

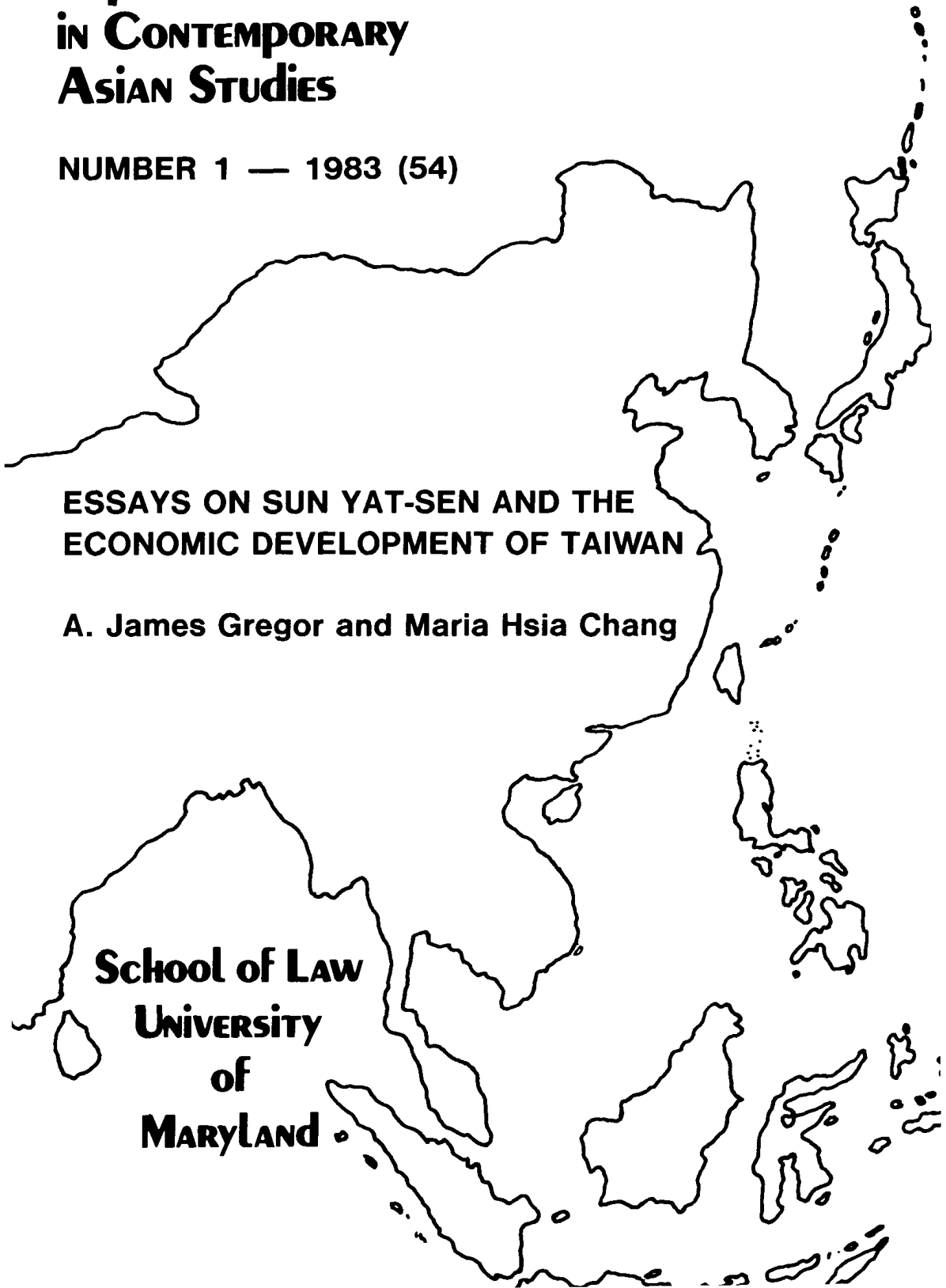
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**ESSAYS ON SUN YAT-SEN AND THE
ECONOMIC DEVELOPMENT OF TAIWAN**

A. James Gregor and Maria Hsia Chang

**School of LAW
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CHAPTER I

Introduction

Sun Yat-sen was the first Third World revolutionary who dealt with all the major issues that would engage the developing countries in the twentieth century. Before the turn of the century he had identified economic development as critical to the survival and well-being of less developed nations. At almost the same time he identified nationalism as a functional necessity in that effort to survive and prosper. He also recognized that neither development nor nationalist commitment could be sustained without justice.

While traditionalist economists were still speaking of an international division of labor, in which some nations would forever remain producers of primary products while others devoted their energies to industry, Sun recognized that such arrangements could only lead to the subordination of some nations to others. While the political thinkers of the Western world were anticipating an "international world order"—whether socialist or capitalist—Sun recognized that ours would be a time of nationalism. And long before a new breed of socialists would make their appearance—to speak of economic growth with equity—Sun had anticipated much of what they were to say. Sun's principal disability was having been born far in advance of his time.

When Sun Yat-sen spoke of the economic modernization of China, and anticipated a massive transfer of Western capital, skills and technology to underwrite the process—he had anticipated the logic of the Marshall Plan by more than a quarter century. Only after the second world war did the advanced industrial nations begin to fully appreciate the interdependency of the international economic system. They were then not only prepared to reconstruct the shattered economies of their former enemies, but they undertook to assist the less developed nations in their efforts to modernize and industrialize their productive systems.

Those lesser developed economies that were to profit most as a consequence of that assistance were those animated by a coherent and responsible developmental program. When the United States undertook to aid the remnants of the Republic of China on Taiwan and associated territories, it found a leadership possessed of just such a general program of economic modernization. What resulted is now identified as one of the most remarkable developmental accomplishments of the second half of the twentieth century. With grants

in aid and concessional loans that but little exceeded the per capita average accorded developing recipients—and which was far less than that provided many others—the island of Taiwan went through a structural transformation that now finds it well within the ranks of the newly industrialized states. Its economy is broad and mature, and its population enjoys the second or third highest standard of living to be found among the many nations of Asia. Moreover, that welfare is more equitably distributed than is the case among most of the nations of the world—more equitably than even some of the mature socialist states.

The two essays that follow tell something of that story. The first is a revision of a communication first presented at the 34th Annual Meeting of the Western Political Science Association in San Francisco in 1980. The second is part of a presentation delivered before an Annual International Conference hosted by the Leonard Davis Institute for International Relations at the Hebrew University of Jerusalem in 1981. Together they provide an outline of an impressive accomplishment—the accomplishment of a man and a people.

Of the man, not enough has been said. He not only anticipated the nationalism that was to ultimately inspire all the developing nations of the world—his was a humane and generous nationalism—unlike the exacerbated nationalisms that have so grievously afflicted this century.¹ He anticipated, and rejected, much of what passes as “dependency theory” in our own time—and the accomplishments on Taiwan were to provide the historic warrant for that rejection.² He anticipated the strengths of a reformed Confucianism—and it is to the “Confucian ethic” that some attribute the accomplishments of Japan, South Korea, Singapore and Hong Kong.³

Recently, Harold Z. Schiffrin—whose own work provided much of the inspiration for the essays that follow—wrote the authors to tell

1. See A. James Gregor and Maria Hsia Chang, “*Nazionalfascismo* and the Revolutionary Nationalism of Sun Yat-sen,” *Journal of Asian Studies*, 39:1 (November 1979), pp. 21-37; Maria Hsia Chang, “‘Fascism’ and Modern China,” *The China Quarterly*, 79 (September 1979), pp. 553-567.

2. See A. James Gregor and Maria Hsia Chang, “Marxism, Sun Yat-sen, and the Concept of ‘Imperialism,’” *Pacific Affairs*, 55:1 (Spring 1982), pp. 54-79; and Richard E. Barrett and Martin King Whyte, “Dependency Theory and Taiwan: Analysis of a Deviant Case,” *American Journal of Sociology*, 87:1 (March 1982), pp. 1064-1089.

3. See A. James Gregor, “Confucianism and the Political Thought of Sun Yat-sen,” *Philosophy East and West*, 31:1 (January 1981), pp. 55-70; A. James Gregor and Maria Hsia Chang, “Wang Yang-ming and the Ideology of Sun Yat-sen,” *Review of Politics*, 42:3 (July 1980), pp. 388-404; and Herman Kahn, *World Economic Development 1979 and Beyond* (Boulder, Colo.: Westview, 1979), pp. 118-123.

them of his experiences while on a visit to the mainland of China. He reported that the scholars there display a revitalized and renewed interest in the works of Sun. That is not hard to understand. The leadership that succeeded to power on the mainland of China in 1949 never possessed a general notion of how economic development might proceed in that unhappy land. At best they inherited Stalinist strategies, Soviet institutions, and “anti-imperialist” dispositions. Today the Stalinism has been in part discounted, the institutions discredited and the anti-imperialism muffled—and a great intellectual discomfort seems to have settled everywhere. Against this kind of background, the ideas of Sun Yat-sen take on an immediate relevance and coherence.

The essays that follow attempt to suggest something of that relevance and that coherence. It also tells something of the diligence and enterprise of the people of Taiwan. The authors would like to dedicate this small work to those ideas and to those people.

CHAPTER II
**Sun Yat-sen's Program for the Economic Modernization
of China***

Maria Hsia Chang

For the most part, the specifically ideological convictions of Sun Yat-sen have been treated in a cavalier fashion in Western academic literature. More often than not, Sun's thought is characterized by Westerners as having been "changeable, superficial and vague."¹ For Karl Wittfogel, Sun left a "contradictory" ideology that, at best, could provide only a "very imprecise program."² M.N. Roy was even less generous. For Roy, "Sun Yat-sen was remarkably sterile in original thought. . . .As a matter of fact, he did not think; he only schemed. . . . Therefore, he failed to provide [his] movement with a comprehensive program."³ These kinds of judgments seem to be particularly prevalent in any consideration of Sun's program for the economic development and modernization of China.

In the late 1930s an anonymous British critic dismissed Sun's economic program as "kindergarten economics," afflicted not only with "falsifications" and "absurdities," but characterized by "economic heresies."⁴ More recently, there has been some serious analysis of Sun's proposed economic policies—but these have been largely restricted to special constituent elements of those policies, rather than an effort to review his entire developmental program.⁵ In effect,

* A much revised version of a communication delivered before the 34th Annual Meeting of the Western Political Science Association (San Francisco, March 27-29, 1980). The author wishes to acknowledge the support and assistance of the Institute of International Studies of the University of California, and the Pacific Cultural Foundation in the preparation of this manuscript.

1. Lucien Bianco, *Origins of the Chinese Revolution* (Stanford: Stanford University Press, 1971), p. 12.

2. Karl A. Wittfogel, *Sun Yat-sen: Aufzeichnungen eines chinesischen Revolutionaers* (Berlin: Agis, n.d.), pp. 66, 118.

3. M.N. Roy, *Revolution and Counterrevolution in China* (Calcutta: Renaissance, 1946), pp. 256-57.

4. "Sagittarius," *The Strange Apotheosis of Sun Yat-sen* (London: Heath Cranton, 1939), pp. 160, 174.

5. In this regard, the most significant Western works are those of Harold Z. Schiffman, particularly his insightful essay, "Sun Yat-sen's Early Land Policy: The Origin and Meaning of 'Equalization of Land Rights,'" *Journal of Asian Studies* 16 (August 1957), 549-64. C. Martin Wilbur, *Sun Yat-sen: Frustrated Patriot*, New York: Columbia University, 1976) makes some allusion to Sun's grandiose schemes for railway development and his program for the acquisition of foreign loans to finance the economic development of the nation, but there is no sustained effort to provide a general account of Sun's entire program. In the mid-1930s Kuen Tsiang provided a summary exposition of Sun's

the materials bearing on Sun's economic program that are readily available to Western scholars remain fragmentary and, by and large, superficial. There has been some effort by Chinese scholars to provide materials in English concerning Sun's economic programs, but to date most has been uncritical, very general, or self-serving.⁶

Sun's ideas concerning the economic development and industrialization of China merit better treatment than they have, to date, received.⁷ His ideas are intrinsically interesting and they are possessed of a surprising degree of contemporary relevance. The political leadership on Taiwan, for instance, at the very commencement of their developmental efforts, invoked the economic programs of Sun Yat-sen as the rationale behind their policies—and as recently as September 1979 Vice Premier Yu Ch'iu-li of the People's Republic of China (PRC) suggested that the regime on the Mainland might "learn from Taiwan" in the effort to modernize the economy of the nation.⁸ By implication—and quite independent of any intellectual obligation we may have to their responsible assessment—Sun's proposals concerning the economic modernization of China seem to still possess significance and relevance. They deserve, as a consequence, more careful consideration than they have as yet received in the non-Chinese language material available.

To that end, there is a manner of representing Sun's ideas that, while remaining faithful to them, might render their coherence, seri-

general program without analytic commentary (*Les origines économiques et politiques du socialisme de Sun Yat Sen* [Paris: Domat-Montchrestien, 1933]). More insightful treatment is to be found in Wou Saofong, *Sun Yat-sen: sa vie et sa doctrine* (Paris: Les presses universitaires de France, 1929). Li Ti-tsun's early article, "Sunyatsenian Principle of Livelihood," *The Chinese Students' Monthly* 24, 5 (March 1929), 219-31, 241, remains among the better available in any Western language.

6. For example, see Shih Chien-sheng, "The Min-shêng chu-i and the Economic Modernization in Taiwan," *China Forum* 4, 2 (July 1977), 79-100; Sun Chen, "A Comparison Between Min-shêng chu-i and the Collectivism of Chinese Communists," *ibid.*, 101-22; Hsu Yu-chu, "Min-shêng chu-i and the Planned Free Economy," *ibid.*, 123-37; Wu Ts'ung-hsien, "Land to the Tiller: Theoretical Basis and Implementation," *ibid.*, 139-81; Hu Sheng-i, "The Theoretical Foundation of a Ming-shêng Welfare Society," *ibid.*, 5, 1 (January 1978), 37-47.

7. In this regard, see the comments by Benjamin Schwartz in his Foreword to Edward Friedman, *Backward Toward Revolution: The Chinese Revolutionary Party* (Berkeley: University of California, 1974).

8. "Kuomintang Platform Adopted by the 7th National Convention (1952)," contained as an Appendix to Sun Yat-sen, *Fundamentals of National Reconstruction* (Taipei: Sino-American, 1953), pp. 257-266. for an English language translation of Vice Premier Yu's remarks, see "We Must Learn from Taiwan," *Inside China Mainland* (Taipei: Institute of Current China Studies), December 1979, pp. 1-2.

ousness and contemporary relevance more immediately self-evident than has been the case to date. At the very center of Sun's political convictions was an abiding preoccupation with the modernization and economic development of his nation. In one sense or another, all of his ideas can be shown to turn on the issue of China's economic modernization—the systematic and self-sustaining expansion of its agricultural and industrial productivity.

In 1894, in his first public statement—a reform proposal submitted to the Imperial Grand Secretary of Chihli province, Li Hung-chang⁹—Sun Yat-sen addressed himself to the necessity of rapidly modernizing China's economy. He spoke of the need to construct vast systems of transport—the necessary infrastructure of a modern economy—roads, railways, and water passages. He spoke of the need for rapid means of communication—telegraphic and steamship lines—to service the needs of a growing economy. He spoke of the need to introduce modern techniques of plant and animal husbandry—the extensive use of chemical fertilizers, scientific methods, and machinery—to offset the low yields that acted as disincentives to agricultural production and contributed to the oppressive poverty of the vast rural areas of retrograde China. He spoke of the introduction of machine manufacture, modern educational and financial institutions, and the superintendence of law, all in order to foster the dissemination of scientific knowledge, and allow the individual security, enterprise and mobility requisite to the development of a modern China. The effort was required not only to afford the nation the strength to resist the depredations of the foreign powers that everywhere threatened China's integrity and sovereignty, but in order to serve “the people's livelihood (*min-chien yang-shêng*),” effacing the bitter poverty that weighed so heavily on his conationals.

The concern with the “livelihood of the people” was, of course, traditional among Chinese thinkers, and found expression in a variety of forms. It appears regularly in Confucian and neo-Confucian texts. By 1895, Sun used the shorter form, *min-shêng*, to express that same concern in the four-point program of the *Hsing-chung hui*—the organization that was to serve as the forerunner of the revolutionary *T'ung-mêng hui*, and the subsequent *Kuomintang*. Whatever the form, the expression, “the people's livelihood,” when employed by Sun, came to mean a collection of renovative and developmental

9. Sun Yat-sen, “Shang Li Hung-chang ch'en chiu-kuo ta-chi-shu” [Memorial to Li Hung-chang on the Plan to Save the Nation], in *Kuo-fu ch'üan-chi* [*The Complete Works of Sun Yat-sen*], (Taipei: Kuo-mintang Party History Committee, 1973, 1973), 3, 1-11.

programs calculated to increase the productivity of agriculture, develop the transportation and communications infrastructure of the nation, establish modern schools and industries, and introduce codes for the governance of social and political life, finance, and commerce.

The expressions *min-shêng* and *kuo-chi min-shêng* were formulations used by many of Sun's contemporaries to signify a similar collection of programmatic concerns. A *min-shêng* program would provide for the people, and the people would support a vast program of industrialization and modernization that would make China sufficiently strong and united to resist the threat of dismemberment and colonization. Years later Tai Chi-t'ao was to identify the principle of the people's livelihood as Sun's central preoccupation—a principle if implemented would bring not only well-being to the masses, but "salvation" to the nation.¹⁰ *Min-shêng*, in effect, involved the most critical aspirations of Sun Yat-sen.

Long before he could have known anything systematic about Western social and economic thought, Sun Yat-sen had already put together his first ideas about the modernization and development of China. He employed the term *min-shêng* to refer to those ideas, and *min-shêng* was to occupy the critical center of the final doctrinal statement of his views in the *San-min chu-i* delivered shortly before his death in 1925.

Between 1894 and 1925, of course, the doctrine of *min-shêng* was to take on increasing complexity and increasing sophistication. Nevertheless, its central themes were to remain remarkably constant. A concern for the livelihood of the people entailed a commitment to the agricultural and industrial development of China in order to provide for its independence and sovereignty in the face of multiple external threats. Thus, neither a concern with the "social question," nor a preoccupation with "imperialism," were late in occupying Sun. As early as 1894, he conceived both subject to resolution if only China could be rapidly modernized and industrialized. It was a conviction that he was never to abandon.

By 1895, Sun no longer entertained the hope that China's development might be accomplished through political reform of the Manchu government. He became an advocate of the revolutionary

10. See Key Ray Chong, "Cheng Kuan Ying (1841-1920): A Source of Sun Yat-sen's Nationalist Ideology?" *Journal of Asian Studies*, 28, 2 (February 1969); Tai Chi-t'ao, *Die geistigen Grundlagen des Sun Yat Senismus* (Berlin: Wuerfel, 1931), p. 11. For the earliest employments of the term "min-shêng," see Sun Tzu-ho, "The Political Program of the Hsing-chung hui," *China Forum*, 3, 2 (July 1976).

overthrow of Imperial rule. But whatever his convictions concerning the instrumental roles of reform or revolution, he continued to address himself to the same problems with which he had grappled in his reform petition to Governor Li Hung-chang. Thus in 1897, even after he had given himself over to political revolution, and had been recognized as a dangerous revolutionary by the government, Sun continued to identify the two critical problems that faced China as its "apparent inability . . . to develop [its] vast internal resources and [its inability] to resist external attack. . . ." ¹¹ These were the same problems that had prompted his reform petition three years earlier. By 1897, he had become convinced that the universal and systematic corruption that attended the rule of the Manchu dynasty was primarily responsible for China's developmental incapacities and defensive weaknesses. He called, as a consequence, for the overthrow of the "foreign monarchy" and the introduction of some "form of representative government. . . ." ¹²

By 1897, therefore, Sun had already given first expression to the three themes that were to give substance to his ideology: he advocated a rededication of Chinese nationalism, the establishment of representative government, and his own form of developmental socialism. At thirty, Sun had put together the outlines of his political program. At its center was the *min-shêng*, his doctrine of Chinese socialism.

That Sun Yat-sen identified his developmental doctrine with a broadly conceived socialism as early as 1896 or 1897 is now reasonably well-established. ¹³ There is evidence, for example, that Sun was aware of the discussions of Western socialism that had begun to appear in Chinese publications as early as 1890. But the socialism that was the object of Chinese interest had very little to do with anything that might pass as Marxist "orthodoxy." Most of the material that appeared in China at that time concerned itself with the alternative socialisms that were enormously popular in the West at the end of the nineteenth century. In 1891, for example, the influential *Review of the Times*—published by Christian missionaries—provided a serial translation of Edward Bellamy's nationalist and socialist novel, *Looking Backward*—a novel that heralded a future world without international strife, capitalist cupidity, or imperialist oppres-

11. Sun, "China's Present and Future: The Reform Party's Plea for British Benevolent Neutrality," in *Kuo-fu ch'üan-chi*, 5, 81.

12. Sun, "Kidnapped in London," *ibid.*, p. 11.

13. Harold Z. Schiffrin, *Sun Yat-sen and the Origins of the Chinese Revolution* (Berkeley: University of California, 1968), pp. 116-117.

sion. The future, for Bellamy, would be one characterized by an advanced collectivistic industrial system that would provide abundantly, and equitably, for all.¹⁴

We know that Sun was familiar with the *Review of the Times* from about 1889 onwards, and probably read the serialization of Bellamy's "national socialist" novel in its pages. Bellamy's book was enormously popular in the West during the last decade of the nineteenth century, and provided a fictional account of a technologically and industrially sophisticated world, animated by humanity and justice, that would succeed the world of class struggle, poverty, international war and aggression, with which the men of his time were afflicted.

Many Chinese intellectuals of the period saw in Bellamy's social criticism a reflection of the moral and social concerns of traditional Confucianism. By the time of the appearance of Bellamy's book, a number of Chinese scholars had undertaken to give Confucianism a more modern reference. K'ang Yu-wei, and Liang Ch'i-ch'ao, who were to serve as the nation's principal intellectual leaders during the reform period before the end of the century, had put together an interpretation of Confucianism that conceived the reflections of the Chinese sage a guide to the future, rather than a simple historical record of traditional ethical injunctions.

K'ang Yu-wei had earlier undertaken a "higher criticism" of the traditional Confucian texts, and by 1884 and 1885 had composed the first draft of a manuscript called *Ta-t'ung shu*—an account of a future world animated by Confucian virtues. After the appearance of Bellamy's book in Chinese translation, K'ang's conceptions of that future Confucian world began to take on more and more of the features of a universal society made abundant by advanced industrial technology, and rendered humane by the influence of traditional Chinese social and political virtues. K'ang's ideas began to take on more and more of the appearance of the kind of socialism to be found in books like those written by Edward Bellamy and Henry George. In the final version of his *Ta-t'ung shu*, K'ang's views could only be described as a form of non-Marxist, Chinese socialism.¹⁵ It

14. Li Yu-ning, *The Introduction of Socialism into China* (New York: Columbia University, 1971), p. 3; the serialization of Bellamy's book appeared in *The Review of the Times*, issues 35 through 49, December 1891 through April 1892.

15. See K'ang Yu-wei, *Ta-t'ung Shu* (translated by Laurence G. Thompson. London: George Allen & Unwin, 1958); Hsiao Kung-chuan, "In and Out of Utopia: K'ang Yu-wei's Social Thought, II. Road to Utopia," *Chung Chi Journal*, 7, 2 (May 1968).

is clear that Liang Ch'i-ch'ao had given K'ang's ideas considerable circulation during the period when Sun was closest to the major gentry reformers of Imperial China.

The socialism that attracted Sun was precisely that kind of socialism current in the China of his day. It was a socialism predicated on technological and industrial advance—a developmental socialism—that shared complex affinities with the intellectual and moral traditions of China. It was a socialism that sought the renovation, rehabilitation and international security of the nation. It was an evolutionary, developmental socialism predicated as much on selected traditional, as Western, ideas. The Chinese components, in all probability, derived from K'ang, and their influence resurfaced regularly in Sun's subsequent thought.

K'ang, like most of the advanced Chinese thinkers of his time, conceived the world progressing through evolutionary stages. For K'ang those stages involved the transition from an Age of Disorder (*chü-luan shih*), through an Age of Approaching Peace (*sheng-p'ing shih*), to an ultimate Age of Universal Peace (*t'ai-p'ing shih*), or Great Harmony (*ta-t'ung*). K'ang understood each age as having a particular political form and as suffering particular attendant hazards. He saw the age in which he lived as one of transition between the rule of absolute, to that of rule by constitutional, monarchs. It was an age of "small peace" (*hsiao-k'ang*) in which efforts would be made to establish constitutional rule, and in which nations would contend with nations. Only at the conclusion of the age then emerging, the Age of Approaching Peace, could the world expect the final Great Harmony—that age of perfect humanity and an equitable social order.¹⁶ It would be an age of democracy and international peace, that cherished the sanctity of labor and provided for public welfare through the social ownership of property.¹⁷

These were the ideas with which Sun was most probably familiar when he identified himself with the broad current of socialism in 1897. It was a form of socialism composed of traditional Chinese ethical principles, animated by a preoccupation with the hazards and potentials of the Age of Approaching Peace.¹⁸ Like K'ang and many

16. See Hao Chang, *Liang Ch'i-ch'ao and Intellectual Transition in China, 1890-1907* (Cambridge: Harvard, 1971), Chap. 2.

17. Liang Ch'i-ch'ao, *Intellectual Trends in the Ch'ing Period* (translated by Immanuel C.Y. Hsu. Cambridge: Harvard, 1959), p. 96.

18. For the modified Confucian elements to be found in Sun's political ideology, see A. James Gregor, "Confucianism and the Political Thought of Sun Yat-sen," *Philosophy East and West*, 31, 1 (January 1981), 55-70.

of his contemporaries, both Chinese and Western, Sun conceived the world involved in a protracted evolutionary, and progressive, historic process, and for him, as it would for K'ang, the process would conclude with the realization of the goals of the "*min-shêng* principle" which Sun identified with "Confucius' hope of a 'great commonwealth'."¹⁹

Until that time of fulfillment, however, mankind would remain embroiled in the "age of little peace." For Sun the three principal economic problems that tormented that age were those that required a comprehensive land policy, an effective developmental program, and a strategy to deal with the multiple threats mounted by foreign imperialism. By 1897, Sun had already settled on the elements of those policies. In his pursuit of solutions, he had probably already become familiar with the work of Henry George. *The Review of the Times*, in December 1894, had devoted its pages to a discussion of "land nationalization" and the "single tax," themes that George had made popular in his *Progress and Poverty*, a book that first appeared in a regular American edition in 1880. While in Japan in 1897, Sun returned to George's work and read it in its entirety for the first time.²⁰

In *Progress and Poverty*, George argued that the privation that afflicted the population of China, as well as its lack of economic progress, could be directly attributed to the fact that throughout the nation "insecurity prevails, production goes on under the greatest disadvantages, and exchange is closely fettered. Where the government," George went on, "is a succession of squeezings, and security for capital of any sort must be purchased of a mandarin, [millions will find themselves]. . . just on the verge of starvation."²¹ It was not excess population, nor the dearth of arable land, that produced the calamitous and retrograde conditions of China, but a constellation of political and social constraints on indigenous production and distribution. George went on to address himself to the problem of oppressive rack-rents that agrarian tenants were compelled to pay in various parts of the world—rents that served as grievous disincentives to agricultural development and efficiency.²²

In his essay on "China's Present and Future," published in

19. Sun, *San-min chu-i* (Taipei: China Publishing, n.d.), p. 184.

20. See Marius B. Jansen, *The Japanese and Sun Yat-sen* (Stanford: Stanford University Press, 1954).

21. Henry George, *Progress and Poverty* (New York: Schalkenbach, 1953), pp. 121-22.

22. *Ibid.*, pp. 124-125.

1897,²³ Sun expanded upon just these assessments. China's agrarian problems were not the consequence of overpopulation or the insufficiency of arable land. The fact that foodstuffs could not be transported from areas of agricultural abundance to those suffering harvest failures without passing through an inordinate number of local impost stations, for example, caused local famine and decreased the disposition of farmers in fertile areas to expand productivity. Vast areas remained fallow as a consequence. Foreigners had further complicated China's agrarian problems by imposing "free trade" requirements on the nation—allowing foodstuffs to enter China without paying import duties, thereby underselling local products to the detriment of local production. The consequence was not only the decline of agricultural productivity, and the abandonment of marginal, but arable land, but the dearth of indigenously generated investment capital as well.

In his discussion with Liang Ch'i-ch'ao and Chang Ping-lin in 1899, Sun elaborated on his concerns. Chinese agriculture had remained inadequate to the needs of the nation, and as a support base for economic development, not only because of the corruption of mandarin officials, impaired transportation facilities, and competition with "imperialist" trade, but because tenant farmers were compelled to pay "half of what they produce to the landlords." A more equitable arrangement in Sun's judgment, would render the peasants prosperous and release capital for self-sustaining national development. The best solution, he argued at that time, would be that "all who can till should receive land."²⁴

After 1903, and particularly after the founding of the *T'ung-mêng hui* in the summer of 1905, Sun's land policies became the focus of critical attention. In their oath to the revolution, Sun's followers swore to uphold what were ultimately to become the critical components of the "three principles of the people": the national revival of China, the establishment of political democracy, and what was then called "the equalization of land rights."²⁵

23. Sun, "China's Present and Future," *Kuo-fu ch'üan-chi*, 5, 81-109.

24. As reported in Liang Ch'i-ch'ao, "She-hui ko-ming kuo wei chin-jih Chung-kuo so pi-yao hu," *Hsin-min ts'ung-pao*, 86 (December 1906), 32; see Schiffrin, *Sun Yat-sen*. . . , pp. 308-309.

25. Hu Han-min, "Min pao chih liu ta chu-i" [The Six Great Principles of the *Min-pao*], *Min pao*, 3 (April 5, 1906), pp. 1-22. The entire collection of the *Min-pao*, published between 1905 and 1908 has been republished as *Min-pao* (Peking: K'o-hsueh ch'u-pan-she ying-yin, 1957). See also Sun Tzu-ho, "The Political Programs of the *T'ung-mêng hui*," *China Forum*, 5, 1 (January 1978), 107-108.

The equalization of land rights as Sun and his followers understood it was essentially a gradual application of Henry George's notions concerning a tax on all "unearned increment" that would accrue to land as a consequence of social progress. "Equalization of land rights," as an expression, had appeared in the oath of a branch of Sun's earlier revolutionary organization, the *Hsing-chung hui*, in Hanoi in 1902. The same expression figured in the oath of the Revolutionary Military Academy that Sun founded in Japan in 1903, and once again in the oath that attended the reorganization of one of Sun's groups in San Francisco in 1904. What the expression meant to Sun and his followers became reasonably clear in the exchanges that followed between the authors of Sun's *Min-pao* and those of the constitutional monarchists collected around the *Hsin-min ts'ung-pao* of Liang Ch'i-ch'ao (by then intransigently opposed to popular revolution against the Manchu monarchy).

In April 1906 and March 1907, Hu Han-min, one of the principal spokesmen for Sun's *T'ung-m'eng hui*, provided an exposition of the concept of "equalization of land rights."²⁶ By equalization of land rights Sun and his followers meant governmental appropriation of "unearned increments" in value rather than the formal abrogation of private land holdings. After the revolution they anticipated, the government would impose a tax on any increments in land value, other than capital improvements, that would subsequently take place. Such increments in value, they argued, would be the consequence of collective social progress, and would be returned to the collectivity to fuel the ongoing process of industrialization.²⁷ The policy of equalization of land rights, in and of itself, was not a program of land redistribution. Sun's collaborators conceived of it as one way to transfer capital from the traditional to the modern sectors of the economy.²⁸ Governmental acquisition of "unearned increment" due to the rise in land values that followed the anticipated

26. Hu, "Min pao chih liu ta chu-i," and "Kao fei-nan min-sh'eng chu-i che" [To the Detractors of the Ming-sheng chu-i], *Min-pao*, 12 (March 6, 1907).

27. See Robert Scalapino and Harold Z. Schiffrin, "Early Socialist Currents in the Chinese Revolutionary Movement," *Journal of Asian Studies*, (May, 1959), p. 332.

28. Hu, "Min pao chih liu ta chu-i," p. 13. Years later, Sun expressed the same conviction in the following manner: "When land rights have been equalized, capitalists will be disposed to abandon land speculation and invest in machine enterprise [*chi-yeh*] thus engaging in industry and commerce. Economic development could be the only consequence, since land is limited, while the profits from industry and commerce are potentially limitless. . . ." Sun, "Min-sh'eng chu-i chih shih-shih" [The Enactment of the Principle of People's Livelihood], speech of May 4, 1912, in *Kuo-fu ch'üan-chi*, 2, 232. See also Schiffrin, "Sun Yat-sen's Early Land Policy."

advent of industrialization and the expansion of communication and transportation systems, rather than accruing to private individuals, would provide the capital for the self-sustaining growth of the national economy. Such a strategy of social reform would preclude the concentration of wealth characteristic of the West—while freeing inert capital, otherwise locked into land speculation, for employment in the more dynamic developmental sectors.

Irrespective of the specific interpretation advanced by Hu with regard to the equalization of land rights, it was clear that the ideologues that had collected around the *Min-pao* also entertained some of the same convictions concerning land policy that Sun had articulated as early as 1899. Hu, for example, recognized that agricultural tenant labor in China was “oppressed and impoverished” (*k'un*) by the land-holding “capitalists.” Moreover, because farm laborers were unable to own the lands they tilled, they produced profits that accrued exclusively to the landlords—capital that was thus denied the nation. Only by institutionalizing greater equity in the countryside could the “dictatorship of the landlords” be offset, and the profits produced in the agrarian sector applied to the “benefit of the nation’s economy.” What would result from the application of such policies would be a “national socialism” (*kuo-yu chu-i*).²⁹ In effect, “equalization of land rights” may have, in and of itself, referred only to the collective acquisition of unearned increments on land, but the ideologues of the *T'ung-mêng hui* also anticipated much more in terms of alternative arrangements in property relations in the agrarian sector—one that would allow not only greater equity, but, at least potentially, land to the tillers as well—all in the service of increasing intersectoral capital flows from the agricultural, to the modern industrial, sector.

Furthermore, for the ideologues of the *Min-pao*, while the equalization of land rights constituted the main principle of the *min-shêng chu-i*, it did not exhaust its substance. When Feng Tzu-yu addressed these issues, he identified the political and economic principles of the *T'ung-mêng hui* with “socialism” or “state socialism” (*kuo-chia min-shêng chu-i*)—a program he likened to that of the German government under Bismarck and to that of the post-Meiji Reformation government of Japan. Such programs were better

29. Hu, “Min pao chih liu ta chu-i,” p. 13. Sun continued to refer to his political ideal as a “national socialism.” He maintained that “. . .the principle of people’s livelihood is the principle of national socialism.” Sun, “T’i-ch’ang min-shêng chu-i chih chen-i” [Promote the True Meaning of the Principle of the People’s Livelihood], *Kuo-fu ch’üan-chi*, 2, 22.

characterized by the interventions of a tutelary state in the national economy than any preoccupation with state acquisition of unearned increment of land. Such a socialism involved government monopolies of public utilities and special sectors of the economy,³⁰ a general concern with industrial growth, and the provision of innovative social welfare programs.

Thus, by 1906, Sun and his theoreticians had put together an ideology of national development predicated on a system of land reform, proposals for the indigenous generation of capital, and a rationale for state intervention in the economy. A concern for the "oppressed" agrarian classes was evident, and there was more than a suggestion that Sun's commitment to a program of "land to the tillers" had influenced his followers. These latter concerns were muted, for considerable support was expected from land-holding segments of the population. The *T'ung mêng hui* was attempting to recruit rather than alienate support. But those concerns remained in evidence nonetheless. They were to continue to influence the ideological development of the revolutionaries that collected around Sun until the belief system of the Kuomintang was fully articulated two decades later.

Thus, while all of Sun's followers were effusive in the defense of the notion of a land tax on unearned increment, they clearly did not imagine that such a tax exhausted either the revolutionary program of the *T'ung-mêng hui* or its land policies. Sun's program was a complex collection of land and developmental policies clearly designed to provide China, as a developing national community, with at least part of the capital resources that would permit it to rapidly outstrip the West in terms of industrialization, economic development, and defense capabilities.³¹

Beyond that, there was an awareness that indigenously generated capital could hardly fully satisfy the capital demands of a developing China. In March 1907, Hu Han-min insisted that while the future revolutionary government's appropriation of value increments on land would provide some of the capital "necessary for [China's] development," it was equally evident that the capital resources of the nation would be inadequate to the task of providing sufficient funding to underwrite the complex process of self-sustaining growth. As a consequence, Hu recommended that China welcome foreign in-

30. Feng Tzu-yu, "Lu Chung-kuo Jih-pao min-shêng chu-i hu chung-kuo cheng-chih ko-ming chih ch'ien-t'u" [A revised 'Min-shêng chu-i and the Future of China's Political Revolution'], *Min-pao*, 4 (May 1, 1906), p. 13.

31. *Ibid.*

vestment to supplement its deficient capital resources. The United States and Australia, he argued, had pursued such a policy, and as a consequence, had acceded to the status of capital exporting countries themselves. Hu anticipated a similar consequence for China just commencing its economic take-off. Hu, in effect, refused to conceive involvement in international trade and investment as competitive. In commerce and investment it was not necessary for either participant to win at the expense of the other. Foreign investment would return profits to investors that might well be repatriated, but investment generated wages and development, and left a concrete legacy in fixed assets in the host country.³² For the intellectuals of the *T'ung-mêng hui*, China's rapid modernization depended on the availability of autonomously generated investment capital through a scheme of tax on "unearned increments," intersectoral capital transfers, and access to the surplus capital markets provided by the advanced industrial countries.

During this entire period, Sun remained concerned with the threat of foreign oppression as well as China's significant lack of economic modernization and industrial development.³³ Like his collaborators on the staff of *Min-pao*, Sun was prepared to acknowledge the threats posed by imperialism—just as he had recognized those threats in his reform letter to Li Hung-chang in 1894, and just as he had done in his support of Filipino revolutionaries in their resistance to American control of their homeland in 1898.³⁴ His preoccupation with the threat of imperialism was, and remained, constant. But he was equally prepared to recognize that China's modernization and industrialization required the support of foreign capital. As a consequence, he made a clear distinction between the objectionable political and military forms of imperialism and the potentially positive effects of international commerce and investment.

Sun, like the men around him, was cognizant of the prevailing theories of imperialism that had been made popular by the turn of the century. In his "The True Solution of the Chinese Question," written in 1904 for an English reading public, he specifically alluded to theses that had been broadcast in 1902 by J.A. Hobson in his *Imperialism*. He spoke of the concern bruited by some Europeans that the flow of capital and technology from the more advanced countries might make "a sort of Frankenstein" out of China. To counter such

32. Hu, "Kao fei-nan," pp. 70, 75, 80.

33. Sun, "The True Solution of the Chinese Question," in *Kuo-fu ch'üan-chi*, 5, pp. 111-119, 121.

34. Jansen, *op. cit.*, pp. 68-74.

a suggestion, he argued that the economic development and modernization of China, under appropriate conditions, would increase the sum of international benefits rather than threaten the welfare of any of the participants in the process.

For Sun, it was only when the inflow of foreign capital and the introduction of trade and commerce were attended by military and political interference that international economic relations took on the characteristics of a zero-sum game in which the absolute benefits to one of the participants fell below what could realistically be obtained if those relations were alternatively organized. In such a situation the "exploitation loss" of one participant would constitute the "exploitation gain" of the other. But such relationships could only be maintained if the one participant was politically and militarily so deficient that the maintenance costs of the relationship would not offset any exploitation gains made by the privileged participant. If the maintenance costs could be made prohibitive, on the other hand, the relationship between participants would be transformed into a "nonzero-sum," or "general" game, in which all participants could be expected, realistically, to gain.

Throughout his life, Sun continued to maintain that international economic relations were not intrinsically exploitative. He argued that in his age of "little peace," international actors would be *expected* to attempt to maximize their advantages. Where any one participant was demonstrably weak, others could be expected to exploit the opportunity to increase their gains. In any number of places Sun provided a doleful recitation of the economic exploitation of Asians at the hands of powerful Western powers. The British in India, and the French in Indo-China, had wrung enormous benefits from their defenseless dependencies. As long as nations are "strong enough to carry out acts of injustice" at minimal costs, he argued, one could hardly expect "respect for justice."³⁵ As a consequence Sun gave priority to the development of China's defensive capabilities, in order to create an environment in which there would be no opportunity for exploitation gains without corresponding maintenance costs. The only way in which China could escape the consequences of imperialism was to increase its costs. A strong and united China would make the costs of maintaining an exploitative relationship too expensive for any foreign power. If China could mount ef-

35. Sun, *The Vital Problem of China* (Taipei: China Cultural Service, 1953), pp. 8-10. This collection while attributed to Sun was probably compiled by Chu chih-hsin. It does, however, represent Sun's views. See Wilbur, *Sun Yat-sen: Frustrated Patriot*, pp. 92, 387.

fective resistance, relationships of trade and investment could be conducted on the basis of equality. Without the advantages afforded by extra-territoriality and unequal treaties, foreign commerce and investment could be made to serve China's economic modernization and industrialization.

If China could accede to a position of strength—with a population united in the defense of the nation—its economic relations with foreign powers could be made to serve its own, as well as foreign, interests. Without that capacity China would succumb to the dominance of foreign interests and might well remain forever in a “state of serfdom, so that a profitable trade [could] be carried on forever by the ruling country and . . . [China would] always be a market for [their] industrial products.”³⁶ Under prevailing international conditions each nation pursues its own immediate interests. As long as China remained defenseless, foreign economic exploitation would be the consequence of foreign political and military hegemony. In effect Sun entertained a *political* conception of exploitative imperialism. He clearly understood that “of the . . . forces [that determine a nation's future] the most potent are political forces and economic forces,” and while economic oppression was more severe than political oppression, the former could not be sustained without the prevalence of the latter. For Sun, “imperialism” was the “policy of aggression upon other countries *by means of political force* . . .” In the pursuit of security and advantage the “strong states” impose their will on “smaller and weaker peoples. . . .”³⁷ Without effective political and military control of subject peoples, exploitative relations could not be maintained.

In a clear and determinate sense, Sun entertained a modern notion of imperialism, sufficiently different not only from contemporary dependency theorists, but from that of the early Marxists, to merit independent characterization. He laid major emphasis on politics, power, national security, and national prestige in his explanation of imperialist behavior in the nineteenth and the beginning of the twentieth century. In his judgment, the exploitation advantage enjoyed by dominant nations was the consequence of political and military power, and not the result of some inherent necessities of the commercial or financial dynamics of capitalism.³⁸ Exploitative economic imperialism was, in Sun's judgment, the perfectly rational

36. *Ibid.*, p. 96.

37. Sun, *San-min chu-i*, pp. 8, 10, 21, 23. Emphasis supplied.

38. In this regard, see Hsu Yu-chu, “The Regulation of Private Capital and Equalization of Wealth and Income,” *China Forum*, 3, 2 (July 1976), p. 69; and the discussion in

strategy of foreign policy in a competitive world, in situations of predominant political and military advantage. If China was to develop, it would have to depend on expertise, technological and capital transfers from the advanced industrial powers. But if it was not to succumb to exploitation as a consequence, China was required to attempt to politically ally itself with those powers with which it shared international and strategic interests, in order to offset their disposition to exploit.³⁹ In the contemporary organization of the international system of national states, nations succumb to the temptations of exploitation in the effort to maximize their individual power positions—all things being equal. Only by making the costs of maintaining a system of exploitation costly to potential imperialists, in terms of their international prestige, security, or position, could less developed states escape disadvantage. Only “when a nation has an unconquerable spirit of independence [will] other nations think it advisable to show respect for its independence.”⁴⁰ Under such circumstances dependency relations are transformed into relations of interdependency and the zero-sum relationship is translated into one of mutual advantage. “If China stood on an equal political basis with other nations,” Sun maintained, she could not only “compete freely with them in the economic field and be able to hold her own without failure,”⁴¹ she would have nothing to fear from economic exploitation. In such circumstances, China could “open up her markets for the benefit” of international commerce, and welcome “foreign capital to develop . . . industry . . . communication and transportation facilities, and foreign brains and experience to manage them.”⁴²

It was clear that Sun conceived industrial civilization driven by the necessities of capitalist production to seek market and investment outlets in the less developed countries. Like the first Marxists, he understood such circumstances as offering, at the same time, the opportunity of development and modernization for those nations that remained economically backward. The critical variable that determined the outcome would be, in essence, political. An industrially

Benjamin J. Cohen, *The Question of Imperialism* (New York: Basic Books, 1973), pp. 231-245.

39. Sun, *The Vital Problem of China*, pp. 124-125.

40. *Ibid.*, pp. 126, 128-129.

41. Sun, *San-min chu-i*, p. 208.

42. Sun, *The Vital Problem of China*, p. 135, *San-min chu-i*, pp. 182-183, and “The Chinese Republic,” *The Independent* (New York), September 9, 1912, reproduced in *China Forum*, 4, 2 (July 1977), pp. 341-342.

and economically retarded nation could profit from its commercial and economic relationship with those more advanced, if and only if, it enjoyed some measure of political equality, or could offer potential allies some strategic advantage, that could purchase it equity. Under such conditions international commerce and foreign investment could rebound to the mutual advantage of all parties.

Such was the assessment of imperialism to which Sun committed himself throughout his life. Unlike dependency theorists, Sun saw no inevitability of "underdevelopment" for China as a consequence of involvement in the international market economy. In his earliest writings Sun assiduously *sought* commercial connections, investment and technology transfers, and the assistance of foreign experts.⁴³ In 1904, in anticipation of China's development, he spoke of his nation as providing "a grand field hitherto never dreamed of . . . to the social and economic activities of the civilized world."⁴⁴ In 1918-1919, when Sun addressed himself to a program for the development of China, he spoke of welcoming foreign trade and capital as long as that development could be organized in such a manner as to "ensure the mutual benefit of China and of the countries cooperating with us." He saw China's development proceeding in a manner that would ensure the well-being of its citizens, its political integrity, and its international sovereignty, as well as the provision of a "new market . . . big enough for her own products and for products from foreign countries. . . .The nations," he went on, "which will take part in this development will reap immense advantages. . . . In [such an] undertaking, foreign capital must be invited, foreign experts and organizers have to be enlisted, and gigantic methods have to be adopted. . . .During the construction and the operation of each of these national undertakings, before its capital and interest are fully repaid, it will be managed and supervised by foreign experts under Chinese employment. As one of their obligations, these foreign experts have to undertake the training of Chinese assistants to take their place in the future."⁴⁵

In effect, Sun conceived international relations determined not by some necessities inherent in modern capitalism, but the consequence of calculation on the part of sovereign powers, each attempting to maximize its own benefits. Those benefits were not only economic, but involved strategic political and military, as well as in-

43. Sun, "China's Present and Future," *Kuo-fu ch'üan-chi*, 5, pp. 82, 108-109.

44. Sun, "The True Solution," *ibid.*, 5, p. 121.

45. Sun, *The International Development of China*, *ibid.*, 5, pp. 129, 130, 132, 135.

fluent moral, concerns as well. Sun never conceived the foreign policy of the advanced nations to be simply the products of the machinations of "finance capitalists." For Sun, foreign policy behaviors were a function of a number of intersecting interests: a concern for the balance of power in one or another region of the globe; an attempt to enhance international prestige and ensure security; a search for necessary raw materials, market supplements, or investment outlets; and, finally, the influence of a cultural tradition committed to justice and altruism, or to one that is exploitative and self-serving.

A disadvantaged nation like Sun's China would have to put together a balanced strategy that would allow it to survive and prosper in such a competitive and hazardous environment. China would have to advance a set of proposals that would serve its own self interest, but which would at the same time provide strategic and economic advantage to one or another, or some collection of, advanced powers, in order to negotiate the transition from its position of dependency to that of a strong and independent, sovereign power.

Much of this had been implicit, and some of it had been explicit, from the time of Sun's early maturity. By the time he delivered his lectures on the *San-min chu-i* in 1924, he had put all this together with a land policy and a program of industrialization that together made up as coherent and consistent an economic program as provided by any revolutionary in the twentieth century.

Central to his program was the conviction that the motive force of history was the search for, and the maintenance and enhancement of, the means of existence necessary to sustain the livelihood of peoples.⁴⁶ In order to ensure the maintenance and foster the growth of their means of livelihood, each community seeks to harmonize its internal parochial and conflicting interests. In our own time, that harmony is sought through social legislation, increasing community control over the means of production, direct taxation to more equitably redistribute society's wealth, and the introduction of cooperative and governmental agencies to more effectively distribute commodities. When producers and workers collaborate in such policies the reconciliation of interests ensures social and productive progress that profits all. "Society progresses," Sun maintained, "through the adjustment of major economic interests [rather] than through the clash of interests. [When] the economic interests of society can be harmo-

46. Sun, *San-min chu-i*, pp. 155-156.

nized, the majority of people will benefit and society will progress."⁴⁷ All men—capitalists, artisans, merchants, landowners, financiers, industrial, and agrarian, workers alike—contribute to that collective enterprise designed to sustain and enhance the livelihood of citizens. As a consequence Sun rejected the Marxian conception of class warfare as the motive force of historical change. The episodes of social strife and class conflict to which Marx alluded, in Sun's judgment, were instances of "social pathology," rather than evidences of the endemic traits of any social system. Class warfare was evidence of a "diseased" social order. Only a community that cannot provide adequately for its members is one in which the functionally and organically related components lapse into conflict.

In order to preclude the onset of such disorder, a rational community of men will provide for the well-being of *all* its members. China, long tormented by the systematic corruption of Manchu rule, and the impostures of foreign powers was, in Sun's judgment, threatened with the onset of that kind of pathological disharmony so graphically portrayed in the socialist works prevalent in the West. To prevent the advent of such a process, China required an economic program that would provide for the immediate, and enhance the future, well-being of all its citizens.

For Sun, such a program involved "equalization of landownership" and the "regulation of capital." Both were implicit, and often explicit, as early as the exchanges in the *Min-pao* of 1906.⁴⁸ In 1924 "equalization of landownership" was advanced as precaution against speculation in land, the nonproductive dissipation of scarce capital, and the development of conditions that might foster fratricidal class warfare. What Sun proposed was a clear determination of the value of land before the rapid development of industry and commerce could inflate it, producing all the disabilities he anticipated. Once the value of land was fixed, all "unearned increments," increments in value that were not the direct result of capital improvements by the landowner himself, would be taxed. Ownership would remain with the current owner, but the government would reserve the right of purchase at the fixed value in order to serve the public interest.⁴⁹ Beyond that, Sun advocated the introduction of govern-

47. *Ibid.*, pp. 160-161.

48. Government control of public utilities and monopolies was advocated by both Hu Man-min in his "Kao fei-nan," and Feng Tzu-yu in his "Lu Chung-kuo Jih-pao min-shêng chu-i," p. 109. Sun collaborated with both authors during this period, and there is little doubt that such views would not have appeared had Sun objected to them.

49. Sun, *San-min chu-i*, pp. 178-179.

ment regulations designed to protect the peasantry and increase their productivity. He spoke of the oppressive rents that depressed the yield of the working peasantry. He spoke of rents that approximated those of rack-rents and advocated relief. Finally, Sun spoke of providing "land to the tillers."

Sun had alluded to both the notion of rent reduction and that of providing land to those who actually tilled it as early as 1899. In 1912, he reiterated, "China is an agricultural country. Without solving the basic problems of the peasants, no thorough reforms can be possible. In order to solve the agrarian problem, farmers must own their own lands."⁵⁰ In the interim, the discussions in the *Min-pao* had been given currency. Finally, in 1924, Sun spelled out his entire agrarian program. The Kuomintang, in his judgment, was compelled by circumstance and simple justice to mobilize peasant support for the revolution. In order to accomplish that, the revolution must appeal to the self-interest of the agrarian working masses. But more than that, a policy of rent reduction and land to the tillers would not only stimulate farm production but would allow critically important revenues, hitherto collected by landlords, to accrue to the state (*kung-chia*)—a state that would be responsible for implementing a comprehensive agricultural program of scientific agronomy, infrastructural development, water conservancy and rural irrigation.⁵¹

It is perfectly obvious that as a political leader, Sun was often circumspect in addressing his audiences. He did not always, and everywhere, give equal emphasis to every aspect of his land policy. But there is equally little doubt that Sun entertained a collection of programmatic ideas concerning a revolutionary land policy for China that included not only a tax on the unearned increment of land, but significant rent relief through legislation, and a correlative but independent policy of providing land to tenant farmers. As adjuncts to those programmatic ideas, Sun advocated extensive and intensive development of agriculture, not only drawing marginal and uncultivated land into production, but increasing yield through the employment of machinery, chemical fertilizers, scientific crop rotation, pest control, more effective irrigation, water conservancy measures, and flood control. All of which entailed the collateral development of appropriate educational facilities, machine produc-

50. As cited, Hsueh Chun-tu, *Huang Hsing and the Chinese Revolution* (Stanford: Stanford University, 1961), p. 141.

51. Sun, "Keng-che yao-yu ch'i-t'ien" [Land to the Tillers], *Kuo-fu ch'üan-chi*, 2, pp. 719-723, *San-min chu-i*, pp. 187-200.

tion, hydro- and thermoelectric power generation, and a mass-communications and transportation infrastructure.

Such an ambitious program of development required the intervention of the state through coordinating and control agencies that had all the attributes of the "state socialism" to which the intellectuals of the *T'ung-mêng hui* had alluded as early as 1906. Under the revolutionary dispensation, the "industrial development of China [would] be carried out along two lines: (1) by private enterprise and (2) by national undertaking. All matters that can be and are better carried out by private enterprise should be left to private hands which would be encouraged and fully protected by liberal laws. . . . All matters that cannot be taken up by private concerns and those that possess monopolistic character should be taken up as national undertakings. . . . The property thus created [would] be state-owned and [would] be managed for the benefit of the whole nation."⁵²

These policies governing the process of industrialization constituted the substance of "the control of capital." Private enterprise was to operate freely within the expanding economy, but critical sectors of the economy and major undertakings, requiring all the advantages of scale, were to be conducted by the planning and control agencies of the state.⁵³ The state, furthermore, would assume tutelary obligation to insure a system of distribution that would minimally provide adequacy—and gradually, a substantial equality of welfare for all. Such a system would displace profit as the single object of enterprise, and "make nurture of the people its aim." Ultimately, the capitalist system of commodity production would be entirely displaced.⁵⁴ "In a nutshell," Sun was to insist, "it is my idea to make capitalism create socialism in China so that these two economic forces of human evolution will work side by side in future civilization."⁵⁵

These complex programs of economic development and modernization would require substantial capital, and technological, transfers from the more advanced nations. Such transactions would have to be undertaken under circumstances of equity and mutual respect. To insure such an eventuality, China must have the military power to deter threat, and the sovereign right to abrogate unequal

52. Sun, *The International Development of China*, p. 135.

53. Sun, "History of the Chinese Revolution," *Fundamentals*, p. 82.

54. Sun, *San-min chu-i*, pp. 198-199.

55. Sun, *The International Development of China*, p. 334.

treaties.⁵⁶ China, undertaking development, required the effective right to maintain a system of tariffs to protect nascent, and as yet non-competitive, industries. Without the abrogation of unequal treaties, which denied China the sovereign right to determine its own trade and investment policies, economic relations with the more advanced powers would work to the nation's disadvantage.⁵⁷ Sun's continued insistence on the necessity of importing foreign capital, technology, and expertise,⁵⁸ as we have seen, was always tempered by an equal insistence on China's political independence and her military preparedness. Only "if China stood on an equal political basis with other nations could she compete freely with them in the economic field and hold her own. But as soon as foreign nations use political power as a shield for their economic designs, then China is at a loss how to resist or to compete successfully with them."⁵⁹

For Sun Yat-sen neither the flow of capital from the advanced to the peripheral states, nor the involvement of the less developed states in bilateral or multilateral trade with those more industrialized, was intrinsically exploitative. It was not something inherent in the nature of the international system of trade or investment that determined the outcome of developmental efforts on the part of economically or industrially retarded communities. Some of the most critical variables influencing those outcomes had to do with the political and military properties of those communities themselves.

For Sun, China's future could only be assured by the determined actions of the Chinese themselves. Armed with a set of reasonably well-defined objectives, and a programmatic guide to modernization and development, the Chinese could achieve substantial economic and industrial maturity in the space of "two or three decades." For Sun, the Chinese would have to provide the determination themselves. For his part, he imagined himself having delivered an ideology, and a programmatic guide to development, more realistic and more coherent than any other offered his contemporaries. More than a generation after his death, the defeated remnants of

56. Sun, *The Vital Problem of China*, pp. 6, 8-9, 29-32, 96, 115, 124, 136-137, 150-151, 159, 171; cf. "The Kuomintang Declaration at Its First National Convention, January, 1924," and "Dr. Sun's Manifesto on the Northern Expedition, September 18, 1924," in Leonard S. Hsu, *Sun Yat-sen: His Political and Social Ideals* (Los Angeles: University of Southern California, 1932), pp. 120-141, 142-145.

57. Sun, *San-min chu-i*, pp. 208-209; cf. "Statement on Establishment of the Central Bank of China. August 16, 1924," *Foundations*, p. 175. See also Yet Shang-chih, *Min-Shêng ching-chi-nsueh [Economics of People's Livelihood]* (Taipei: Lion, 1966).

58. Sun, "How to Develop Chinese Industry," *Foundations*, p. 187.

59. Sun, *San-min chu-i*, p. 208.

the revolutionary party he founded, undertook to implement his policies in what was to be "a model province" of the China Sun, himself, had unsuccessfully sought to unify and modernize. In 1949, the Kuomintang, committed to the program left by Sun Yat-sen, undertook the economic modernization and industrial development of Taiwan. The three decades that followed witnessed the transformation of what had been a traditional agrarian economy into one that was essentially modern and industrialized.

Now that the political and economic authorities across the Taiwan Strait on the Chinese Mainland have shown a disposition to abandon many of the orthodoxies of traditional Marxist economics and approach the industrialized nations of the West for capital transfers and technological assistance, one can only speculate on just how many of Sun's ideas on economic development and modernization might surface in the forthcoming economic programs of a modified Chinese Communism.

CHAPTER III
Sun Yat-sen and the Economic Development of Taiwan*

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After the end of the second world war, events conspired to produce an environment in which Sun Yat-sen's program for economic development might finally be attempted, while at the same time restricting that undertaking to the island of Taiwan. The retrocession of Taiwan to the Republic of China in 1945 and the Nationalist retreat to the island bastion in 1949 confined the experiment to that geographic space. However restricted the space in which the experiment would be conducted, the enterprise on Taiwan profited from some advantages any such effort would not have enjoyed on the Mainland. In the first place, on Taiwan the scale of the undertaking would be far more manageable. Equally important was the fact that the Nationalist government on Taiwan would not be burdened by the non-movement allies that had obstructed its purposes on the Mainland. Finally, if the Kuomintang were to retain any credibility after its military defeat at the hands of the forces of Mao Zedong it would have to realize some of its programs. The leaders of the Republic of China were infused by the motivation of desperation.

On the Mainland of China, for almost two decades, the efforts of the Kuomintang had been absorbed in pacifying and unifying a nation fragmented by systemic revolution and warlordism, resisting interference in its internal affairs by a number of foreign powers, and defending the community against the armed aggression of Japan.¹ Curiously enough, only defeat on the Mainland, and withdrawal to Taiwan, provided the Kuomintang with the occasion to attempt to implement the program of economic development left as an intellectual heritage by Sun Yat-sen.

Although the political circumstances were auspicious in at least these senses, economic conditions on Taiwan could hardly be less propitious. Until 1945 Taiwan had been an essentially agricultural adjunct of Japan for half a century. Between the turn of the century and 1945, the trade relations of the island were restricted almost exclusively to bilateral exchanges with the Japanese. With retroces-

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1. For a brief discussion of the circumstances of Nationalist rule on the Mainland during this period, see Robert E. Bedeski, *State-Building in Modern China: The Kuomintang in the Prewar Period* (Berkeley: Center for Chinese Studies, 1981).

sion, those relations were severed. Moreover, with retrocession, the Japanese withdrew all their governmental, administrative and technical personnel, leaving the economy of the island bereft of critical skills. During the second world war, almost the entire communications and transportation infrastructure had been destroyed by Allied bombing. The shortage of capital inputs had reduced agricultural yield by about fifty percent. Finally, when the Nationalists assumed sovereign control over the island they brought with them an awesome rate of inflation that further impaired the already seriously defective economy. It was within such a context that the leaders of the Republic of China decided to embark upon a program of economic development for Taiwan. That program was to be guided by Sun's programmatic ideas.

The economic program of Sun Yat-sen involved several features: (1) a land policy calculated to generate capital for transfer to the industrializing sector while providing some measure of income equity and land redistribution; (2) an effort to attract foreign concessional and nonconcessional aid and expertise; (3) a studied defense of sovereign independence and integrity in the face of external threat; and (4) the construction of a tutelary state equipped to superintend a joint public and private program of rapid economic development.²

As soon as the situation on Taiwan was stabilized in 1949, General Chen Cheng was chosen by Chiang Kai-shek to embark upon a broad policy of land reform as that reform had been prefigured in Sun's *San-min chu-i* in 1924.³ Chen had been one of Sun's "loyalists" at the Whampoa Military Academy and a close confidant of Chiang. In his youth, he had undertaken the leadership of the Society for the Study of Sun Yat-senism and was ideologically committed to the inherited doctrines of *min-shêng*—Sun's "principle of the people's livelihood." With the first intellectuals who had collected around Sun Yat-sen he had learned from Henry George that resolution of the "land question" was a prerequisite of any indigenous "economic progress." Taking "rent in taxation for public purposes," George had argued, would "further advances in productive power, and the tendency in this direction would be greatly acceler-

2. See Maria Hsia Chang, "Sun Yat-sen's Program for the Economic Modernization of China," and A. James Gregor, Maria Hsia Chang and Andrew Zimmerman, *Ideology and Development: Sun Yat-sen and the Economic History of Taiwan* (Berkeley: Center for Chinese Studies, 1981).

3. For a brief biographical sketch of Chen Cheng, see "Chen Cheng," in W.G. Goddard, *The Makers of Taiwan* (Taipei: China Publishing, 1963), pp. 125-143.

ated. . . ."⁴ Like all of Sun's followers Chen understood that any effort to modernize and industrialize an economy required a land policy that would release capital from traditional pursuits for employment in the modern sector.

Sun had identified primary production—agriculture and mining—as the “basis” of all other economic activity.⁵ His original land policy was calculated to not only provide relief for the rural population of China, but to release capital, long immobilized in landholdings, for industrial and commercial use. He anticipated not only increasing yields from agriculture through major land reform, but institutional techniques that would transfer the profits from that increasing yield into the industrial growth sectors of the national economy. All of that had become so evident to the ideologues of the Kuomintang that in 1943, when Chiang Kaishek took it upon himself to write a brief account of “Chinese Economic Theory,”⁶ he simply reiterated Sun's plan of economic development predicated on the necessary resolution of the land problem.⁷ A coherent land policy was, in Chiang's as in Chen's judgment, the necessary condition for both rural stability and industrial and commercial development.⁸

Such a policy would involve systematic cadastral surveys, effective land redistribution, a program of water conservancy and an extension of irrigation facilities so essential to agricultural yield. As Sun had before him, Chiang spoke of the necessity of technological innovation and the introduction of agrobiological extension services to the agrarian sector to insure the employment of the most modern scientific methods of farm production. Like Sun, he advocated the development of a wide network of transport and communications infrastructure to service rural needs—all in the effort to improve per capita and total agricultural productivity.⁹ All of that, in turn, would have to be undertaken in conformity with a program that would provide for the intersectoral transfer of capital from the

4. Henry George, *Progress and Poverty* (New York: Schalkenbach, 1953), pp. 272, 413, 433,442; cf. p. 456.

5. Sun, “How to Develop Chinese Industry,” in *Fundamentals of National Reconstruction* (Taipei: China Publishing, 1953), p. 190.

6. It is clear that Professor Tao Hsi-sheng played a considerable role in the drafting of the text, but it is equally clear that the central ideas contained in the exposition were those of Chiang. Cf. Brian Crozier, *The Man Who Lost China* (New York: Scribners, 1976), pp. 246-247.

7. Chiang Kai-shek, “Chinese Economic Theory,” in *China's Destiny* (New York: Roy, 1947), pp. 242-245.

8. *Ibid.*, p. 258.

9. *Ibid.*, pp. 272-274.

agrarian, to the modernizing and industrial, sector. Under such a program "commercial capital [would] be invested in industry instead." For Chiang, like Sun, the land policy was understood "in terms of agricultural-industrial, and more especially of agricultural-commercial relations in order to achieve a real solution. The solution of the land problem [would] not only put an end to commercial profiteering and the enlargement of land holding, but [would] also facilitate the industrialization of China. . . ."10

Ideally, agricultural policy would not only create circumstances in which there would be net capital transfers from the traditional to the modern sectors of the economy, but it would enhance raw materials production necessary for industrial growth, and provide the increments in per capita consumption in the rural areas that would constitute an expanded market for industrially generated commodities as well.¹¹ Native industries insulated from foreign competition by import tariffs, could establish themselves and lay the foundation for China's economic and industrial growth.¹²

These were the intellectual convictions with which Chen Cheng arrived in Taiwan. In his judgment the "implementation of land reform [was] not only basic to the betterment of the people's livelihood and the promotion of political social stability," but it would provide the "motive force for the furtherance of economic development and industrialization."¹³ Chen assumed his responsibilities on Taiwan with a clear appreciation of Sun's policies concerning economic growth and modernization.

One thing that ideological resolve could not supply was the foreign capital assistance and technological transfers that were called for in Sun's original program. Sun, and the intellectuals around him, had made the availability of international capital a critical part of their program. They argued that once the constraints and impositions that were the products of unequal treaties were eliminated, a developing China could enter into bilateral and multilateral trade and assistance programs that would foster its modernization and industrialization.

In 1949 there appeared little prospect of such relations. Nonetheless, Chiang Kai-shek, fully cognizant of Sun's convictions con-

10. *Ibid.*, p. 285.

11. *Ibid.*, p. 287; in this context compare John W. Mellor, *The Economics of Agricultural Development* (Ithaca: Cornell University, 1966).

12. Chiang, "Chinese Economic Theory," p. 279.

13. Chen Cheng, *Land Reform in Taiwan* (Taipei: China Publishing, 1961), pp. xii, xiii.

cerning China's necessity to enter into economic symbiosis with one or another of the major powers during its transition from an underdeveloped to a developed nation, anticipated that the remnants of the Republic of China, irrespective of the immediate circumstances of 1949, could expect to ally itself with the anti-communist forces of the Western world against the growing threat of communist military and political expansion. Even while the economic and financial circumstances of the Republic of China on Taiwan appeared all-but-hopeless,¹⁴ Chiang anticipated the possibility of an eventual reestablishment of an economic and security alliance with the United States in what he anticipated would be the Western world's resistance against communism.

It was during this critical period that the Soviet Union increasingly revealed itself to the United States as a real antagonist—and the communist regime on the Chinese mainland, for whatever reason, proceeded to align itself with Moscow. In January 1950 the American consular offices in Peking were seized by the forces of Mao Zedong. In June the Korean War commenced, and in July 200,000 communist Chinese troops were deployed along the North Korean border. The immediate result of all this was an increased American interest in Taiwan as a strategic logistic base in the event of the expansion of hostilities in the Far Pacific. With the subsequent involvement of Chinese communist "volunteers" in the Korean fighting, American interest in, and commitment to, the defense and security of Taiwan increased. Massive infusions of American military and economic aid began to flow into the Republic of China on Taiwan, first to bring economic, political, and social stability, and then to help fuel a remarkable trajectory of economic growth and development. Chiang had gambled on such an eventuality when he charged Chen Cheng with the responsibility of initiating a program of economic development on Taiwan.

Thus, by the end of 1950 and the beginning of 1951, all the elements of a developmental program for Taiwan had been put into place. Animated by the general and indicative program left as an intellectual legacy by Sun Yat-sen, the Kuomintang undertook the economic modernization and industrial development of Taiwan. The program involved sequential stages that first required a resolution of the problems that beset the countryside through a redistribution of assets and a redivision of land, a concurrent outflow of

14. *International Financial Statistics* (Washington, D.C.: International Monetary Fund, April 1969).

capital from the agricultural sector, while increasing yield and maintaining, or enhancing, effective demand in the traditional sector. The subsequent stage would involve the creation and expansion of local industries via a stringent policy of import substitution and sheltered growth. American assistance would service both stages with capital concessions and loans, technology transfers, technical assistance and administrative counselling.

When American assistance manifested itself as a country aid program for Taiwan in the early 1950s it was received with a "competence, energy, development-mindedness, and cooperative spirit" that distinguished its reception from that accorded by almost every other aid recipient.¹⁵ That it was so received was as much a consequence of long familiarity with the developmental program we now identify with Sun Yat-sen as it was a function of native competence and energy. The fact is that more than "some aspects of Sun Yat-sen's Three People's Principles can be read into Nationalist rule" on Taiwan¹⁶—the entire program was not only infused with the developmental spirit characteristic of his ideology, it embodied most of its critical programmatic components.

In the early months of 1949, in anticipation of eventual American aid, the political authorities on Taiwan decided to commence with a program of economic development. The circumstances surrounding their rule on Taiwan, coupled with the necessity to impart a sense of reality to their political and strategic goals, moved the Kuomintang to undertake the first phase of Sun's program for economic growth and industrialization. That phase required the implementation of a policy of general rent reduction for tenant farmers in the rural areas. That part of Sun's program had been one of the planks of the Kuomintang as early as 1930. In that year the central government of the newly united Republic of China had promulgated a land law which provided (among other things) that farm rentals should not exceed 37.5 percent of the total annual yield of agricultural main crops. In conformity with that legislation, rent reductions were attempted in Kwangtung, Hunan, Hupeh, and Chekiang provinces. In Hupeh Chen Cheng, himself, proceeded to attempt the implementation of the rent reduction legislation in an effort that was at least reasonably successful.¹⁷

15. Neil Jacoby, *U.S. Aid to Taiwan* (New York: Praeger, 1966), pp. 225-226.

16. John Israel, "Politics on Formosa," in Mark Mancall (ed.), *Formosa Today* (New York: Praeger, 1964), p. 59.

17. Cf. Chen, *Land Reform in Taiwan*, pp. 18-19. For Chen's views on land reform see Chen Cheng, *An Approach to China's Land Reform* (Taipei: Chen Cheng, 1951).

For a multitude of reasons the efforts on the mainland of China had failed, but in 1949 the Kuomintang had every incentive to undertake the attempt once again. With the full approval of the Central Committee of the Kuomintang, and the express approval of Chiang Kai-shek, Chen Cheng, immediately upon his arrival, was instructed to decree a reduction of agrarian land rents in Taiwan to a sum no greater than 37.5 percent of the total annual yield of the main farm crop.

The measurable effect of the decree (and its subsequent embodiment into law) was immediate. Enforcement was begun in April 1949 and concluded in September of the same year. By May, 1949, 302,000 farm families had entered into new lease contracts governed by the new rent reduction legislation. Out of the total cultivated land area of 2,018,760 acres on Taiwan, 613,000 acres were affected by the rent reductions. By 1952, when the program was completed, it involved 43 percent of the total number of farm households and over 29 percent of the total cultivated land.

Almost immediately thereafter, the Nationalist government undertook a program to transfer ownership of land to actual tillers by selling some of the public land possessed by the central and provincial governments (which involved about 20 percent of the cultivated land surface of Taiwan). The price set on public land was 2.5 times the annual yield of the principal crops and was to be paid in twenty installments over a period of ten years. At the conclusion of the program more than 171,700 acres were sold to 139,688 farm families.

In January 1951 a systematic ownership survey was undertaken by a joint Sino-American commission (the Joint Commission on Rural Reconstruction) in anticipation of the enactment of further land reform legislation designed to transfer the ownership of excess land from landlords to tillers. In July 1952 the draft of 33 articles, that was to serve as the prototype of the subsequent legislation that would redistribute land ownership on Taiwan, was submitted to the Provincial Assembly. On January 20, 1953 the omnibus legislation designed to provide land to actual tillers passed into law. The government then undertook compulsory purchase of all land that exceeded the prescribed retention limit (three *chia* or 7.16 acres) to be sold to the tenants who were the actual tillers. By December 1953 the compulsory purchase and resale of land was complete and involved 16.4 percent of the total cultivated land surface of Taiwan. Over 344,000 acres of land were purchased and resold to 194,800 farm families. This redistribution, coupled with the sale of public lands, involved 24.5 percent of the total cultivated acreage of

Taiwan.¹⁸

The excess land purchased from landlords was paid for at a value set at 2.5 times its annual yield, 70 percent of the compensation coming in commodity (rice and sweet potato) bonds and the remainder in shares of stock in four government enterprises (the Taiwan Cement Corporation, Taiwan Pulp and Paper Corporation, Taiwan Industrial and Mining Corporation and Taiwan Agricultural and Forestry Development Corporation). The commodity bonds paid a 4 percent annual interest and both bond principal and interest were to be amortized in 20 equal semiannual installments. Tenants purchased the land from the government at the price paid by the government to the former owners. The purchase price was paid at a 4 percent annual interest and in direct payments in kind for rice paddies, or in cash payments for land devoted to sweet potato cultivation.

By the end of the rent reduction, public land sales, and land-to-the-tillers programs, more than 43 percent of all farm families on Taiwan had benefited by the statutory reduction in share-cropping fees, about 20 percent purchased public lands, and almost 48 percent of all farm households had profited from land redistribution. Almost half of Taiwan's farm families, or about 75 percent of tenant and part-tenant households, were able to purchase at least some land. As a consequence, the number of tenant and part-tenant farm households as a share of total farm households on Taiwan declined from 41 percent in 1947 to 21 percent in 1953, to decline still further to 10 percent in 1970. In accordance with Sun's policies of land reform more and more tenant farmers became owner-cultivators and a ceiling was imposed on land rents. Beyond that, the effects anticipated by Sun, less easy to isolate and quantify, radiated throughout the island economy.¹⁹

As Sun Yat-sen and those around him had anticipated, one of the most important economic consequences of these changes was an outflow from agriculture to the nonagricultural sector amounting to about 22 percent of the total value of agricultural production between 1950 and 1955.²⁰ This was accomplished, not only by forced land

18. See Chen, *Land Reform*, chap. 4; Samuel P.S. Ho, *Economic Development of Taiwan* (New Haven: Yale, 1978), pp. 162-165.

19. See Doreen Warriner, *Land Reform and Economic Development* (Cairo: National Bank of Egypt, 1955).

20. T.H. Lee, *Strategies for Transferring Agricultural Surplus under Different Agricultural Situations in Taiwan* (Taipei: Joint Commission on Agricultural Reconstruction, 1971 [mimeo]).

sales but, in part, by the increase in real farm incomes that commenced with land reform. In the prewar period (1936-40) the average propensity to consume among farmers was 92 percent. In the period between 1956 and 1960 it had fallen to 80 percent. In effect, between 1940 and 1956 the average money-saving-consumption ratio in rural households rose from 8 to 20 percent. The substantial savings that accumulated among farm families in the 1950s could be largely attributed to the income redistribution affected through the rent reduction and land reform programs of 1949 and 1953.²¹ Financial institutions transferred that capital to the capital scarce industrial sector.

Coupled with compulsory land sales and the high rate of voluntary savings, a number of governmental policies ensured a high net capital outflow from the agricultural, to the nonagricultural, sector. One such policy involved government control over the marketing of rice. That was done by making land taxes and land payments payable in rice, by instituting a schedule of compulsory rice sales to the government, and by establishing a rice-fertilizer barter system through which farmers obtained critically needed fertilizers only by providing rice in exchange. All these rice collections were obtained at government prices that were considerably lower than prevailing market prices. As a consequence, "invisible" revenues accrued to the government that were the equivalent of the difference between the government and the market price multiplied by the total amount of rice obtained.²² Those revenues became one of the principal sources of government funds.

In order to make the growth dividends from agriculture fuel industrialization and economic development without generating social and political dissidence in the countryside, substantial benefits were provided to farm households to supplement the increments in income that attended the process. A number of just such benefits were almost immediately forthcoming. In the first place, the entire program was supervised closely by the Sino-American Joint Commission on Rural Reconstruction to ensure that modern agrobiological and technological assistance was made available to all farmers, large

21. T.H. Lee, *Intersectoral Capital Flows in the Economic Development of Taiwan, 1895-1960* (Ithaca: Cornell, 1971), p. 120.

22. Shirley W.Y. Kuo, "Effects of Land Reform, Agricultural Pricing Policy and Economic Growth on Multiple Crop Diversification in Taiwan," *Philippines Economic Journal* 14, 1-2 (1975), 159-164; see Kuo-shu Liang and T.H. Lee, "Taiwan," in Shinichi Ichimura (ed.), *The Economic Development of East and Southeast Asia* (Honolulu: East-West Center, 1975), p. 305.

or small, on an equal basis. Moreover, the Irrigation Associations, sponsored by the government, assured all farmers of adequate water supplies—something critical to farming on Taiwan. Furthermore, by 1965, the government, through its own agencies or government-sponsored Farmers' Associations, supplied 65 percent of all agricultural loans under strictly controlled conditions. Before the land reform private moneylenders provided 82 percent of the credit available to farmers at rates that were all-too-often disabling, if not ruinous.²³ In 1950 farmers could secure short-term commercial loans at no less than 3.45 percent per month—or about 42 percent per annum. With government control and the availability of credit through the cooperative Farmers' Associations, the rate fell to 1.2 percent per month—14.5 percent a year—by March, 1964.

The rice-fertilizer barter system, under the provisions of Provincial Food Bureau allocation, ensured all farmers equal access to limited supply. In most developing market economies where critical agricultural inputs—credit, water and fertilizer—are in short supply, it is almost invariably the wealthier cultivators, with the larger holdings, that obtain them. With that advantage the wealthier strata of the rural population increase their control over local credit, alienate smallholders from their land, and are in a position to further exploit impoverished agricultural laborers.²⁴ Land reform and close government supervision made all that impossible on Taiwan. The political authorities were following the injunction of Sun Yat-sen that “class conflicts between small and large farmers. . . be avoided.”²⁵

Thus the developmental program of the Kuomintang provided that agriculture would underwrite modernization and industrialization through net capital transfers from the farm, to the modern, sectors of the economy—just as Sun Yat-sen had anticipated. The agricultural sector provided the growth dividends that supplied much of the domestic capital on Taiwan, and made up a substantial part of the island's international trade deficits. Between 1953 and 1962 the most binding constraint on Taiwan's development was the dearth of foreign exchange. During that period agricultural production not only met the domestic food requirements of population

23. R.P. Christensen, *Taiwan's Agricultural Development* (Washington, D.C.: Government Printing Office, 1968), p. 57.

24. Keith Griffin, *The Political Economy of Agrarian Change* (Cambridge, Mass.: Harvard, 1974), p. 30.

25. Cf. Walter P. Falcon, “Lessons and Issues in Taiwan's Development,” in T.H. Shen (ed.) *Agriculture's Place in the Strategy of Development: The Taiwan Experience* (Taipei: Joint Commission on Rural Reconstruction, 1974), p. 271.

growing at a very rapid rate, but provided a surplus for exports sufficient to finance at least half of the total imports of the island. Agriculture, in conjunction with U.S. economic aid, thus financed the early industrialization of the Republic of China on Taiwan.²⁶ For all that, per capita and household farm incomes increased, and welfare and life-enhancement benefits were made more and more readily available to the countryside.

That the first phase of Taiwan's development was so successful is at least in part attributable to the fact that it was initiated by "a group of people. . . who had a relatively clear conception of the form agricultural development should take. . . ."²⁷ That relatively clear conception, in substantial part, was the product of a long familiarity with the development ideology left as an intellectual heritage by Sun Yat-sen.

Over half a century ago Sun argued that resolution of the land problem was critical to any program of economic development and industrialization. He saw a complex program of land taxation, rent reduction, and land-to-the-tillers as providing the mechanisms that would make rural resources available for capital formation in China.

Beyond that, Sun Yat-sen seemed to clearly recognize the dualistic structure of China's economy—a small modern sector of nonagricultural pursuits coexisted alongside a basically agricultural economy. The development of the nation's economy would require gradually shifting the center of gravity from the agrarian, to the modern, sectors. Accomplishing that shift would require modernizing agriculture, generating transferable agricultural surplus, accumulating real capital to sustain nonagricultural employment, and finally, reallocating labor from agricultural to nonagricultural pursuits. Rather than embarking immediately on an effort to fabricate a heavy industrial base for such an economy to the neglect of agriculture, Sun proposed a systematic upgrading of agriculture, infrastructural development, mass education, an expansion of labor intensive industries under a regime of tariff protection, and a final effort to create a heavy industrial foundation for a new society. An interventionist government would create a policy environment for private economic activity by influencing foreign exchange, credit, trade, tariffs, and foreign investment incentives. These actions would condition the subsequent course of growth and income streams. Other

26. Liang and Lee, "Taiwan," p. 322.

27. Erik Thorbecke, "Agricultural Development" in Walter Galenson (ed), *Economic Growth and Structural Change in Taiwan* (Ithaca: Cornell, 1979), p. 204.

than that, the government would directly participate in productive activities through ownership in the public sector.

Sun recommended that early in the process the authorities would have to initiate a policy of protective tariffs and import controls to insulate native industries—initially labor intensive—against any “invasion of foreign goods.” In the first stages of its development, China would have to impose restrictive tariffs on foreign imports and “put into effect a protective policy” that would permit “home industries. . . to develop.”²⁸

Chiang Kai-shek, as heir to the developmental policies of Sun, early committed the Kuomintang to a protectionist, import substitution policy during the first phase of industrial development. In 1943 Chiang reiterated all the essentials of Sun’s program of phased industrial development and modernization.²⁹ Critical to that program, Chiang went on, China “must. . . adopt a protectionist policy with regard to foreign trade, and a policy of economic planning with respect to her industrial development.”³⁰ During the first phase of Chinese development, primary comestible and nondurable consumer production must be assured, rendered maximally efficient and modernized, through a policy of protection. Such a program of sheltered growth, administered by the state, was calculated to help “transform an agricultural into an industrial society.”³¹

Along with a land reform and protectionist policy, Chiang, like Sun, committed himself to an aggressive and interventionist role for the tutelary state. Central to the convictions of Sun’s *International Development of China* was the conception of the state as a central

28. Sun Yat-sen, *San-min chu-i* (Taipei: China Publishing, n.d.), p. 209.

29. See Chiang, “Chinese Economic Theory,” pp. 259-262. The commitment to tariff control and import substitution had been explicit in Chiang’s writings as early as 1928 and 1929. In a speech entitled “My Reflections on Customs Tariffs,” Chiang maintained: “Our ability to escape from foreign economic bondage depends on our control over customs regulations. Our agricultural, industrial and commercial development is retarded. . . . The tariff regulations imposed upon us by foreign governments permit foreign products to overwhelm our own. Our imports exceed our exports and we incur losses in trade deficits. This is the most difficult constraint on our economic development. . . . We will continue to struggle for full control of our customs regulations. Our purpose is our national economic development. . . . The full control over our customs regulation was one of the objectives pursued by our Tsung-li [Sun Yat-sen] for years.” *Chiang T’sung t’ung* 9, 127; compare *ibid.*, 9, 22, and “Chinese Economic Theory,” pp. 267-273, 283.

30. Chiang, “Chinese Economic Theory,” p. 279.

31. Chiang Kai-shek, “Chapters on National Fecundity, Social Welfare, Education and Health and Happiness,” *Supplement to San-min chu-i* (Taipei: China Publishing, n.d.), p. 218; compare *San-min chu-i*, pp. 208-209.

management agency for the entire economy.³² State planning would be indicative rather than prescriptive because the developmental program, by design, would involve a large private sector and an attendant market economy. Given such circumstances—as well as the necessity of seeking a substantial inflow of foreign capital, and entrepreneurial and technological expertise—government planning in China would proceed under the constraints implicit in allowing the operation of domestic and foreign private enterprise facilitated by “liberal laws.”

Planning, under such money and commodity market constraints, could only be indicative. The state would control financial institutions and enterprises of scale, but vast sectors of the system would respond to price signals provided by the market. Such a mixed economy would have to allow for the uncertainties that are the product of opportunity costs and factor advantages characteristic of open, or relatively open, markets. Sun early recognized that one of the advantages enjoyed by China was its evident abundance of cheap labor. China could attract foreign and domestic private venture capital with its low cost labor.³³ Some substantial part of Chinese development could thus be underwritten by foreign and private capital seeking advantage in producing goods at competitive prices for international trade.³⁴ Planning, as a consequence, would have to be suggestive rather than prescriptive, flexible rather than rigid, involving the provision and employment of incentives and disincentives as policy instruments, rather than the issuance of quota assignments and specific resource allocations common to public planning in command economies.

Other than the provision of general economic plans, the tutelary state would be charged with the responsibility of protecting collective welfare throughout the process of economic development and industrialization. It would, in Sun's view, not only foster the establishment and growth of initially cost-inefficient industries, and provide for balanced growth, but would attempt to provide for more equitable income and welfare distribution. In this latter regard, Sun Yat-sen advocated a decentralization of industrial development in

32. Sun, *International Development in China* in *Kuo-fu ch'üan-chi* (Taipei: Kuomintang Party History Committee, 1973), 5, p. 135; compare Sun, *San-min chu-i*, pp. 158-160, 180-182; “How to Develop Chinese Industry,” *Fundamentals*, p. 189.

33. Sun, *International Development of China*, pp. 297, 300, 310, 333, “Chêng chien chih piao-shih” [The Expression of Political Opinion], *Kuo-fu ch'üan-chi*, 2, 303.

34. Sun, *International Development of China*, pp. 129-130, 132, 138, 182, 197, 276, 306, *San-min chu-i*, pp. 205, 210.

China in order to ensure the modernization and economic maturation of *all* geographic areas of the country, as well as more equitable distribution of the attendant benefits.³⁵ Conjoined with currency regulation, tax reform and land redistribution, the state would ensure more equitable income allocation and general welfare provision through geographically balanced growth.

A generation later, when Chiang Kai-shek faced the prospect of implementing Sun's program, he assumed essentially the same postures. He reaffirmed the role of the state, the necessities of land reform and income and welfare equity. He spoke of foreign investment and international cooperation in the development of China. And he advocated a decentralization of industrial development in order to ensure that "industry [would] be distributed equally," bringing "cities and rural districts. . . into equilibrium."³⁶

Thus, both Sun and Chiang conceived China's development as proceeding through intensive involvement in the worldwide market economy. Both maintained that the development of China would be inspired and directed by the interventionist state controlling private capital and foreign trade through a comprehensive policy that would ensure balanced growth, decentralized industry, substantial equality in income distribution, opportunities for private economic initiatives, and competitiveness in the international market. In the process there would be increasing provision of social services and the creation of requisite human capital through expanded welfare and educational facilities that would extend longevity, enhance public health, and make literacy universal.³⁷

This was the schematic outline of a plan of agricultural development and industrialization that the Kuomintang brought with it upon its arrival on Taiwan. By 1953, the commitment to the creation of a "model province" involved all the energies of the leadership of the government of the Republic of China. By that time it was evident that a return to the Mainland, lost to the forces of Mao Zedong, would involve an indeterminate length of time. The only viable option that remained to the heirs of Sun Yat-sen was the effort to proceed with the development of a *min-shêng* society on the remnant of the nation that remained under Kuomintang control. By 1953, land reform had already been substantially accomplished, and a policy of industrialization through import substitution was initiated.

35. See Sun, *International Development of China*, pp. 144, 147.

36. Chiang, "Chapters," *op cit.*, p. 287.

37. See *ibid.*, pp. 231, 242, 272, 318.

In September 1953 the Economic Stabilization Board, and its subsidiary, the Industrial Development Commission, were created. The creation of such cabinet level agencies provided the centralized parastate machinery for administering the program of development. Such agencies faced a tangle of problems including a population rate of increase that exceeded 3 percent per annum—increasing Taiwan's population by nearly three million between 1946 and 1953—and a sizeable trade deficit that threatened the island's foreign reserves. With the loss of markets in Japan or mainland China, and the high demand environment for food and non-durable consumer goods on the island, a variety of small-scale consumer goods and simple manufacturing industries had sprung up on Taiwan between 1946 and 1950. Without import controls and the extensive use of foreign-exchange restraints, such industries, characterized by poor quality and high production costs, would have rapidly succumbed to foreign competition.

By the early 1950s an increasing number of commodities were removed from the list of permissible imports and constrained by import controls in order to provide domestic industry an environment of sheltered growth. To this end a whole range of consumer goods such as cotton and woolen yarn and man-made fibers were placed under control. The import of products such as leather and leather manufactures, cement, chemical fertilizers, soap, paper, tin plate, sewing machines, bicycles and motorcycles were "temporarily suspended" or "controlled" by the trade control agencies. Such discretionary controls over imports provided a major instrument of infant industry protection and promotion. Conjoined with the land reform legislation and income redistribution, foreign-exchange and import controls affected massive capital flows into the industrializing sector of the island's economy. The impact of foreign-exchange and import constraints on the one hand, and the income redistribution that attended land reform, produced terms of trade and a price structure heavily in favor of the new import-substituting industries. As a consequence, the prices of non-durable consumer goods, like textiles, rose sharply, only to fall as the domestic production of textiles expanded in response to the incentives provided by a protected market. Under such circumstances, by 1954 domestic production supplied an estimated 77 percent of manufactured domestic requirements, primarily in the consumer goods subsectors such as textiles and apparel, wood products and furniture, leather manufactures and printing. In comparison, in 1937, imported goods accounted for more than 70 percent of Taiwan's apparent domestic consumption of manufac-

tured goods. Protection had reduced Taiwan's high rate of import dependency not only for nonfood manufacturing as a whole, but for most of the remaining subsectors as well. In terms of the sources of demand for the nascent industries, the substitution of actual and potential imports is estimated to have provided as much as 91 percent of the effective market demand and for the more than 229 percent increase in net value added in nonfood manufacturing during the period between the last year of peak prewar production and 1954.³⁸

While fostering domestic industrial production, direct government actions were critical in supplying large-scale overhead capital to the emerging pattern of industrial development. There was a concerted effort to expand the transportation infrastructure. Within a short period of time railway development provided road and rail density measured in meters per square kilometer of area second only to that of Japan. Power generation projects were undertaken (supported as we have seen with U.S. project aid allocations) that allowed capacity to remain well ahead of demand at realistic pricing levels. The authorities also established a number of industry-oriented technology and investment institutes (such as the China Productivity and Trade Center, the Food Industry Research and Development Institute and the Industrial Development and Investment Center) to afford management training, marketing information, and technical assistance as well as credit for industrial entrepreneurs.

In effect, flexible macroeconomic planning, facilitated by the policy and fiscal mechanisms to which allusion has been made, succeeded in redirecting foreign exchange resources for the purpose of infrastructural construction, sheltering and expanding existing industry, and providing profit incentives to the relatively inexperienced domestic modernizing entrepreneurial class. With agricultural expansion providing the bulk of domestic capital to finance nonagricultural development, the necessary foundation for the subsequent stages of industrial growth was laid. Between 1949 and 1954 manufacturing production increased at an average annual rate of 22 percent. The rehabilitation of plants damaged during the war provided some of its substance, but the policy of import substitution and sheltered growth exerted considerable influence on its pace and character.³⁹ The first four-year plan (1953-1956) shifted

38. Ching-yuan Lin, *Industrialization in Taiwan, 1946-72* (New York: Praeger, 1973), Chap. 4; Ho, *Economic Development of Taiwan*, pp. 187-88.

39. Alice H. Amsden, "Taiwan's Economic History," *Modern China*, 5, 3 (July, 1979), pp. 364-365; Hsing Mo-huan, John H. Power, and Gerardo P. Sicat, *Taiwan and*

the planning emphasis from security and economic stabilization, that had prevailed from 1949 to 1952, to development. Heavy commitments were made to infrastructural, human resources, agriculture production, and industrial, projects.⁴⁰

Whatever the motives that inspired it, and whatever the successes that attended it, the first four-year plan did not solve Taiwan's foreign exchange problems. The development of import substitution industries required large-scale capital and raw materials imports. Manufacturing output on Taiwan doubled between 1952 and 1958 and real gross domestic product grew at a substantial rate of 7.1 per cent per annum.⁴¹ The Taiwan Production Board oversaw the rapid expansion of the textile industry and the increasing production of plastics, artificial fibre, glass, cement, fertilizer, plywood and chemicals—all of which required the import of basic raw materials. As a consequence, the balance of payments remained heavily in deficit, with exports financing only about 60 percent of imports throughout the entire period. The shortfall was made up by United States aid—but since the deficit showed no disposition to decline, and American aid could not be expected to last forever, some alternatives had to be sought.

There was little prospect that domestic industries, responding to indigenous demand, would ultimately be sufficiently profitable to supply the requisite funds. Domestic markets were too small to provide for the necessary economies of scale. By 1956 there was evidence of domestic market saturation.⁴² By the end of the '50s "many plants producing simple manufactures, such as woollen textiles, plywood, paper, rubber goods, soap, iron rods and bars, insulated wires, sewing machines, and electric fans, were operating at only 40 percent to 70 percent of capacity."⁴³ Private sector gross investment in fixed capital formation, as a consequence, fell from 56 percent in 1954 to 41 percent in 1958.⁴⁴ "As to the lack of investment. . .," K.T. Li explained at the time, "it is because productive sectors with handsome returns but involving little risk have been developed more or

the Philippines: Industrialization and Trade Policies (London: Oxford University, 1970), pp. 238-266.

40. See *Taiwan Statistical Data Book* (Taipei: Council for International Economic Cooperation and Development, 1971), pp. 147, 149-150, Tables 11-5 and 11-7.

41. See *Industry of Free China*, January 1955, p. 33.

42. See the speech of P. Kiang, then Minister of Economic Affairs, in *Industry of Free China*, October 1956, pp. 2-3.

43. Liang and Lee, "Taiwan," p. 295.

44. Chang, *Economic Development in Taiwan*, p. 80, Table 2-31.

less to a saturation point and can no longer absorb more investment."⁴⁵ The satisfaction of effective demand in the internal market produced a decline in the rate of overall manufacturing growth, a reduction of investment, a substantial price decline in non-durable consumer goods and increasing competition among producers.

At the close of the first four-year plan Taiwan was clearly approaching a critical stage in its economic development. Unlike most other LDCs similarly circumstanced, the authorities on Taiwan decided that a change in course would be required to reduce foreign indebtedness and dependency on American aid, sustain overall growth, and extend and intensify industrialization. The second four-year plan (1957-1960) drawn up at the close of 1956 already contained the elements of redirection. There was a clear commitment to the expansion of exports in the effort to increase domestic private investment and reduce foreign indebtedness. The leadership on Taiwan recognized that "easy" import substitution had come to an end and the only alternative that remained, if industrial development was to continue, was export-led growth.

For an economy situated like that of Taiwan such an option could only produce far-reaching reassessment of existing policy. It was clear that the first stage of growth was inspired by a programmatic strategy embodied in the writings of Sun and reflected in the doctrinal commitments expressed by Chiang Kai-shek. That strategy and those commitments, however, presupposed continental China as the economic base for Chinese economic modernization and industrialization. Given that assumption development would have been predicated on a generous resource base, a vast pool of relatively cheap labor, and a large internal market. The situation on Taiwan was radically different. Taiwan had a restricted market, very few mineral and subsoil fossil fuel resources and severely limited agricultural endowments. Its irregular rainfall allowed little potential for the development of hydroelectric power. The only competitive advantage enjoyed by the Taiwanese economy was its abundance of labor, upgraded by extensive educational facilities that had been established during the first four-year plan. Employing that supply of labor in industry could only take the form of adding value to imported, rather than domestically available materials.

For his part, Sun Yat-sen had been insistent upon the international competitive advantage of low labor-factor costs in the devel-

45. K.T. Li, "A Review of the Economic Situation in Taiwan in 1958," *Industry of Free China*, March 1959, p. 8.

opment of the Chinese economy. To exploit that endowment, he counselled Chinese programmers to support economic development and industrialization by selecting “the most remunerative field. . . in order to attract foreign capital.” To exploit its comparative advantages, China would have to judiciously weigh opportunity costs (“the most suitable positions must be chosen”) and pursue the “lines of least resistance” in putting together specific programs.⁴⁶ Given Taiwan’s lack of natural resources, after the stage of sheltered growth had been concluded, only its abundant supply of efficient labor could fuel subsequent growth. Without mainland China’s resources and internal market as its base, Taiwan’s development was obliged to shift into export-led modalities.

Given its limited choices in seeking “the most remunerative field,” any effort to attempt to promote development on Taiwan through export-led growth involved several preconditions. In the first place competitiveness of Taiwanese exports on the world market required that local manufacturers have access to imported raw materials, components, and capital equipment at no more than world prices. Since all the raw materials and productive components necessary for export production would have to be imported, such materials could account for about 65 to 70 percent of selling value. This meant that any import duties, commodity taxes, or surcharges might very well make exports non-competitive on the world market. In 1954, for example, the commodity tax applied to domestically produced and imported goods was levied at 15 percent on cotton yarn and rayon staple fiber yarn, 20 percent on artificial filament yarn, and 30 percent on woolen yarn. Such taxes alone were enough to make such textile goods non-competitive in international trade.⁴⁷ Only if such taxes were rebated or eliminated on goods for export could their profitability and competitiveness on the world market be restored. Moreover, even if imported raw materials could be obtained at no more than world prices, only relatively efficient labor could provide the margin that would make exports capable of returning enough to reduce foreign indebtedness.

To attempt to satisfy these preconditions of export-led growth, the Kuomintang authorities, as early as 1955, worked for the passage of the “Regulations for Rebate of Taxes on Export Products” that would rebate the taxes on imported inputs that threatened to reduce or eliminate the margin between input costs and selling value that

46. Sun, *International Development of China*, pp. 297, 300, 303, 310, 333.

47. Maurice Scott, “Foreign Trade,” in Galenson, *op. cit.*, p. 321.

made export goods profitable. Secondly, there were moves to devalue the national currency so that nontraded inputs (chiefly wages) would be reduced relative to international costs. Moreover, given government control of the basic staples in the national diet, food costs could be kept relatively low, further reducing the wage costs for potential exporters.

In 1957 the state Bank of Taiwan introduced low cost loans as incentives to exports (at 6 percent per annum payable in foreign exchange). Government export insurance was provided, direct subsidies were offered to promising export industries, and export marketing research was made available by government institutes. In 1958 a major foreign exchange reform was undertaken, dismantling the multiple exchange rate system that had prevailed during the phase of import substitution.⁴⁸ In 1959 tariff rates for a number of finished goods and their major imported components were reduced. Import controls, mechanisms employed to protect infant industry development, were relaxed and more and more items were removed from control.

During the second four-year plan a long list of modifications in the foreign exchange, commodity tax, import controls, fiscal and monetary policies added up to a major change in the developmental program of the government. There was a shift from an essentially domestic raw materials or agricultural-based, to an imported raw materials and labor-based, pattern of development and industrialization. After 1960 Taiwan's development was to be sustained by exploiting its relative economic advantages in terms of a relatively abundant supply of labor combined with growing entrepreneurial skills to penetrate world markets with the products of Taiwan's labor-intensive consumer goods industries.

At the end of the second four-year plan, an Accelerated Economic Development Program was formulated, which together with a 19-Point Financial and Economic Reform Program was designed to improve the climate for private investment, stimulate the growth of private-sector industry, and improve the foreign exchange situation. An Industrial Development and Investment Center was instituted, and in 1960 the Statute for Encouragement of Investment was promulgated, providing the legislative basis for development during the third four-year plan (1961-1964).

During this period there was a rapid increase in net domestic savings, which rose from 18 percent of gross capital formation in

48. Lin, *Industrialization in Taiwan*, pp. 74-76.

1959 to 60.6 percent in 1965. The ratio of foreign to indigenous capital declined from 46 percent in 1959 to 16 percent in 1965.⁴⁹ Investment accrued to the modern sectors of the economy resulting in major structural changes. The share of manufactured products to total exports averaged 41 percent during the period between 1959 and 1965, compared with the average of 12 percent for the interval between 1952 and 1958.⁵⁰ Many of the import substitution products developed during the period of sheltered growth—processed foodstuffs, beverages, tobacco, textiles, leather, wood items, paper and related products—constituted 58 percent of the total increase in exports between 1959 and 1965. Reflecting domestic factor endowments, the first period of export-led growth involved two major industrial subsectors: processed food production and textiles—both of which were labor-intensive. The food processing industry was more capital intensive than the average of Taiwanese industries, but the accomplishments of the island's agriculture made the export of agricultural products particularly profitable. Nonetheless labor-intensive consumer and consumer-oriented goods dominated the product mix of Taiwanese exports during the first phase of "outward directed" economic growth. By the mid-1960s there was a shift to more capital and technological-intensive subsectors of the intermediate goods industries. The emphasis began to shift from cement and paper to chemicals and petroleum products. Durable consumer goods industries began their expansion in the mid-1960s with machinery and electrical machinery manufacture.

As a consequence of these changes, the industrial sector of the economy expanded at a 20 percent annual rate compared to the 10 percent annual rate of the 1950s. Attending this growth was a proliferation of state institutions to service the special needs of industrial subsectors. The Industrial Development and Investment Center was expanded and a Medium and Small-Sized Enterprises Assistance Working Group was formed to assist small-scale enterprises in obtaining credit, developing managerial and marketing skills, and gaining access to the latest manufacturing techniques. A Metal Industries Development Center was devoted to providing similar assistance to the metallurgical industries, and the Union Industrial Research Institute conducted research and provided information on organic, inorganic, petroleum, and agricultural chemicals, metallurgy and construction materials.

49. Chang, *Economic Development in Taiwan*, p. 680, Table 11-1.

50. *Taiwan Statistical Data Book* (Taipei: Economic Planning Council, 1976), p. 182.

The fourth and fifth four-year plans (1965-1968, 1969-1972) involved a period of rapid overall growth of the economy. Per capita income growth rates more than doubled. The industrial sector grew dramatically. Between 1962 and 1972 the share of chemical, basic metal, and machinery products increased in net contribution to the gross domestic product from about 25 percent to about 50 percent of the total.⁵¹ Textile and apparel production held their own relative to aggregate manufacturing output. At the same time the agricultural sector continued its dynamic growth. With the absence of such continuous agricultural expansion, the supply of labor at competitive costs would be threatened and cost inflation would erode the relative advantages enjoyed by Taiwanese exports on the world market. In fact, the economic success of Taiwan's developmental program would have been seriously compromised had it not been for the generally balanced growth of agriculture and industry.

Such balanced growth would not have been possible if infrastructural development had not taken place during the preliminary phases of post-war restabilization and restoration. As we have seen, both Sun and Chiang had emphasized the importance of infrastructural articulation in any program of sustained economic growth and modernization. Given the network of roads and rails, conjoined with ready access to energy supplies at realistic price levels, both industry and agriculture could enjoy the benefits of technological innovation. More than that, the availability of such an infrastructure permitted the relatively dispersed rural character of Taiwanese industrialization. Gustav Ranis credits that regional character of manufacturing a "key" to Taiwan's successful growth and industrialization.⁵²

Perhaps the most interesting features of the entire process of industrialization on Taiwan turn on the creative implementation of Sun's policies by the planning agencies of the government. The various elements of his program were combined in a fashion that permitted their interpenetration and mutual support.

The fact that industrial development on Taiwan did not produce the disabling urbanization with its high social overhead costs and population dislocations characteristic of the same process in other LDCs was largely the consequence of the fact that the propor-

51. Henry Y. Wan, "Manpower, Industrialization and Export-led Growth," in Yuan-li Wu and Kung-chia Yeh (eds.), *Growth, Distribution and Social Change: Essays on the Economy of the Republic of China* (Baltimore: University of Maryland School of Law, 1978), p. 144, Table 3.

52. Gustav Ranis, "Industrial Development," in Galenson, *op. cit.*, p. 222.

tion of industrial establishments located in the five largest cities on the island did not substantially change in the twenty years between 1951 and 1970. The proportion of persons employed in manufacturing occupations in the cities, in fact, actually declined from 43 to 37 percent between 1956 and 1966 and remained virtually unchanged into the 1970s. This was rendered possible because industrial establishments could employ part-time, seasonal, and commuter rural labor without depopulating the countryside. That this was accomplished was contingent on the availability of rapid and efficient transportation as well as the provision of energy to "ruralized" manufacturing establishments at competitive costs. Without the antecedent development of a communications, transportation and energy supply infrastructure the ruralization of industry would have been impossible.

That rural labor could be so employed allowed farm households to enjoy the wage benefits available in the industrial sector—thereby tending to equalize family income between the rural and urban areas. By 1960 less than 50 percent of Taiwan's farm families were fully engaged in farming, 31 percent were employed at least part-time in the nonagricultural sector, and a full 20 percent considered agriculture only as a supplementary source of income. In 1964 non-agricultural income made up 32 percent of total farm family income, while by 1972 more than 50 percent of farm household income originated in the nonagricultural sectors.⁵³ The supplement to farm household incomes which derived from participation in the nonagricultural sectors not only provided an increased measure of income equity, but also allowed a steady increase in the effective demand that would fuel continued industrial growth throughout the 1960s.

All of this was fostered by the political authorities on Taiwan by a concerted effort to reduce any advantages industry might enjoy by concentrating in urban settings. Rural electrification and equality between urban and rural power rates reduced any economic incentives that might have skewed the pattern of industrial development on the island. The government invested in rural industrial estates, organizing the essential physical overheads that would make such rural locations attractive to private industry. By 1966 seventeen such

53. Ho, *Economic Development in Taiwan*, p. 254; Ranis, "Industrial Development," pp. 228-229. See also Shih Chien-sheng, "The Contribution of Education to Economic Development in Taiwan," Conference on Population and Economic Development in Taiwan, Institute of Economics, Taipei, 1976, and Pien Yü-yüan, *Kung yeh hua yü nung chia shuo tê fen p'ei* [*Industrialization and Agricultural Income Distribution*] (Taipei: Academia Sinica, 1979).

rural industrial areas had been established in which the government provided the necessary communications, transportation, and overhead adjuncts—and then sold plots to private investors.

The decentralization of industrial development on Taiwan afforded manufacturing establishments direct access to the economy's major productive asset: abundant and efficient labor. That the labor force was efficient was at least in part the consequence of the educational program initiated almost immediately upon the political stabilization of the island. The supply of rural labor readily trainable into semi-skilled workers was a critical input into Taiwan's rapid industrialization.⁵⁴ Manpower development programs in terms of educational expenditures have involved at least one-quarter of the total provincial budget on Taiwan since 1952 (compared to the 6.42 percent of total provided in the best years of the Japanese administration).⁵⁵ During the period of labor-intensive production that extended through the 1960s into the early 1970s the textile, chemical, and telecommunications assembly industries depended largely on semi-skilled workers produced in large numbers in the educational campaigns of the 1950s. By 1968 the effort to upgrade the labor force prompted the extension of publicly financed education from six to nine years. By 1970 economic development on Taiwan was unique in the extent to which attention was devoted to mass education. As a developing nation Taiwan's educational system more closely approximates those of a developed nation like the United Kingdom than those of the "third world."⁵⁶

Sun's emphasis on mass education, insisted upon as early as his reform proposals to Li Hung-chang in 1894 and repeated throughout his life, had become part of the developmental ideology of the Kuomintang. In 1953, when Chiang Kai-shek wrote the two concluding chapters to Sun's incomplete lectures on the *San-min chu-i*, he devoted considerable space to the necessity of an educational program that would train students to enter into the productive activities of the nation.⁵⁷ The mass literacy campaigns of the 1950s, and the sustained emphasis on education during the major growth periods, pro-

54. Wan, "Manpower, Industrialization and Export-led Growth," pp. 161-163.

55. Chang, *Economic Development in Taiwan*, p. 631, Table 10-3; *Social Welfare Indicators, Republic of China 1979* (Taipei: Council for Economic Planning and Development, September 1979), p. 68, Table A-6.

56. See *Educational Statistics of the Republic of China* (Taipei Ministry of Education, 1979); *United Nation's Statistical Yearbook 1979* (New York: United Nations, 1979); Ralph N. Clough, *Island China* (Cambridge: Harvard, 1978), p. 71, n.9.

57. Chiang, "Chapters," pp. 258, 261, 270, 277.

vided the semi-skilled and skilled manpower so essential to Taiwan's economic growth and development.

All the elements insisted upon by Sun—the articulation of a requisite infrastructure, the decentralization of industry, and mass education had been put together by the authorities on Taiwan in a fashion that permitted sustained agricultural and industrial growth while maintaining relative family income equity. Long familiar with the economic programs of *min-shêng*, the administrators and planners of Taiwan's development had affected programs that had moved Taiwan out of a substantially traditional economic system to one that had become increasingly modern while satisfying the essentials of Sun's social goals.

Between 1953 and 1974, industrial production on Taiwan increased at an annual average rate of 14.4 percent. Disaggregated, the rate of growth averaged 12.2 percent during the first half of the period and then accelerated to 17.2 percent during the subsequent half. Industrial production as a proportion of net domestic product rose from 11 percent to 31 percent of the total. By 1973 domestic savings as a percent of national income had increased to 32.3 percent, higher than any economy in Asia, and higher than most of the world's economies. By 1974 almost 84 percent of Taiwan's exports were industrial products. The composition of Taiwan's imports changed until by 1975 consumption goods amounted to only 7 percent of total imports and raw materials and capital goods had increased to 61 and 32 percent respectively. Export volume accelerated throughout this period, increasing at an average 23 percent per annum from 1960 to 1973. Because exports rose faster than imports (which grew at a rate of 18 percent per annum during this period) the trade balance improved and by 1964 exports financed about 100 percent of imports of goods and services. In 1963 the United States decided to terminate concessional aid to Taiwan in 1965 and it was estimated that the Republic of China on Taiwan, without aid supports, could self-sustain a rate of growth of about 6 to 7 percent per annum. In fact, the rate of growth from 1964 through 1972 was about 10 percent per annum. Given the circumstances, after 1964 the government on Taiwan had little reason to concern itself about the balance of payments. Foreign loans and long-term foreign capital inflow was used to build up fixed assets and foreign exchange reserves, with exports of Taiwanese goods and services financing on average about 99 percent of imports.

By the early 1970s the Republic of China on Taiwan was recog-

nized as a "hero" of development and industrialization.⁵⁸ Few, if any, LDCs had recorded such a remarkable history of stable, balanced growth. For two decades Taiwan's growth exceeded the target set by the United Nations Decade of Development. The rate of growth in national income (valued in U.S. dollars) was 6.2 percent per annum during the first four-year plan (1953-1956), accelerating to 6.5 percent between 1957 and 1960, and to 9.7 percent between 1961 and 1970. Per capita income rose during the same period, from 2.6 percent per annum during the first four-year plan, to increase to 3.1 percent between 1957 and 1960, and 6.5 percent per annum between 1961 and 1970. In two decades, a major structural change in the economy had occurred. Between 1953 and 1968 the share of agricultural output in the nation's gross domestic production fell from 41.8 to 24.4 percent, and the share of industry rose from 11.6 to 21.2 percent. Taiwan was no longer a traditional agrarian country. By 1970 Taiwan was a "semi-developed" country well on its way to economic maturation.

What becomes clear is that much of that impressive performance had been prefigured in the programmatic plans left to the Kuo-mintang by Sun Yat-sen. The recognition that the economic development of China required a transfer of capital from the less dynamic agricultural, to the more dynamic industrial, sectors was already explicit by about 1905. All the intellectuals who collected around Sun's revolutionary standard recognized that domestic capital formation required intersectoral capital flows. The program of "equalization of land rights," with government acquisition of unearned increment, was one device for accomplishing such transfers. It was also the device that was politically least objectionable. For at least that reason, it was given prominent place in a developmental program that came to include rent reform and land redistribution as well. The entire program was one that anticipated a rapid growth in agricultural production under the spur of rent reduction and land redistribution, and a consequent transfer of capital from the traditional to the modern sector. The accumulation of domestic capital would be supplemented by foreign capital and foreign technical assistance. Exploiting its natural endowments, and sheltered by a system of import controls, the infant industries of China would take root. Using its available supply of low-cost labor China could compete effectively in the world market earning enough foreign ex-

58. See Herman Kahn, *World Economic Development 1979 and Beyond* (Boulder: Westview, 1979), Chapter 6.

change to reduce initial foreign indebtedness, while building up its stock of domestic capital.⁵⁹ The subsequent growth of industry would be decentralized along the communications, transportation, and energy supply network provided by initial heavy investment in infrastructure.

All of this was undertaken, as Sun had advocated, under the aegis of a tutelary state. Land reform and land redistribution were designed and implemented by the state. Executive and legislative government actions controlled the prices of domestic comestibles, raw materials, and intermediary inputs into the economy. Education and infrastructural development was initiated by government programs, while licensing, quotas and tariffs controlled the flow of international commerce. That Sun's plans were implemented on Taiwan rather than on mainland China obviously involved significant changes in emphasis, the need for alternative instrumentalities, and different assessments of opportunity costs. That Taiwan was all but totally devoid of natural resources, and had only a small real and potential domestic market for its industrial goods, meant that any expansion in the modern sector would have to be export-led. But even under such circumstances, Sun's recognition that low cost labor would be critical to China's development permitted a strategy of export-led growth based on labor-intensive commodity production. This would be supported by direct state intervention in terms of rebates, tax holidays, easy credit, government sponsored unified and joint marketing programs, as well as state-established industrial estates and export processing zones. As Sun had anticipated, the role of the state in the management of capital accumulation became central to the economic modernization and industrialization of the Republic of China.⁶⁰ Although the manufacturing production of the public sector declined from 56.2 percent of total output in 1952 to 22.4 percent in 1970,⁶¹ the tutelary state remained the critical manag-

59. Sun had always understood that China would have to expand its foreign trade in order to generate the foreign reserves necessary for accelerated development. He argued that China's large pool of low-cost labor afforded the opportunity of providing agricultural and textile products for export. Such commodities would attract foreign investment because of their international competitive advantage. See Sun, *International Development of China*, pp. 129-130, 132, 138, 276, 306, and *San-min chu-i*, pp. 205-210. In a speech to the Nationalist Chinese Economic Commission in November 1945, Chiang Kai-shek reflected Sun's admonitions concerning the advantages of export trade based on low-cost labor. See *Chiang T'sung t'ung*, 17, 33.

60. Keith Griffin, "An Assessment of Development in Taiwan," *World Development*, 1, 6 (June 1973), 31, Table 1.

61. Amsden, "Taiwan's Economic History," p. 366; *Taiwan Statistical Data Yearbook*

ing agent for resource allocation and indicative planning.

Government policy on Taiwan reflected Sun's injunction that "all matters that can be and are better carried out by private enterprise should be left to private hands which should be encouraged and fully protected by liberal laws."⁶² That, conjoined with China's expected involvement in international trade and finance implied an indicative planning policy reflected in the programmatic outlines provided by the state at regular intervals. Planning under such circumstances provides a general guide to potential investors and entrepreneurs and affords a priority list for internal decision making. In its entirety such a plan is a flexible program that emphasizes a goal. The general population is provided insight into what is expected, foreign investors are reassured, and the entire economy is given a sense of mission and accomplishment.

By the late 1970s it had become obvious that Taiwan had achieved a remarkable level of economic maturity. Almost every feature of the program that had animated that development is traceable to the intellectual heritage of Sun Yat-sen. Not only has the Republic of China on Taiwan attained a level of economic maturity rare among developing countries, but it has accomplished its goals without sacrificing the social purpose of Sun Yat-sen. The Republic of China on Taiwan has not only attained levels of literacy and measures of the quality of life for its citizens unmatched in other developing countries, it has done so by maintaining a degree of family income equity unique in the contemporary world—far more equitable than any other developing country and more equitable than that of many developed socialist countries.⁶³

Much of the intellectual substance and egalitarian inspiration that animated that singular performance originated in the thought of Sun Yat-sen, one of the first "third world" theoreticians of rapid economic development produced in our revolutionary century. His vision remains relevant to our times—his programmatic suggestions insightful and practical, and his normative commitments persuasive and appealing.

1971 (Taipei: Council for International Economic Cooperation and Development, 1971), p. 56, Table 5-4.

62. Sun, *International Development of China*, p. 9. For the influence of Sun's ideas on the policies of Chiang Kai-shek, see Yen Chia-kan, Hou Chiu-yuan, and Ch'en Tsung-han (eds), *Chiang T'sung-i'ung yu Chung-kuo min-sheng chien-she* [*President Chiang and Raising the Livelihood of the Chinese People*] (Taipei: Yu-t'ai, 1967).

63. John C.H. Fei, Gustav Ranis and Shirley W.Y. Kuo, *Growth with Equity: The Taiwan Case* (New York: Oxford, 1979).

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