 of which is to be provided by the Shensi Provincial Government, while the remainder will be furnished by the Council. At present two thirds of the earthwork has been completed, wlile other engineering works are progressing rapidly.

Among other canals in the Northwest is the Yünting Canal (雲亭渠) in Ninghsia province named after General Ma Yünting (馬雲亭) for his construction works. This canal is a branch of the Huinung Canal (惠農渠), and is expected to irrigate 200,000 mow of land. The construction cost is $200,000, to be appropriated by the National Economic Council. In Kansu province the topographic and hydrometric

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[26] *Report on Weipei Irrigation Work*, The Weipei Irrigation Commission, May, 1931, p. 2; *Annual Report of CIFRC for 1932*, p. 27; *Chinese Yearbook, 1935-36*, p. 309.

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surveys of T'ao Ho (洮河) and Tahsia Ho (大夏河) have been undertaken by the Council, and the projects of T'aohui (洮惠) and Hsiahui (夏惠) Canals are now under consideration. In Shansi province the Provincial Government decided, after a flood in 1932 in the Fen Ho (汾河) valley, to develop that river by appointing O. J. Todd of the CIFRC as the chief engineer. A report was made in 1933, and a scheme recommended for developing the Fen Ho area by the construction of a system of dams and canals. The work will be done in five years and the total construction cost is estimated at $12,760,000. The area to be benefited is approximately 4,000,000 mow. Some of the engineering work is now under way.

Irrigation works in other parts of China are on a small scale, and are sometimes promoted as experimental projects rather than for famine prevention. In Wusih of Kiangsu province the Model Irrigation Administration Bureau of the National Construction Commission was established in 1931 to supply electric power from the Chishihyen (漆士堰) Power Station for farm irrigation, and in 1934 an area of over 50,000 mow was irrigated. The Panshan Hu (鹿山湖) Experimental Farm, simultaneously established in 1931 by the Commission, is divided into four sections with an aggregate area of 14,000 mow, and is used for experimental purposes to improve the methods of cultivation of different kinds of crops to increase agricultural productivity. In 1933 the North China River Commission established the Ch'uisinku (崔興沽) Model Irrigation Farm on the bank of the Kiyun River (薊運河) with an area of 5,000 now, at a cost of $35,000. The soil here is alkaliferous, and drainage is considered important for dissolving the alkaline substance from the earth's surface. In Hopei province the Hut'o Ho (滹沱河) Irrigation Engineering Commission was jointly established by the North China River Commission and the Provincial Departments of Reconstruction, Industry, Finance and Civil Affairs, for the execution of Hut'o Ho Irrigation Project which is to water an area of 200,000 mow in the districts of Linshou (靈壽), Chengting (正定), and Hsintang (行塘) by means of dam construction, canal excavation and pumping plant installation.

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The project will cost about $392,500, and a greater part of the work has now been finished. In Hupeh province the Kingshui (金水) Improvement Project, as planned by the Yangtze River Commission, is to prevent the inflow of flood from the Yangtze River and to protect an area of 900,000 now from being inundated. The cost is estimated at $918,000 and the work is now under construction.

The digging of wells for irrigation purpose is another preventive measure against famine in drought areas. That this device has been resorted to by Chinese farmers in north China, especially since the North China drought famine of 1920-21, is confirmed by the fact that in the three *hsien* of Tinghsien (定縣), Wuchi (無極) and Hsingt'ai (邢台) in Hopei province, 19,822 of the 57,999 wells were dug before 1915, 9,244 during 1916-20, 14,581 during 1921-25, and 14,352 during 1930. This is because of the severity of drought famines after 1920, as well as because of the stimulation given to the movement by relief organizations. During the 1920-21 famine the American Red Cross extended loans of $30 per well to farmers for the construction of 3,572 wells in the six *hsien* around Tinghsien in Hopei province, while during the 1928-29 famine the CIFRC performed a similar function by having 1,936 wells sunk in the four *hsien* of Taming (大名), Weihsien (威縣), Kwangp'ing (廣平) and Feihsiang (肥鄉) of Hopei province and in the six *hsien* of Liaocheng (聊城), Tangyi (堂邑), Kwanhsien (冠縣), Enhsien (恩縣), Wucheng (武城) and Hsiachin (夏菅) of Shantung province, at an expenditure of $187,000. The procedure followed by the latter organization was to grant interest-bearing loans to needy farmers which were to be repaid within five years. The value of such wells is proved by the much higher value of land and the crop returns on irrigated than on non-irrigated land. The value per mow is $76.90 for irrigated as compared with $33.30 for non-irrigated land in Tinghsien; similar figures are $95.00 and $52.60 in Wuchih and $71.48 and $30.89 in Hsingtai. The value of annual crops per mow is $13.30 on irrigated as compared with $4.94 on non-irrigated land in Tinghsien; similar figures are $13.40 and $6.20 in

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Wuchih and $14.72 and $5.22 in Hsingtai. The average cost per well is $65.70 in Tinghsien, $83.70 in Wuchih, and $91.10 in Hsingtai, the difference being due largely to the variation of the depth of underground water. The percentage of land irrigated by wells varies from 47 in Hsingtai to 55 in Tinghsien and 70 in Wuchih. Each well is estimated to irrigate from three to seven acres of land, depending upon the texture of soil and the richness of underground water.[27]

The construction of levees and sea walls as well as dredging operations are preventive measures against flood, and have since the great Yangtze Flood of 1931 these have been carried on extensively, under the National Flood Relief Commission during 1931-32, while other government organs, such as the Kiang Han Engineering Bureau, the Yellow River Flood Relief Commission and various provincial governments, have also participated in the work. The National Flood Relief Commission, besides dredging five riverlets in north Kiangsu for a length of 92.88 kilometers, repaired 3,924.5 kilometers of levees along the seven rivers of Yangtze (1,833.2 km.), Hwai (806.9 km.), Kang (贛 574.5 km.), Han (漢 339.8 km.), Ying (潁 144.5 km.), Sha (沙 125 km.) and Yilo (伊洛 100 km.) at a total cost of $70,000,000. During that time the Grand Canal in north Kiangsu also broke out at numerous places, and the National Government and the Kiangsu Provincial Government jointly undertook to repair the levees at a total cost of $4,000,000. Meantime, in 1932, the Ch'iangwei (薔薇) and Shu (洫) Rivers were dredged at an expense of $240,000 while in 1933 the Liut'ang (六塘) River was dredged and its dike repaired by enlisted labor at a cost of $501,000. The old Yellow River was dredged in 1934 to conduct the flood water of the Hwai River into the Yellow Sea. In Hupeh province the Kiang Han Engineering Bureau was established in 1932 by the National Government to take charge of the maintenance work for the levees, so as to protect Hankow, the great industrial and commercial metropolis in central China whose safety depends on the solidity

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27 *Report on Wells in Western Hopei*, by O. J. Todd (in Chinese), CIFRC Series B, No. 50, 1932; *Annual Report of CIFRC for 1929*, p. 9.

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of the levees of both the Yangtze River and the Han River. In Shantung province the dredging of Wanfu (萬福), Chu (洙) and Chaoniu (趙牛) rivers and the dike repair along the Nanyang (南陽), Chaoyang (昭陽) and Weishan (微山) lakes was completed by enlisted labor in 1932 at a total cost of $240,000. The Tuhai River (徒駭河) was dredged in 1933 by enlisted labor and completed in 1935.

In Kiangsu and Chekiang provinces sea walls are very useful in protecting the lives and property of the inhabitants living along the seashore. During the 1931 flood the sea walls of Kiangsu were broken at numerous places and all the broken parts have been repaired since 1932, at a cost of $2,000,000. The sea walls of Chekiang were broken at some places in 1931, and were afterwards reconstructed by the Chekiang Conservancy Bureau at an expense of $250,000.

The Yellow River flood of 1933 and after gave rise to considerable dike repair work in Shantung province. During the flood the levees of Wenhsien (濕縣), Lanfeng (蘭封), K'aocheng (考城), Tungming (東明) and Changyuan (長垣) were broken at more than thirty places, working immense havoc upon the inhabitants of these districts. The National Government immediately gave sanction to the establishment of the Yellow River Flood Relief Commission to take charge of relief and protection work. During the spring of 1934 all dike breaks were filled up at an expense of $1,000,000, largely at Changyuan, the district where most breaks occurred. After the breaks had been filled, loans of $2,000,000 and $1,500,000 respectively were negotiated by the Honan and Hopei Provincial Governments with the leading banks of China to be secured by the salt surtax. The newly constructed levee at Changyuan is however quite long, and the materials in stock used for flood prevention were inadequate. When the overflowing water of the Yellow River meandered through the side ditches at Kuant'ai (貫台) to attack the levee of Changyuan, it immediately broke in four places. The work of blocking the enlarged ditch at Quantai by construction of a dam was undertaken by the Yellow River Affairs Bureau at an estimated cost of $200,000, equally shared between the

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National Government and the Hopei Provincial Government, and was supervised by the Yellow River Flood Relief Commission. In March of 1935 the dam which was made of Kaoliang stalks with earth backing was destroyed in some places, and it was voted by the National Government to begin the work again at some other locality under the Relief Department of the Yellow River Flood Relief Commission.

Water control includes, besides irrigation, dike construction and dredging operations, river improvement for communication purpose and development of water power. Space, however, forbids a detailed discussion of these two aspects of water control which have, relatively speaking, rather a remote bearing upon rural economic reconstruction. In closing the present section reference may again be made to the recent unification of hydraulic engineering establishments engaged in water control activities. This unification, which took place in 1935, resulted in the transference of control to the National Economic Council of the important conservancy organization whose funds were drawn from the National Treasury or the customs surtax: the Hwai River Commission, the Yellow River Commission, the Kwangtung Conservancy Board, the North China River Commission of the Ministry of Interior, the Yangtze River Commission, the Yungting River Board, the Tai Hu Hydraulic Engineering Commission of the Ministry of Interior, and the Hai Ho Technical Bureau. These establishments which are still subordinate to the National Government and have not yet been transferred to the Council are: the Model Irrigation Administration Commission, the Northern Great Harbor Preparatory Commission, and the Eastern Great Harbor Preparatory Commission of the Ministry of Railway, the Whangpoo Conservancy of the Ministry of Foreign Affairs, and the Haiho Improvement Commission.[28]

Another method for water control is afforestation, which has been advocated by W. C. Lowdermilk of the Col-

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[28] For detail references to the subject of water control not given elsewhere see the authoritative articles by Chin Feng, Y. S. Djang and Li Hsieh on "The National Economic Council", "Famines", and "Hydraulic Engineering Works" in *Chinese Yearbook, 1935-36.*

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lege of Agriculture and Forestry of Nanking University as an effective measure of prevention against floods, for a thick forest cover will break the force of a heavy rainstorm and the layer of leaves and the network of roots will prevent the washing away of the soil. The water will filter slowly through the humus, reaching the rivers in the plains below in smaller volume, and extending its beneficent effects over a longer time. Afforestation in China has, however, been much neglected.[29] According to authoritative estimates, the average percentage of forest area to the total land area in China is only 8.4%, which is certainly much too small when we think that generally a country should have about 30% of her land area maintained under forests in order to guard against "bad climatic conditions, with prolonged droughts, frosts, and alternating floods and low water." China's neglect to maintain an adequate forest area is deplorable especially in view of the fact that she has, in addition to her present forest area, another 31% of the total land area which is bare but suitable for forest growth. The work that has been done on afforestation, whether through public or private effort, has been very meagre. The Central Government has since 1929 organized what is known as the Central Forestry Bureau which carries out in a practical way some of the afforestation projects for the Central Government and attempts to set up for the benefit of the rest of China a model forestry area in and around Nanking, including Liuho (六河), Kiangning (江寧), Kiangpu (江浦), Chuyung (句容), Tangt'u (當塗) and Hohsien (和縣), marking thus the beginning of a policy which aims at the creation of national "forest reserves" throughout the country. Thus far the Bureau has planted over 14 million seedings in the vicinity of Nanking, organized six forest nurseries with a total annual capacity of over six million seedlings, and established six forest stations in the six *hsien*. Besides, in nearly every provincial department of industry or reconstruction there is a department organized to look after the forestry administration of the province, with forest stations located in the moun-

[29] W. C. Lowdermilk: "Erosion and floods in the Yellow River watershed", *Journal of Forestry*, Vol. 22, 1924, pp. 11-18.

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tainous areas to carry out the actual planting work. On the whole, the work being done on afforestation in a great country like China is insignificant in extent, as there are in the different provinces today only 105 technically trained men engaged in forestry work, and only 80 forest planting stations with a total budget of $1,332,000. Among the private efforts the most conspicuous is the work done by the Kiangsu Educational Forestry Enterprise located near Puchen (浦鎮), Kiangsu province. The enterprise has planted as many as 35 million trees over bare hills and mountains, including pine, oak, pistacia, cedar, poplar, sophora, wutung, bamboo, and many other valuable species. Again, the temples and the *fengshui* ideas have contributed much towards preserving the nation's remaining forests. One authority goes so far as to suggest that "it might not be a bad idea for the authorities to mobilize all the monks, abbots, and the *fengshui* priests of the country and to cooperate with them in a really active and systematic way."[30]

A second aspect of China's rural economic reconstruction is that of a better transport development, especially the building of motor roads or highways. A better system of transportation not only facilitates famine relief, but also reduces the cost of transporting farm products. From the viewpoint of national unification a better transport system constitutes the first pre-requisite. Roads are more important than other means of land transport because their construction is cheaper and can be more easily afforded by a poverty-stricken country like China. For a road the maximum cost is about $9,000 per mile, and this is for a macadam type in mountainous districts; for a dirt road in the plains the cost falls to $3,000. The very minimum cost for a railway is put at $19,000 a mile for a two-foot gauge; for a standard gauge track the figure ranges between $50,000 and $125,00.[31]

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[30] See article on "Forestry" by D. Y. Lin, Director of Department of Forestry, Ministry of Industries, *Chinese Yearbook, 1935-36*, pp. 769-85.

[31] T'ang Leang-li: *Reconstruction in China*, Shanghai, 1935, p. 218.

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Road building in China is largely a by-product of famine relief, for the first real work on a large scale was done as a result of the efforts of the American Red Cross Society, which in 1920-21 spent $2,445,000 in building 850 miles of roads in Hopei, Honan, Shansi, and Shantung as part of their famine relief programme. The society's work awakened a general desire for better results, and was followed up by the CIFRC, another international relief organization, in its programme of famine relief and prevention. The latter built 140 miles of roads in Shantung during 1922 and 210 miles in Kweichow during 1927. From these provinces the Commission's road building activity extended to other parts of the country such as Yunnan, Kwangsi, Kiangsi, Honan, Hopei, Shansi, and above all, Kansu and Shensi. In the last two provinces, the Commission helped to start, in 1931, the construction of the famous Silan Road from Sian to Lanchow, the two provincial capitals. The work in 1934 was transferred to the Northwest Office of the National Economic Council for completion.

In 1921 China had only 1,185 kilometres of roads open to traffic, but by 1927 there were already 29,170 kilometres. Since the establishment of the National Government road building has, due to a combination of factors, made more rapid progress, rising to the high record of 84,809 kilometres in 1934. The construction of roads has become primarily an issue of military import. In areas affected by communist uprisings, e.g. Kiangsi, road building becomes at once one of three means employed for their suppression, the other two being economic blockade and fort construction. Indeed, it would not have been possible to check the communist rebellion in Fukien province during the first part of 1934 but for the quick transportation of troops from Chekiang province made possible by the motor road. Another factor is the establishment of a Road Office in the National Economic Council in May of 1932, which has since served as a coordinating, advisory and financing agency in road building. This office, reorganized in December of the same year into a bureau, has adopted as its policy cooperation with the provincial governments and with private interests in order

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to stimulate, control, and guide their activities by the grant of loans for roads, the construction of which was considered desirable. The selection between the various systems of highways lies in the hands of the National Government, and is dictated by considerations of general policy and the interests of national defense. Consequently, a plan was drawn up in 1932 for a system of highways, first for the three provinces of Kiangsu, Chekiang and Anhwei, and later in the year for these and the bordering provinces of Hupeh, Honan, Hunan and Kiangsi. The Road Bureau prescribes the location, quality and kind of roads to be built, and in selected cases grants loans at low rates of interests to cover about 32% — in some cases more — of the building costs, placing at the disposal of the provincial authorities its advice and expert engineers.[32] The Seven-Province Road project contemplated the construction of eleven trunk lines of a total length of 11,591 km. and 63 branch lines of a total length of 11,033 km., making a grand total of 22, 624 km., of which 15,591 km. were open to traffic in December of 1934. Since the beginning of 1934 the Bureau has further extended its activities to include the building of over 1,139 km. of roads in Fukien province, of which 604 km. were completed in the early part of 1935. In the Northwest, owing to the poverty of the provinces, the N. E. C. has undertaken the entire responsibility for the building of two main trunk roads — the Silan Road of 746 km. and the Sian-Hanchung Road of about 420 km. The construction of these two highways will render the Northwest accessible to the rest of China, and is the pre-requisite for the development of that great region so frequently subject to drought famine.[33] In short, the Road Bureau had contributed, at the end of 1934, to the construction of a system of roads of more than 16,000 km., more than 8,000 of which are macadamised and accessible at all times to motor traffic, in the provinces of Kiangsu, Chekiang, Anhwei, Kiangsi, Hupeh, Hunan, Honan and Fukien,

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[32] League of Nations, *Report to the Council Committee of Technical Collaboration with China*, by Dr. Rajchman, Nanking, 1934, p. 30.

[33] *Chinese Yearbook, 1935-36*, pp. 300-302.

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and in the Northwest. At present, it appears to be less concerned with the technical questions of road construction than with the development of road transport and research to discover the most economical fuel and the vehicles best adapted to local resources and requirements.[34]

A third aspect of China's rural economic reconstruction relates to agricultural improvement, embracing under its category crop improvement, revival of sericulture, promotion of animal husbandry, and agricultural education and extension. Some work in these fields has been done by educational institutions such as the College of Agriculture and Forestry of the University of Nanking, the Agricultural College of the Central University (formerly Southeastern University), the College of Agriculture of Lingnan University, and the Agricultural College of the National Sun Yat-sen University (in Canton), but since 1931 great impetus has been given to it through the organization of the National Bureau of Agricultural Research.

In crop improvement, the application of such sciences as genetics, biometry and related subjects has resulted in an increased yield and improved quality of crops in China much as similar improvement took place in America and Europe years earlier. In this field crop breeding has above all other methods achieved significant results. It is less expensive than pathological or entomological studies for reducing disease and insect damage. Improved seed resulting from breeding gives a great return per unit of land than a change in cultural methods or soil treatments, and can be extended to farmers more easily than information on spraying or fertilizing with the present general level of farmers' education. In crop breeding, the National Bureau of Agricultural Research of the Ministry of Industries, although still in its infancy, is endeavoring to establish close cooperation between the various organizations in different parts of the country. The Bureau has ten cooperating stations in nine provinces

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[34] *Report of the Secretary of the Council Committee on His Mission in China*, (January-May, 1935), by Robert Haas, Geneva, 1935. pp. 9-10.

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for breeding and regional tests of wheat, nine stations in nine provinces for cotton tests, five stations in six provinces for rice tests, and eleven stations in nine provinces for fertilizer tests. The Cotton Commission of the National Economic Council is another government institution doing extensive crop improvement work. Among the educational institutions, the University of Nanking has three substations and six cooperating stations in eight provinces. The Agricultural College of the National Central University at Nanking also has a number of cooperating stations for regional tests of promising strains and varieties, especially for rice. In all, there are in China today 121 stations carrying on crop breeding work, distributed over 18 provinces as follows, Kiangsu (27), Hopei (12), Shantung (11), Honan (10), Kiangsi (7), Chekiang (7). 56 stations are engaged in cotton breeding, 48 in wheat, 38 in rice, 17 in kaoliang and soy bean, 16 in corn, 15 in millet, and decreasing numbers in other crops such as barley, tea, sugar cane, hemp, Irish potato, sweet potato, tobacco, etc. As a result of all these attempts, it is stated by one authority that "improved strains of the most important crops in China, such as wheat, rice, cotton, soy bean, kaoliang, and millet, have been developed through pure line selection, showing increases in yield of 30 per cent or more over varieties commonly cultivated. For example, a strain selected from Acala cotton, an imported variety which has been acclimatized at Nanking for 15 years, in addition to a high yield, gives a staple as long as 1⅝ inches. The staple of those strains of Acala which were imported from the United States in 1931 and 1932 is shorter than this selection at Nanking. In other words, a superior strain has been isolated by individual selection."[35]

The rapid decline of China's silk industry, as reflected in the drastic decline of exports and price falling during the last five years or so, has inflicted untold losses upon the farmers in Chekiang, Kiangsu, Kwangtung, Shantung, and Szechuen where silk rearing constitutes a very important

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[35] See article on "The National Development of Agricultural Science in China", by K. S. Sie, in *Chinese Yearbook, 1935-36*, p. 727.

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by-industry of agriculture. This decline, due to a number of factors such as the competition of Japanese production, substitution of silk by rayon, and decline in American consumption since the crisis, has aroused the attention of the central and provincial governments and attempts are being made to revive the industry. After an extensive inquiry into the sericultural conditions in the provinces of Chekiang, Kiangsu and Shantung by Dr. Benito Mari of the League of Nations in 1933, the National Economic Council organized, in January 1934, a Sericulture Commission, with a comprehensive programme of improvement for all branches of the industry. For the fiscal year July, 1934 to June, 1935 the Council has allocated $400,000 for the use of the Commission. A three-year plan for the improvement of the silk industry in the provinces of Kiangsu, Chekiang, Shantung, Szechuen and Kwangtung has also been drawn up by the Commission, calling for an expenditure of $1,500,000 for the realization of the first year's plan in 1935. The Commission's work consists largely of the discovery of new breeds through crossings in its Sericulture Experiment Stations at Nanking and Hangchow, the training up of a staff of technical personnel for extension work among the farmers, the planting of good quality mulberry sprouts for distribution, and the promotion of a large-scale cooperative filature among silk reelers and merchants in Kiangsu and Chekiang provinces. Besides the Sericulture Commission, there is a department in the National Bureau Agricultural Research for sericultural research. Several provincial governments, such as Kiangsu, Chekiang, Anhwei, Kwangtung and Shantung, have opened sericultural experimental stations for breeding and distribution of silkworm eggs. In Chekiang there is a Sericultural Control Committee and in Kwangtung there is a similar organization. These various activities of the national and provincial governments are the beginning of the control of distribution of disease-free silkworm eggs, and supervision of the silk industry. In the chief silkworm regions of Kiangsu and Chekiang, more than three million sheets of improved eggs were used in 1934, which meant that very little of the native variety was used.

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Important work in the improvement of sericulture has also been done by private educational institutions, especially the University of Nanking and Lingnan University, both of which maintain special sericultural departments. International bodies devoted to the improvement of sericulture have been founded, first in Shanghai, but later in Chefoo and Canton, since 1917. Testing and inspection of silk for export was first undertaken by the Shanghai International Testing House in 1924, but was taken over by the various Government Bureaus for the Testing and Inspection of Commercial Commodities after their establishment after 1928, in Shanghai, Canton and Tsingtao.[36]

The conspicuous absence of animal husbandry in Chinese agriculture has been commented upon by many foreign observers on Chinese conditions. Such an absence, says Professor Tawney, "is a question, not of climate or soil, but of resources and population. The relation between them has for many centuries been such that land capable of growing food for human consumption cannot be spared for raising beasts."[37] The alternative planting of crops for human consumption and those for animal feeding on the same land has, however, rendered possible the periodic change of plants which impoverish the soil and those which improve it. With a view to increasing the production of the soil which is, generally speaking, insufficiently fertilized, it seems necessary to place greater emphasis on animal production, especially in the utilization of new lands or wasted lands. In northern Kiangsu, for instance, there are 25 million mow of salted land, from which not only salt has to be removed, but fertilizer must also be provided by raising of animals in order to render it usable for crops. In the development of the Northwestern provinces which are eminently fit for pasture farming, animal

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[36] Lieu, D. K.: *The Silk Reeling Industry in Shanghai*, Shanghai, 1933, p. 3; T'ang, *op. cit.*, pp. 301-6; Mari, Benito: *Summary Report on an Inquiry into the Reorganization of Chinese Sericulture in the Provinces of Chekiang, Kiangsu and Shantung*, Oct., 1933, National Economic Council, Shanghai (mimeographed); *Chinese Yearbook, 1935-36*, pp. 324-26, 747-9.

[37] *Land and Labor in China*, 1932, p. 27.

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husbandry will undoubtedly occupy an important position, and should claim the prior attention of the National Government.

In addition to the need for wider extension, the main problems of animal husbandry in China today are improvement of breeds on the one hand, and prevention of animal disease on the other. The latter is more important than the former. China is estimated to have suffered an annual loss of one hundred million dollars from animal disease, while the province of Kansu alone lost from the same cause 120,000 sheep, 80,000 cattle and 10,000 horses in 1933 — a year of normal mortality.[38] The problems of prevention of animal disease fall into four lines, namely, veterinary education, epizootic prevention service, veterinary research, and production of sera and vaccines. The traditional veterinary physicians, estimated at more than 5,000, perform a limited service because of their meagre and unscientific veterinary knowledge. The modern class of veterinarians are graduates from the Chinese veterinary schools or foreign veterinary colleges. Altogether there are no more than a few dozen of the latter but there are a few hundred of the former. Chinese graduates receive their training in three institutions, namely, the Military Veterinary School in Peiping started in 1905 under the name of the School of Horse Medicine, the Department of Animal Husbandry and Veterinary Medicine of the Agricultural College of the National Central University started in 1929, and the Veterinary School at Shanghai started in 1932.

In former days it was the army horses, not the farm animals, that were cared for, by the School of Horse Medicine; but during recent years the leading agriculturists of the country have conceived an epizootic prevention service. The Epizootic Prevention Service under the Ministry of Industries was organized in 1932, in Shanghai, with an annual budget of $40,000; it now controls two experimental districts in Shanghai and the Taihing districts of Kiangsu province, and

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[38] Stampar, A.: *The Northwestern Provinces and their Possibilities of Development,* National Economic Council, 1934, p. 16 (mimeographed).

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is planning another one in Chekiang in conjunction with the Provincial Government. The Northwest Epidemic Prevention Bureau under the Health Administration was established in 1934, in order to deal with the problem of disease prevention in that region. Among the provincial governments that have maintained veterinary services, (Chekiang, Kwangtung, Kwangsi and Kiangsi,) that in Kwangsi is by far the largest and about $400,000 has been spent for the serum laboratory.

In the production of sera and vaccines five biological laboratories have been established during the last five years, two under the Ministry of Industries, one under the Health Administration, one under the Kwangtung Provincial Government and one under the Kwangsi Provincial Government. In veterinary research the stage reached is still rudimentary because veterinary education itself is still a barren field. The Epizootic Prevention Service is perhaps the only place at present carrying on veterinary research, which centers around two points, namely, methods of diagnosis and methods of sera and vaccine production.

The second step in the reconstruction of animal husbandry is the improvement of the quality and yield of animals by means of scientific breeding. Scientific breeding embraces improvement of native stocks and adaptation of foreign species to Chinese soil. The efforts made in these directions have thus far been very meagre. The National Economic Council is planning to establish a breeding station at Lanchow, in Kansu province. Besides it, there are some experimental stations and agricultural schools devoted partly to animal husbandry, of which we may mention in particular the National Horse Breeding Station at Chuyung, and the Central Breeding Station at Nanking. The Shansi Provincial Government has endeavored for 18 years to improve sheep of that province. Sheep of the Merino breed have been introduced at different times. There is a lack of coordination between the different stations in the breeding experiments. The National Government should not only encourage coordination of private projects, but also purchase selected animals

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for them and guard their interests by means of financial facilities.[39]

Crop improvement, revival of sericulture, and promotion of animal husbandry, — all these aspects of agricultural improvement depend for their ultimate application and success upon agricultural education and extension. With the establishment of the National Government in 1927, agricultural education was for the first time in the history of China given a prominent place in the educational system. According to the 1931 report of the Ministry of Education there were in China 13 agricultural colleges, 4 technical schools and 86 vocational schools in agriculture. There were 184 persons on the teaching staffs of these colleges and schools, offering 13.2% of all courses of study in the schools of college grade in China, although claiming only 1,413 students or 3.2% of the student body in all schools of college grade. In the period from 1929 to 1931, 132 students went abroad for advanced study in agriculture, but with the increasing cost of foreign study there is a movement under way to offer postgraduate work in certain agricultural colleges.

In secondary education there were in China in 1931, 68 vocational schools in agriculture and 18 departments of agriculture in vocational schools throughout the country, including a total of 120 departments of agricultural subjects distributed as follows: 51 in general agriculture, 44 in sericulture, 14 in forestry, 9 in horticulture, 1 each in animal husbandry and rice improvement. The total annual expenditure for agriculture in all these vocational schools having about 8,000 students reached one and a quarter million dollars. Three-fifths of these schools had an annual budget of less than $15,000, and were therefore underfinanced and inadequately equipped.

In addition to the schools and colleges mentioned above, there are many other types of schools engaged in agricultural

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[39] For details see article on "Animal husbandry" by Vougi Tsai, *Chinese Yearbook, 1935-36*, p. 786 *et seq.*

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education. Among these, the most notable recent development is the growth of rural normal schools started by Professor Tao Chih-hsing near Nanking some ten years ago. The aim of a rural normal school is to turn out graduates who will be able to teach practical and useful subjects to rural children, and also participate in reconstruction activities, thus making the rural school a centre for social upbuilding. According to the Ministry of Education there were in 1931, 310 such schools with a total student enrollment of 21,610 and an annual expenditure of $1,642,145 in 15 provinces, while the graduates from these schools up to that year had already reached a total of 10,691. Special training institutes for part-time students or for workers who can leave their positions for only a short period have been organized by agricultural colleges, such as the College of Agriculture and Forestry of the University of Nanking, the Agricultural College of the National Central University, and the National Bureau of Agricultural Research, in crop improvement. In the province of Chekiang a new movement is under way to give free systematic instruction to farmers for a period of one year. Here farm work is carried on in its natural setting using improved methods and machinery. After completing the course, these farmers are expected to demonstrate what improvements can be made on ordinary farms.

Agricultural extension in China really began with the introduction of foreign crops, such as peanuts into Shantung and American varieties of cotton into North China, by the early missionaries. With the rapid growth of cotton mills during the War the great increase in the home demand for raw cotton brought a number of attempts to improve the crop through the acclimatization of imported varieties and the distribution of improved seeds. The combination of the newly aroused interest in cotton, and the work which had already been started at the former Southeastern University, the First Agricultural School of Kiangsu, the College of Agriculture of the former Kwangtung University, and the College of Agriculture and Forestry of the University of Nanking, served as the basis for extension by the provincial govern-

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ments of such provinces as Kiangsu, Anhwei, Chekiang, Kiangsi, and Kwangsi, which was however much hampered by civil strifes within the country. Since the establishment of the National Government in 1927, more rapid progress has been witnessed in agricultural extension. The regulations governing agricultural extension work announced by the former Ministries of Agriculture and Mining, of Interior and of Education on June 13, 1929 were revised on March 29, 1933. The first National Agricultural Extension conference was held on December 25, 1929, at which the Central Agricultural Extension Committee was established, the purpose of which includes the development of plans, programs, regulations for extension work throughout the country; the review and approval of reports of activities in extension; the establishment of experimental extension centers; the investigation of provincial extension work; and the publication of regulations, bulletins, charts, or other data dealing with extension problems. In 1930 a model agricultural extension center was established at Ninghsien, Kiangsu province, and in the same year the Committee offered to cooperate with the University of Nanking in its Wukiang Extension Centre. Provincial extension work has been carried on in a number of provinces, in Tsouping of Shantung by the Shantung Rural Reconstruction Institute, in Tinghsien of Hopei by the Chinese Association of the Mass Education Movement, in Wusih of Kiangsu by the Provincial College of Education, in Nanchang of Kiangsi by the Kiangsi Agricultural Institute. Much work has been done by these and other extension centres, of which the most important is the distribution of improved seeds for certain staple crops, such as wheat, cotton, rice, tea, and silk. In order to control wheat seed distribution, seven seed centres were established, four near Nanking, two in Anhwei and one in Honan, by the University of Nanking, distributing in 1934 87,127 catties of seed for 9,839 mow of land cultivated by 432 farmers. During the same year the National Central University distributed a total of 12, 611 catties of wheat seed in the provinces of Kiangsu, Anhwei, Hunan, Chekiang, Szechuen, Shensi and Honan. The cotton seeds distributed by the Cotton Industry Commission of the National Economic Council

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amounted to 3,000,000 catties over a cultivated cotton area of about 570,000 mow. The rice seed distributed by the National Central University amounted to 7,425 catties in 1934 in Kiangsu, but that distributed by the University of Nanking did not amount to very much. In Chekiang 175,326 sheets of improved disease-free eggs were distributed during the spring of 1933, yielding 4,662,500 catties of cocoons, while in the fall 177,111 sheets of eggs yielding 2,794,900 catties of cocoons were distributed.[40]

A fourth aspect in China's rural economic reconstruction is the rapid growth of the cooperative movement. Although legal recognition of cooperative societies in China did not take place until after the passage of the Cooperative Societies Act in February of 1934—a date 25 years later than the passage of the Japanese Cooperative Act in 1899 and 20 years later than the Indian Cooperative Credit Societies Act — the movement itself took root during the eventful year of 1919 in which China witnessed the rise of a movement for modernization after her mistreatment at the Versailles Conference. The lead was taken by Professor Hsieh Hsi-chou of the Futan University and others not excluding Dr. Sun Yat-sen and Tai Chi-tao of the Kuomintang party. The first urban cooperative credit society was organized by Professor Hsieh at the University in 1919, but response from the rural population did not materialize until after the China International Famine Relief Commission took steps to introduce rural credit cooperation as the fundamental preventive measure against the terrors of recurrent famine in the North China area. Through the work of the Commission, which consists chiefly of promotion, education and financing, rural credit cooperation in Hopei province had grown from the simple beginning of 8 societies in 1923, to 561 in 1927, with a corresponding growth of membership from 256 to 13,190 during the same period. The experience thus acquired is a valuable one, and constitutes an important factor for the rapid extension of the movement under the National Government since 1927.

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[40] See note 35.

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The encouragement of cooperation has all along been part and parcel of the Kuomintang policy for the material reconstruction of China. In his first lecture on "People's Livelihood" given on August 3, 1924, Dr. Sun advocated in particular the consumers' cooperation as developed in England. Since then his followers have embodied cooperation as a part of the Kuomintang programme, and have on various occasions given public approval to the policy of promoting cooperation. Definite steps, in the form of passing laws and organizing farmers' banks for the extension of loans to rural cooperatives, in Kiangsu, Chekiang and other provinces, however, were not taken until after the establishment of the Kuomintang regime. During the great Yangtze flood of 1931-32 further progress was made in Chinese cooperation through the organization of the so-called "mutual aid" or "preparatory" societies in the provinces seriously affected by the disaster, notably Kiangsi, Hunan, Hupeh and Anhwei. These societies were to extend loans at a low rate of interest, usually four per cent, to flood victims for spring plowing on the basis of collective guarantee, and were after the repayment of loans with some preliminary propaganda and education transformed into cooperative societies. This method of spreading the cooperative movement, as worked out through the cooperative staff of the CIFRC in the Yangtze flood area, was soon applied to other parts of the country affected by similar disasters—in the recovered communist area in Kiangsi, Honan, Hupeh and Anhwei after 1932, in Hopei and Chahar after the devastation wrought by the Sino-Japanese conflict in 1933, and in the Yellow River Flood area in Hopei, Honan and Shantung in 1934. As a result of these developments, cooperative societies have shown a remarkable development since 1927. The number of societies, only 584 in number in 1927, of which 561 were to be found in the province of Hopei alone, rose to 722 in 1928, 1,612 in 1929, 2,463 in 1930, 3,618 in 1931, 3,978 in 1932, 6,632 in 1933, 14,679 in 1934 and 26,224 in 1935—an increase of 45 times in the course of nine years.[41]

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[41] *Statistics of Cooperative Societies in China*, Directorate of Statistics, 1934, Chart 4 (in Chinese).

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The 26,224 societies at the end of 1935 had a total membership of 1,004,402, giving an average membership of 38 per society, and were distributed over 16 provinces and 3 municipalities. As shown in Table IIa, 24,871 societies (or 95%) with 936,643 members (or 93%) were to be found in ten provinces, ranking in importance according to membership as follows: Kiangsu, Hopei, Kiangsi, Shantung, Honan, Anhwei, Chekiang, Shensi, Hupeh and Hunan. The societies in Hopei were the oldest in existence, those in Kiangsu and Chekiang rose immediately after 1928, those in Anhwei, Kiangsi, Hunan and Hupeh developed after the 1931-32 Flood, those in Shantung and Honan were founded during the 1934 Flood, and those in Shensi were developed by the Cotton Industry Commission of the National Economic Council, in cooperation with the Shensi Bureau for Rural Cooperation,

Table IIa. Geographical Distribution of Cooperative Societies in China, 1935

Province or municipality	Societies	%	Members	%	Members per society
Kiangsu	4,077	15.5	138,369	13.8	34
Hopei	6,240	23.8	135,723	13.5	22
Kiangsi	2,038	7.8	131,447	13.1	64
Shantung	3,637	13.9	106,143	10.6	29
Honan	1,761	6.7	100,324	10.0	57
Anhwei	2,284	8.7	73,673	7.3	32
Chekiang	1,972	7.5	70,666	7.0	36
Shensi	671	2.5	63,690	6.3	95
Hupeh	1,228	4.7	60,122	6.0	49
Hunan	963	3.7	56,486	5.6	59
Kwangtung	307	1.2	23,315	2.3	76
Fukien	312	1.2	11,678	1.2	34
Shansi	453	1.7	6,692	0.7	15
Kansu	33	0.1	2,906	0.3	88
Suiyuan	54	0.2	1,115	0.1	21
Kwangsi	14	0.1	592	0.1	42
Shanghai	123	0.5	17,197	1.7	140
Nanking	50	0.2	3,236	0.3	65
Peiping	7		1,028	0.1	147
Total	26,224	100.0	1,004,402	100.0	18

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chiefly for the cooperative marketing of cotton. The cooperative societies in China are, like those in Japan, India and Germany, for credit purpose. Taking the multiple-purpose societies as also belonging to the credit societies, credit societies in China account for 75.5% of the total societies and 63.6% of the total membership. Credit societies, in other words, are the most predominant group of cooperative societies in China, and in respect to size are much smaller than other types of societies.[42]

Table IIb. Functional Distribution of Cooperative Societies in China, 1935

	Societies	%	Members	%
Credit	15,429	58.8	426,004	42.4
Marketing	2,293	8.7	117,587	11.7
Purchase	738	2.8	67,243	6.7
Utilization	1,069	4.1	74,422	7.4
Production	2,321	8.9	106,510	10.6
Multiple purpose	4,374	16.7	212,636	21.2
Total	26,224	100.0	1,004,402	100.0

The numerical growth of the Chinese cooperative movement is accompanied by a more or less similar growth in cooperative legislation, cooperative administration, cooperative promotion, cooperative education and cooperative finance. In all these it is inevitable in a large country like China that duplication and lack of coordination should result, but given sufficient time and opportunity for development, the abuses will probably disappear themselves. In cooperative legislation the models were set by the various sets of regulations passed and amended by the CIFRC in the course of its cooperative work in Hopei province. Cooperative laws, although of a provincial scope, were passed in 1928 by Kiangsu, in 1929 by Chekiang and Shantung, in 1930 by Kiangsi and Hopei, and in 1932 by Hunan. The national law was first promulgated

[42] For latest statistics see *Crop Reports*, February, 1936.

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by the Ministry of Industries in 1931 and was known as the "Provisional Regulations Governing Rural Cooperative Societies", but was replaced by the first national act, the Chinese Cooperative Societies Act, passed in February 1934 by the Legislative Yuan and enforced on the first of September 1935. In Chinese cooperative administration chaos used to prevail, and societies when promoted by private organizations such as the CIFRC did not need to be registered with the government authorities. But with the government's declaration of decision to enforce the Chinese Cooperative Societies Act September 1, 1935, the Legislative Yuan authorized on May 9 of the same year the establishment of a Cooperative Department in the Ministry of Industries, which began to function on November 16, 1935. Meantime, the Cooperative Committee of the National Economic Council, formed in October 1935, became the promoting, financing, coordinating, and advisory body of the Chinese cooperative movement.

The agencies engaged in the promotion and financing of cooperative societies are legion in China. These agencies may be public or private. Public agencies may be national, inter-provincial, provincial, or even district in scope, while private agencies may be commercial, educational, philanthropic or otherwise. These may be illustrated by the following list:

Public:

National: Cooperative Committee, National Economic Council.

Inter-provincial: Bureau for Rural Financial Rehabilitation, Anti-communist Military Headquarters for the Three Provinces of Honan, Hupeh and Auhwei; North China Committee on Rural Cooperation.

Provincial: Cooperative Committees of Provincial Party Headquarters or of Provincial Bureaus of Reconstructions or Industry.

District: Cooperative Committees of various hsien or districts, especially of experimental self-governing hsien such as Tsouping and Hotseh of Shantung, Tinghsien of Hopei, etc.

Private:

Commercial: Agricultural Department of the Shanghai Commercial and Savings Bank; Rural Loan Department of the Chinese Banking Consortium; etc.

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Educational: College of Agriculture and Forestry of the University of Nanking; Department of Sociology of the Yenching University; Shantung Rural Reconstruction Institute; Tinghsien Experiment of the Chinese Association of the Mass Education Movement; Kiangsu Provincial College of Education; etc.

Philanthropic: China International Famine Relief Commission.

Other: Hopei Cotton Improvement Association.

The promoting agencies listed above are, with the exception of certain provincial or district cooperative committees, directly or indirectly undertaking the unusual function of financing the cooperative societies, unusual because in other countries cooperative societies are usually financed by governmental banks or secondary financial institutions organized by the primary societies themselves. Above all, the financing of cooperative societies by commercial banks is a unique development in Chinese cooperation; until the cooperative societies are able to finance themselves, such development should be encouraged but carefully regulated by national legislation.

In cooperative education significant steps have also been taken in recent years. Short training courses, lasting from a few days to a few weeks or months, have been offered first by the CIFRC, and later by the various promoting and financing agencies, especially the provincial cooperative committees. A special class for training junior staff in cooperative cotton marketing was organized by the College of Agriculture and Forestry of the University of Nanking for a period of nine months during 1934-35, in cooperation with the Cotton Industry Commission of the National Economic Council. Last year a Central Cooperative Training Institute was founded by the Central Headquarters of the Kuomintang Party for candidates of college grade, but unfortunately through governmental reorganization and reduction of budget it had to suspend operation after a short period of three months. Recently, postgraduate training in cooperation has been offered by the

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Nankai Institute of Economics and the Central Political Institute.[43]

A fifth aspect in China's rural economic reconstruction relates to reform in land tenure and taxation. In both, fundamental reforms are contemplated in the Land Law passed by the Legislative Yuan in 1930 and in force since March of the present year. But the actual steps being taken thus far are confined primarily to the reduction of farm rent, colonization, cadastral and quasi-cadastral surveys, and land value taxation. The movement for a 25% reduction of farm rent presumes that from the maximum rent payable to the landlord, which is to be 50% of the main crop, there should be a reduction by 25%. In other words, the maximum rent payable after reduction should be 37.5%, not 50%, of the main crop. This movement was started in 1926 in Kwangtung, and spread to Hunan, Kiangsu and Chekiang in 1927, and to Hupeh in 1929. But it is in Chekiang that such a reduction has been seriously put into practice, although the results achieved are not all too satisfactory. The reduction in farm rent reduces the income from land, and thus causes a fall in land values. Such a fall in land value, which is intended to facilitate the tenants' purchase of land, reflects unfavorably upon the landlord's ability to pay land tax, and has caused anxiety to the provincial government because of shortage of revenue from land taxation. On the other hand, the tenants have not yet been able to reap the full benefit from the new legislation. Oftentimes the benefit of reduction accrues to the contractor or middleman who stands between the landlord and the cultivating tenant. In other cases where no contractor exists, tenants in the early stages of the enforcement of the legislation were evicted outright by their landlords. Finally, the law has not been enforced all over the province, and in those districts where it has been enforced, no adequate governmental machinery exists to look after the

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[43] For further information see Fong, H. D.: "The Cooperative Movement in China", *Monthly Bulletin on Economic China*, May, 1934; and an article in Chinese on "Rural Cooperation in China" by Hua-pao Wu, *Economic Weekly* edited by the Nankai Institute of Economics for the *Ta Kung Pao*, April 22, 1936.

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disputes that necessarily arise between landlords and tenants because of the enforcement. At present, a movement for the abolition of the law is under way, and it seems that the Kuomintang party members who were responsible for the introduction of the movement are the only ones against such an abolition.[44]

Colonization as a means to rehabilitate the Chinese countryside because of over-population has a limited prospect of development. According to authoritative estimates, the Northwestern provinces of China can at best accommodate only another 10 million of population, which compares very poorly with the possibility of settling 20 to 40 more million people in the lost provinces in Manchuria. The recent construction of irrigation works and motor roads in the Northwest is a preliminary step towards colonization, but the attempts thus far made have been rather meagre. In Suiyuan General Yen Hsi-shan financed the organization of a Hsin-nung Experimental Farm (新農試驗場) in Saratsi in 1929 with a sum of over $50,000, but progress has been slow. In Wuyuan (五原) of the same province waste land has been set aside for colonization by the homeless soldiers who have participated in the war against Japanese aggression in Manchuria since September 18, 1931. In 1934 and 1935 two groups of flood refugees from Hopei were sent respectively to Paotow and Saratsi for colonization. Elsewhere attempts have been made to promote colonization for the refugees in the areas recently recovered from the communists in Kiangsi, as well for the soldiers in Kwangtung under the Three-year Industrial Plan (1933-35). In Kiangsu the reclamation of the salt land near the Lianghwai (兩淮) area began after the establishment of the Republic in 1912, and has been under way during these twenty or more years. The colonization of the Manchurian provinces used to be the largest single instance in recent history of China, reaching a total of five million population during the

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[44] Hung, Suichi: *The 25% Reduction of Farm Rent in Chekiang Province*, Nanking, 1935 (in Chinese).

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eight years 1923-30, but the Japanese occupation of the region in 1931[45] put an end to this.

Land tax, including surcharges, is said to reach a total of four hundred million dollars for the country as a whole, thus giving a tax burden of about one dollar per capita. It used to be a source of revenue for the central government, but with the establishment of the Kuomintang regime in 1927 it has been allocated to the provincial governments. This tax, the only form of direct taxation in China today, is based neither on a proper tax-roll nor on a proper system of land valuation. The tax-roll, or cadastral survey, taken during the reign of Shun-chih (順治) in 1713, was for the most part lost during the successive series of internal warfare, especially during the destructive Taiping Rebellion, and as a result many landowners today do not pay tax on their land while the landless may often have to do so. The tax is most unjust especially because it is subject to endless levy of surcharges as well as to advance payment. In some cases surcharges exceed the land tax by several folds or several tens of folds, while advance payment, as in the case of Szechuen province, may have been extended 50 or 60 years. Tax collection, again, has now become a hereditary legacy to the collectors, who can manipulate in all different ways to exploit their monopoly of information as a fat source of personal profit. It is thus clear that in the movement for rural economic reconstruction in China reform in land taxation should claim prior attention, to assure sufficient revenue to the local governments as well as to relieve the unjust tax burden of the peasant cultivators.

The fundamental measure to prevent abuses in land taxation is undoubetdly the cadastral survey, which is "a field-by-field survey, made with the object of delineating

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[45] Wong, W. H.: *The Distribution of Population and Land Utilization in China*, China Institute of Pacific Relations, 1933; Li, Chih-hsin: *Reclamation of Salt Land in Kiangsu Province*, 1931 (in Chinese); Ho. Franklin L.: *Population Movement to the Northeastern Frontier in China*, China Institute of Pacific Relations, 1931; *Development of the Northwest* (a monthly Chinese magazine), Dec. 1935, pp. 29-31; *Ministry of Interior News*, No. 5, Dec. 1934, pp. 357-67 (in Chinese); *Agricultural Information* (in Chinese), Nos. 179-180, Dec. 1934, pp. 88-99.

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correctly the boundaries of each field and showing its area and nature."[46] Cadastral survey is, however, a highly costly and time-consuming process; it took 46 years in Lombardy (1714-60), 48 years in France (1802-50), and 84 years in Austria (1917-1881). Despite the progress in technique achieved since these surveys were made it would undoubtedly be a very slow process for a large country like China. According to Professor Otto Israel, a complete cadatral urvey of the 18 provinces in China Proper would take 40 years and a total expenditure of Tls. 830,000,000. Even using the latest method of aerial survey as tried out in Nanchang of Kiangsi province, a complete cadastral survey for the whole of China with its area of 11,000,000 square kilometres would take 30 years and cost $2,200,000,000 provided 100 planes were at work all the time.[47] A quicker and less expensive process recently in vogue in China is the reporting of land titles (土地陳報) by the owners themselves. This process, first started for all the hsien or districts in Chekiang province during 1929-30 for the period of over a year and at a cost of over three million dollars, resulted in total failure because the authorities did not require the reporting of the name of the person who was to pay the tax on the lands reported. Three years later, in 1932 the experimental self-governing *hsien* of Kiangning in Kiangsu province resorted to this process again, with the improvement however that the name of both owner and taxpayer of the land be reported. As a result, the land tax collected was almost doubled, rising from $477,000 in 1932 to $901,000 in 1933.[48] Following the success achieved in Kiangning *hsien*, land reporting systems were rapidly introduced into other parts of Kiangsu, as well as Anhwei, Fukien, Kwangsi, Hunan, Hupeh, Honan, Shantung, and Hopei provinces. But in all these cases no further improvement was made except in Hsiao Hsien (蕭縣) of Kiangsu and Tangt'u (當塗) of Anhwei, in the latter of which rough land maps were also required and properly numbered by the authorities.

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[46] Haines, A. H.: *Surveying*, new edition, 1929, p. 22.

[47] *Journal of the Chinese Association of Land Economics* (in Chinese), Jan. 1934, pp. 19-21.

[48] *Economic Weekly* of *Ta Kung Pao*, Oct. 21, 1935.

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In this way, there would be little opportunity for omitting to report any land owned. In addition, these rough land maps may serve as a guide to cadastral surveys in the future. One authority even claims that the inaccuracy in area under this improved system of land reporting cannot exceed 10% as compared with that possible through a complete cadastral survey, although the former is much less costly and can be carried out within a much shorter period of time.[49]

Cadastral survey, however, has not been completely absent in China in recent years. Before the establishment of the National Government in 1927 such surveys were carried out in Paoshan (寶山), Kunshan (崑山), and Nantung (南通) of Kiangsu province, Tunghsiang (桐鄉) and Huangyen (黃岩) of Chekiang province, and Heilungkiang province, but the results were insignificant. After 1927 much work of this character has been done in the provinces of Kiangsu, Chekiang, Kwangtung, Yunnan, Kiangsi, Anhwei, Hunan, Hupeh, Honan, and Ninghsia, as well as in the municipalities of Shanghai and Nanking, but because of the diversity of the methods employed, the results obtained are incomparable with the funds spent. In Kiangsu the Three-year Cadastral Survey Plan would require a total expenditure of $26,937,000, and actually a huge sum of $21,810,000, which is almost double the annual income from the land tax of $13,000,000, has been spent. In Honan the budget for a complete cadastral survey is estimated at a minimum of $30,000,000, which is almost four times the annual income from land tax. Of all these attempts at cadastral survey the aerial survey at Nanchang of Kiangsi province seems to promise best results, and the National Government is considering of applying it to the whole of China in the near future.[50]

Cadastral survey is a pre-requisite to the introduction of the system of land value taxation proposed by Dr. Sun Yat-

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[49] T. Y. Weng: "Problems in the Land Tax Reform", *Journal of the Chinese Association of Land Economics*, March, 1936, p. 325.

[50] On the problem of land taxation reform see "Special Issue on Chinese Land Taxation", *Journal of Chinese Association of Land Economics*, Mar. 1936 (in Chinese).

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sen, founder of the Kuomintang Party. This system is embodied in the Land Law promulgated in 1930 and enforced since March 1936. The rate fixed is 1-2% for urban improved land, 1.5-3% for urban non-improved land, 3-10% for urban idle land, 1% for rural improved land, 1.2-1.5% for rural non-improved land, and 1.5-10% for rural idle land. Up to the present, the system of land value taxation has been applied in four municipalities only, namely, Tsingtao, Shanghai, Hangchow and Canton. Although land in Hanghsien (杭縣) of Chekiang province has been surveyed and in Nanchang of Kiangsi province surveyed and registered, land value taxation has not yet been introduced, because the tax rate as authorized by the Land Law is lower than the actual prevailing rate. According to the investigation of the National Bureau of Agricultural Research, the national average rate for land tax in 1934 was as high as 3.05% of the value of irrigated land, 3.26% of the value of non-irrigated plain land, and 3.46% of non-irrigated hill land.[51] It is feared that after the introduction of a system of land value taxation the revenue to be derived may not be sufficient to replace the revenue collectable under the present system of land taxation. This is plain from a survey of the height of the land tax rate in the four municipalities where land value taxation has been in force. The rate in Tsingtao used to be 6%, but was lowered to 2% in 1932. In Canton the rate is 1% for building land, 0.5% for agricultural land, and 0.2% for idle land. In Hangchow the rate is 0.8% for all types of land, while in Shanghai it is even lower, namely, 0.6%.[52]

IV. PROBLEMS

The above rapid survey of the present attempts at rural economic reconstruction, in the form of water conservancy, road building, agricultural improvement, cooperative organization, and reform in land tenure and taxation, brings out several problems of major importance which must be tackled before attempts at rural reconstruction can be carried out with some reasonable degree of efficiency and success. These,

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[51] *Crop Reports*, Dec. 1935, p. 256.

[52] *Journal of Chinese Association of Land Economics*, Nov. 1934, p. 2240.

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in brief, relate to the three vital aspects of organization, personnel, and finance.

In respect to organization, the main shortcomings of the present attempts at rural economic reconstruction in China are lack of coordination among the agencies engaged in these attempts, both public and private. Such a lack of coordination is more obvious in some fields, such as, in land reform, cooperative organization and agricultural improvement, for instance, than in water conservancy and road construction. In land reform China has, since 1927, seen several dozen attempts made at cadastral and quasi-cadastral surveys by various grades of governmental agencies,—national, provincial, or district,—each pursuing its own method in complete or partial disregard of that employed by the other. In Kiangsu, cadastral survey was at one time carried out in different areas simultaneously by the Land Bureau and the Finance Department; in Chekiang two independent attempts at cadastral and quasi-cadastral surveys were carried out by two subordinate sections of the Department of Civil Affairs. In a way some district governments have repeated the same error of duplication and lack of coordination as the Department of Civil Affairs in Chekiang province.[53] In cooperative organization abundant illustrations have been given to show how diverse governmental and private agencies are engaged in the work of promotion and financing. The Kiangsu Farmers' Bank was at first supposed to undertake the function of financing the cooperative societies in Kiangsu province, but with the reorganization of the Four Provinces' Bank into the China Farmers' Bank, its field of operation is shared jointly with the China Farmers' Bank. Meantime, in all other provinces, except Chekiang and the four provinces of Anhwei, Hunan, Honan and Kiangsi, the cooperative societies are crying for governmental loans, but no farmers' bank has as yet been set up. Before the Rural Loan Consortium was organized by the Chinese banks, these banks, especially the Shanghai Commercial and Savings Bank, the Kincheng Banking Corporation, the Continental Bank, and the Bank

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53 *Journal of Chinese Association of Land Economics*, August, 1934, p. 1123.

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of China, were in keen competition with one another, sometimes even in the same district, and as a result each might undercut the rate of interest against the other in order to get the members of cooperative societies to borrow — a unique phenomenon hardly found anywhere else in the world. In the province of Hopei, again, cooperative marketing of cotton was undertaken by two promoting organizations, the CIFRC and the North China Committee for the Improvement and Extension of Farm Products, oftentimes competing in the same hsien or district, whereas in other parts of the province, especially the eastern, nothing of the kind has been attempted.[54] Indeed, duplication of organization exists not only in many provinces, but also in many districts. In agricultural improvement much progress in coordination has been made since the organization of the National Bureau of Agricultural Research in 1931, but instances may still be found of independent and isolated attempts at crop improvement or scientific breeding by the so-called agencies engaged in rural reconstruction.[55] In water conservancy coordination of organization has recently been effected through the transference in subordination to the National Economic Council of the various establishments engaged in hydraulic engineering works including the Hwai River Commission, the Yellow River Commission, the Kwangtung Conservancy Board, the North China River Commission, the Yangtze River Commission, the Yungting River Board, the Tai Hu Hydraulic Engineering Commission and the Haiho Technical Bureau, but other organizations including the Model Irrigation Administration Commission, the Northern Great Harbor Preparatory Commission, the Eastern Great Harbor Preparatory Commission, the Whangpoo Conservancy, and the Haiho Improvement Commission are still independent. In road building the Road Bureau of the National Economic Council is serving as a coordinating, advisory and financing agency, but the roads constructed under its direct supervision and brought within

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[54] For details, see article by H. D. Fong on "Cooperative Marketing of Cotton in Hopei", *Nankai Social and Economic Quarterly*, Oct. 1935.

[55] See Djang and Hsu, *op. cit.* (*vide* note 22).

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its system are still in the minority. Of a total of 84,809 kilometres of roads open to traffic in December 1934, only 16,943 kilometres or one fourth were built with the aid and supervision of the Council, and therefore coordinated.[56]

Signs towards further coordination however are not lacking. In cooperative organization a beginning has been made recently in the centralization of administration under the Cooperative Department of the Ministry of Industries, and of promotion and financing under the Cooperative Committee of the National Economic Council. In land administration, a proposal has recently been made to establish a National Land Service under the National Government—an expansion of the Land Department of the Ministry of Interior.

A second problem relates to that of personnel. Much of the work in China's rural economic reconstruction is being carried out by inadequately trained personnel. In cooperation, for instance, an experienced foreign co-operator from British India remarks, after a careful survey of the existing situation, that "the organizers who at present are working in Chinese villages are of uncertain quality and training. Some are cooperators, others are not. In certain areas they are insufficient to give more than a minimum amount of education to the societies; in other cases they have not realized the necessity of doing so, and having formed a society in one place they pass rapidly on and never re-visit the society except to examine its annual application to a bank for a loan."[57] Auditing, the most important factor in sound cooperative growth, "appears to be quite unfamiliar to the organizers as well as to the directors and members of the societies".[58] The result of all this is inevitably a multiplication of societies with probably a progressive deterioration in their quality. In other fields, notably in land administration and agricultural improvement, sad experience of the kind here described for the cooperatives is only too frequently

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[56] *Chinese Yearbook, 1935-36*, pp. 303, 307

[57] Strickland, C. F.: *Rural Finance and Cooperation*, University of Nanking, Nanking, 1935 (mimeographed), p. 174.

[58] *Ibid.*, p. 155.

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found. Such a gross lack of trained personnel to undertake the task most urgently needed by the rural population of China is not an accident, but a cumulative result of her wrongly conceived educational system. After an extensive survey of the educational conditions in China, the League of Nations' Mission of Educational Experts came to the conclusion that "the result of all these conditions is the creation and development in China of schools and educational institutions not conducted on a strict system and not suitable to the needs and conditions of the country. The result is a favoring of schools of higher standard, generally rising far above the condition of the impoverished country whilst the primary and vocational instruction most indispensable for the people is neglected. There is also the lack of social ideals within the schools, an abstract kind of instruction not directly connected with surrounding life and the necessities of the country's rebirth usually obtaining. This creates an enormous abyss between the masses of the Chinese people, plunged in illiteracy, and not understanding the needs of their country, and the intelligentsia educated in luxurious schools and indifferent to the wants of the masses. Such an educational system is highly injurious to the masses and dangerous, because a carefully educated social élite not closely connected with general needs may become transformed into an unproductive clique enclosed within the narrow bounds of its own interests."[59]

The lack of trained personnel, especially of the senior grade, has frequently been made up through the invitation of foreign experts. In this way many notable foreign visitors, from Jeremiah W. Jenks, W. W. Willoughby, E. W. Kemmerer, R. H. Tawney to Sir Arthur Salter, have one after another visited this country to give technical advice. Recently, more organized action has been taken in securing foreign technical service under what is known as the "Technical Collaboration between China and the League of Nations". As a result of discussions in China the Chinese Government on April 25,

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[59] *The Reorganization of Education*, League of Nations' Institute of Intellectual Cooperation, Paris, 1932, p. 21.

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1931 sent a telegram to the Council of the League of Nations, indicating its decision to form a National Economic Council with the object of elaborating plans for national reconstruction and asking that the technical organizations of the League be continuously available for advice to the Government and the National Economic Council in connection with its plans of reconstruction. After further exchange of resolutions and requests on both sides, League experts have been dispatched to China since October of the same year for technical service in various fields. According to recent estimate 26 League experts, including 6 French, 4 Italians, 3 German, 3 British, 3 Polish, 2 Yugoslavian, 2 Dutch, 1 Danish, 1 Rumanian and 1 Chinese, have served in China during the period October 1931 to February 1935, in the following fields: 7 in education, 6 in hydraulic engineering, 5 in public health, 8 in roads, 1 each in agriculture, sericulture, cooperation, transit and communication, and 2 *liaison* officers. Without doubt these experts have been a great aid to China in their respective fields, but they would have made greater contribution to China's reconstruction if more emphasis had been laid on the training of personnel rather than the execution and completion of specific projects. The fact that a majority of these experts do not stay in China for more than half a year militates against the possibility of placing any organization for the training of personnel on a fairly permanent basis. of the 26 experts who have made 28 visits to China in the period from October 1931 to February 1935, 22 left China at the end of periods classified according to length of stay as follows: 10 for three months, 6 for four months, 1 for five months, 2 for six months, 1 for eight months, 1 for nine months, 1 for fourteen months, 1 for fifteen months, and 1 for fifty-three months. Their emphasis on the "execution of particular projects," rather than on giving "help in the training of China's own officers who will be required for the more extended work of later years"[60], has not helped to place the work of reconstruction in China on a sound basis. Indeed, like many other

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[60] These quotations are taken from a telegram sent to the Council

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experts who came to China before the inauguration of technical collaboration with the League, their usefulness ends the moment recommendations are written up and sometimes published, serving no other purpose than the satisfaction of having added another paper plan to the government archives. On other occasions the experts from the League are not given sufficient time, information or facilities that are indispensable to the efficient exercise of their functions as technical advisers. Upon their arrival in China they are often required to give advice on subjects which, although falling within their chosen field of specialization, are nevertheless totally foreign to their knowledge and experience because in a country like China circumstances differ greatly from those to be found in the western countries supplying these experts. The haphazard manner with which the Chekiang Inquiry Mission was organized was felt keenly by the chairman, Sir Arthur Salter, who in his report suggested that in the future inquiries "foreign experts should travel enough to understand local conditions and information should be made available to them in documents and reports real and intelligible; but that such visits should be recognized as chiefly valuable as an education for the foreigners, not as an instrument of real research."[61]

The third problem in China's rural economic reconstruction relates to that of finance. The meagreness of financial resources devoted to reconstruction is striking. In the national budget, reconstruction claimed only $2,197,614 or 0.2% of the total budget ($893,335,073) during 1931-32, $6,812,364 or 0.5% of the total budget ($828,711,688) during 1933-34, $35,989,036 or 3.9% of the total budget ($918,111,034) during 1934-35, and $36,374,890 or 3.7% of the total budget ($957,154,006) during 1935-36.[62] In total dollars there has been a great increase in recent years in the

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of the League of Nations on April 25, 1931 by the Chinese Government. Cf. *Chinese Yearbook, 1935-36*, p. 326. These measures proposed in the telegram were adopted by the Council on May 19, 1931.

[61] *Annexes to the Report of the Secretary of the Council Committee on His Mission in China*, 1934, p. 84.

[62] *Chinese Yearbook, 1935-36*, pp. 115-26, 1254; *Nankai Weekly Statistical Service*, July 4, 1932.

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funds assigned by the National Government to reconstruction, but in relative proportion reconstruction should have figured more prominently. In local governments, both provincial and district, reconstruction claims a larger share in the total budget. The 1931-32 budget for 20 provinces assigns $54,951,804 or 16% of the total ($343,519,230) to reconstruction, communication, regulation of industries, etc. To what extent this item of reconstruction (including related items) has grown may be illustrated by data for the two provinces of Chekiang and Shantung. In Chekiang it has grown from $649,041 or 7.72% in 1921 to $2,032,713 or 8.07% in 1931, while in Shantung the growth has been from $225,098 or 8.39% to $3,445,318 or 14.02% during the same period. In district governments, available figures for the 130 *hsien* in Hopei province during 1931 show that reconstruction claims a smaller proportion than in provincial governments, namely, 6.53% (or $542,667 out of a total budget of $8,314,240).[63]

The funds devoted to reconstruction by provincial and district governments are, both absolutely and relatively, larger than those spent by the National Government, but the methods employed in securing these funds are to be deplored. Land tax constitutes the main source of provincial revenue, just as land surcharge has often been relied upon as the main source of district revenue. In provincial finance, land tax furnishes, on the average of four years 1931-32 to 1934-35, from 6.2% to 63% of the total revenue for 22 provinces, with the majority deriving over one fourth. The funds for reconstruction are no exception in this respect. In Chekiang, for instance, the first surcharge on land tax, under the name of Military Reorganization Surcharge, was levied as a means of temporary relief for the difficulties of provincial finance arising from the Northern Expedition. However, when the expedition was over the surcharge was not discontinued, but re-adopted under the name of Reconstruction Surcharge for a period of ten years. Since then surcharge after surcharge has been levied until 1932, when there were surcharges under

[63] See note 19.

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different names ranging from 20 to over 30 in number in the different *hsien* or districts, of which those relating to economic reconstruction include, for instance, Reconstruction Surcharge, Anti-Insect Surcharge, Surcharge for Capital of Farmers' Bank, Surcharge for Road Construction, Surcharge for Land Survey, etc. The result of all this is that the surcharge ne on land in Chekiang has invariably exceeded the basic land-six, the excess ranging from 35% to 73% for various kinds of land. In addition, it has been on the upward trend from year to year. Taking the surcharge in 1928-29 as 100%, the average rate for rice land shows an increase of 100% to 200% in 43, and one of 200% to 300% in 21 of the 75 *hsiens* in the province during 1931-32, whereas in 1932-33 in 44 of the *hsiens* the average rate shows an increase of from 100% to 200%, and in 16 it shows an increase of from 200% to 300%.[64]

Land surcharge, however, is not the only source of revenue devoted to reconstruction purpose. In Chekiang, again, the construction of roads and railways has often prompted the Government authorities, by the right of eminent domain, to commandeer farm land from the peasants without compensation. Indeed, it has often happened that when the land has been taken from the peasant without compensation, he still has to pay land tax and surcharges on land no longer in his possession.[65]

V. CONCLUSIONS

The rapid decline of the Chinese countryside, especially during recent years, has called forth a nation-wide movement for rural reconstruction, of which the economic aspects above all others have assumed great prominence. The attempts towards rural economic reconstruction were at first made by private organizations as a by-product of famine prevention, but since the establishment of the Kuomintang regime in 1927 government enterprises in this direction have become more important both in the fields of activities and in their magnitude. The teachings of Dr. Sun Yat-sen, founder of

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64 *Annexes*, pp. 95, 99.

65 *Ibid.*, p. 109.

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the Kuomintang Party, have shaped considerably the government's policy in promoting rural economic reconstruction but of greater significance is the motive power supplied by the recurrence of a series of internal and external events leading to the worst agricultural crisis ever witnessed in Chinese economic history. These events, such as the great Yangtze flood of 1931-32, the communist rebellion in Kiangsi and neighboring provinces in Central China since 1928, the Japanese occupation of Manchuria in 1931 and the consequent warfare with Japan in Shanghai, Hopei and Chahar during 1932-34, the coming of the world economic depression to China since 1931, have converged to work unprecedented havoc upon the Chinese countryside, and have necessitated various measures for rural economic rehabilitation, of which the more important include water conservancy and afforestation, road construction, agricultural improvement and extension, cooperative organization, and reform in land tenure and taxation. In each of these five fields, promising beginning has been made for future development, but problems are not lacking which require immediate consideration before the reconstruction work in these fields can be placed on a sound basis. These, in brief, embrace co-ordination of various agencies engaged in China's rural economic reconstruction, the provision of adequate technical training for the field staff of both junior and senior grade, and allocation of sufficient financial resources for the projects contemplated in each of these fields.

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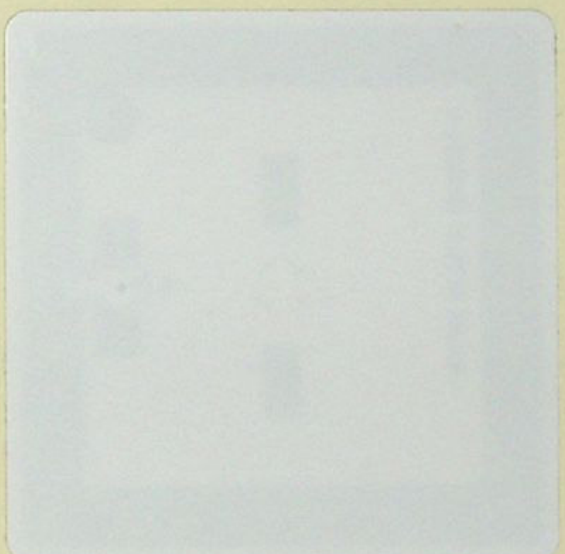

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