Economics at China's Nankai University, 1926–1949

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Abstract

Under the leadership of two Yale PhDs, Franklin Ho and H.D. Fong, the Nankai Institute of Economics developed in the 1930s into one of China;s best teaching and research programs. Faculty were constantly recruited from the products of leading western graduate schools. Important financial support came from Rockefeller Foundation and the Institute of Pacific Relations. The paper traces the intellectual efforts of Ho and Fong to find in western economics analytical principles relevant for China's economic growth and development, and concludes that these efforts were not very successful. However, the Nankai program survived the hardships of Maoism and is thriving at present.

Economics at China's Nankai University, 1926-1949

Nankai University, established in 1919 in the northeastern Chinese port city of Tientsin (Tianjin), became within a few years one of the leading universities in China.[1] It was unusual in being a purely private institution at a time when most Chinese universities were either governmental or missionary-sponsored. By vigorous recruiting and through a personnel policy which encouraged research and publication, Nankai developed by the 1930s one of the leading Economics departments in China. The Nankai Economics program provides a good case study in the diffusion of western (particularly American) economic ideas and how these were blended with attitudes and ideas from other sources including Chinese tradition. The Nankai experience is particularly illuminating because they aggressively recruited western-trained economists from leading graduate schools, adding a new recruit virtually every year in the 1930s and 1940s.

In 1926, Nankai president Chang Po-ling engaged Franklin Ho (Ho Lien) as his first Economics appointee. Ho had just completed a PhD at Yale, writing a dissertation on income tax administration in western countries. More important, he had

worked closely for three years with Irving Fisher, concentrating on index numbers.[2] At Nankai Ho was quick to establish a program for compiling and publishing index numbers on major economic magnitudes.[3]

Ho was strongly oriented toward research and grant funding. He helped organize a Nankai Committee on Social and Economic Research in 1927. That same year he obtained a grant from the China Foundation to study family budgets of workers in Tientsin. He presented some of his index numbers at a conference sponsored by the Institute of Pacific Relations (IPR)in 1929.[4] In 1928-29, Ho was awarded several grants, including one from the Food Research Institute at Stanford(not taken), and grants from IPR to study population movement to Manchuria and industrialization in Tientsin. Ho made a strong impression on IPR research director J.B. Condliffe, a New Zealand economist, who ranked Ho among the five best economists in China. Ho also impressed Roger Greene of the Rockefeller Foundation in 1928.(Chiang, p. 156)

In preparation for his teaching. Ho Lien visited a dozen major Chinese universities. He reported, "I did not find any college which offered a course on the economic development and organization of China or on rural economics in China."(Ho 1967, p. 72) In 1929, Ho successfully recruited his Yale schoolmate H.D. Fong (Fang Hsien-ting) to join Nankai. Fong had written a doctoral dissertation on <u>The Triumph of Factory System in England</u>. [5] Franklin Ho believed that the study of economic

history had prepared Fong to analyze economic development.(Ho, 1967, p. 73) However, there was little in the dissertation to affirm this view. While it described in detail the organizational forms prevailing in 1840, there was little historical context, no significant economic analysis, no real discussions of public policy, no references to China or developing countries in general.

At Nankai, Fong became a prolific writer of research studies, beginning with the analysis of Tientsin's industries. The work focused primarily on carpets, hosiery, rayon and cotton. While the motivation for the study was concern for industrial modernization, only the cotton industry met this criterion, the others being mainly handicraft activities chosen because of data availability. (Chiang, pp. 166-7)

In December, 1930, Nankai was visited by the distinguished British economic historian R.H. Tawney, who spent nearly a month there working on his IPR-supported study of China's economy. H.D. Fong shared Tawney's interest in British economic history and quite probably his skepticism about the beneficent workings of free-market capitalism.[6] Tawney's influential Land and Labour in China, which appeared in 1932, offered a passionate indictment of the poverty and social injustice he observed in China. In addition, it expressed his conviction that Britain's experience with economic growth and industrialization offered lessons to

China--particularly in regard to hardships which might be avoided.[7]

The Nankai program offered faculty much lower teaching loads than most Chinese universities, but with a very modern expectation about their corresponding commitment to research.(Fong 1975, pp. 40, 44). Faculty were forbidden to hold other employment. Following heavy faculty defections to national universities in the late 1920s, Ho persuaded President Chang to give strong emphasis to business and economics.[8]

In 1931, Ho formally organized the Nankai Institute of Economics, with an organizational structure and agenda crafted toward fund-raising. Its prospectus promised to teach economics in a manner relevant to Chinese conditions and to conduct research on China's economy in a way that would enrich teaching and provide textbook materials.[9] The prospectus warned that the Chinese student of Economics, lacking China-relevant materials, "seizes with avidity the generalizations of western economics, without realizing the conditions which limit their application in his own country. His thought becomes abstract and dogmatic. . . His time and energy are spent in producing rhetorical essays on subjects such as `economic interpretation of history,' `land nationalization,' `government ownership and control of industry', and similar topics."[10] The document gave priority to China's need for "trained men to undertake the huge task of public administration." It questioned whether China's development

"will be effected haphazard[sic] as a result of the activities of reactionary interests or of revolutionary enthusiasts, both alike operating in an atmosphere of ignorance, prejudice and passion; or whether they will be to some extent guided by scientific knowledge and by men of trained intelligence, who look at the problem as one of social engineering for the common good."(p.3)

Eight research areas were proposed: "surveys of agricultural economy, industries, fatigue and efficiency in industries, commodity production and distribution, currency and inflation, usury, and local government finance, and the administration of the land tax."(Chiang 1986, p. 181)

In December, 1931, the Rockefeller Foundation agreed to grant the Institute US$75,000 over the five year period beginning in 1932. And IPR agreed to fund a study of district government in North China.

The policy emphasis in the Institute prospectus was a clear response to political developments in China. In 1927 the Kuomintang (KMT) under the leadership of Chiang Kai-shek had seized control of the national government. The new government pledged itself to carry out the ideas of recently-deceased Sun Yat-sen. Sun had outlined an ambitious program for China's economic development, stressing government ownership and management of basic industries, financed primarily through foreign investment. (Eastman 1974 pp. 237-8) By 1929, teams of foreign experts were advising on economic policies, and a new

National Economic Council was formed to try to implement their recommendations. (Eastman 1974, pp. 216-220; Kirby 1983;Fong 1936b) In this atmosphere, there was much enthusiasm and excitement among intellectuals, reflected in the Nankai prospectus.

Another influence came from neighboring Yenching University, a missionary college in Peking. Yenching Economics professor John Bernard Tayler was a British missionary strongly devoted to the Social Gospel, to the promotion of cooperatives, and to developing what we would now call "appropriate technology" for rural China.[11] In 1931, Tayler organized the North China Industrial Service Union, to study and improve rural industries. His assistant, Lu Kuangmian, had been strongly influenced by Liang Shu-ming, one of China's most creative social thinkers and a strong proponent of rural development.[12] Their vision was to combine training of development workers with participation in village development. Tayler persuaded Franklin Ho to be a member of the board of directors of the Service Union. Ho tried unsuccessfully to entice Tayler to join Nankai. The Rockefeller Foundation staff were also impressed with Tayler's work. (Chiang 1986 pp. 116-9, 205-9; Thomson 1969, pp. 135-9)

Amidst all these considerations, the Nankai program began to give much more attention to rural and agricultural concerns. Courses in agricultural economics were begun in 1933, when they hired Shison Lee (Li Ching-lin) who had just completed a PhD in

that field at Illinois. Field research on district government and local organizations had begun in 1932, directed by political scientist Chang Chun-ming.[13](Chiang, pp. 195-202) In January, 1933, they began case studies of rural industries, concentrating on handloom weaving in Kaoyang and Lihsien, under the direction of H.D. Fong. (Chiang, pp. 203-8; see also Fong 1933) In addition, an ambitious but vaguely defined survey of farm families was projected. [14] Looking ahead, an Institute report of May, 1933 promised that "the collection of mere figures. . . will be reduced to a minimum, while the observation and recording of facts from an analytical viewpoint. . . will be given greater attention."[15]

With the inflow of grant support, the Institute rapidly enlarged its staff, reaching a peak of 32 members in 1933-35 (Chiang 1986, p. 192). Eleven of these were professors.The staff included sociologists and political scientists as well as economists. Among the economists who joined the staff in 1932 were two from other Chinese universities--Jen Tsung-chi (MA Columbia 1924) from Yenching, and Yuen Wen-pu (PhD NYU 1930) from Fudan. Three others were hired as they completed graduate degrees in the U.S.-- Shison Li (above); Leonard Ting (Ting Chi)(MBA Harvard 1932); and K.C. Wong (Wang Kuo-cheng), (MS Columbia 1931).[16] The Institute employed several Nankai graduates as instructors and research fellows.[17] Two of these became important mainstays of the program--Li Jui and Wu Tayeh. Both went abroad

for graduate study under RF fellowships. [18] By 1937 both were professors. Ou (Wu) Pao-san spent a year teaching at Nankai in 1932 before leaving for a distinguished career which included a Harvard PhD and authorship of the first major study of China's national income.[19]

A master's level graduate program was instituted. Thirteen students were admitted in Fall, 1933, focusing primarily on banking and agricultural economics, for which field work was provided.[20] The initial conception indicated confidence that professional economists needed little formal study beyond the undergraduate level, provided they served a kind of apprenticeship in research. The banking program was far removed from the "social engineering" of the 1931 prospectus, probably reflecting a concession to vocationalism, financial support from banks, and understandable student concern with employment opportunities.

The Institute also became a prolific source of published output. Besides a large number of monographs, they produced the Quarterly Journal of Economics and Statistics (in Chinese), the Monthly Bulletin on Economic China (in English) and the Economic Weekly, a newspaper supplement. The Monthly Bulletin soon evolved into the Nankai Social and Economic Quarterly(NSEQ) with a wealth of articles, book reviews, and bibliographies dealing with China's economy.[21] Their index numbers were updated and published every month.[22] The Institute issued in 1931 its own standardized

Chinese economic terminology, and Ho Lien was a major participant in the national program to do the same thing in 1936.(Ho, 1967, p. 88). Ho's textbook on public finance was published in 1935 (with Li Jui as joint author).[23] At the invitation of the newly formed National Economic Council, Ho and Fong joined the mission of Sir Arthur Salter to conduct a survey of Chekiang Province under League of Nations sponsorship, beginning December, 1933.

The Rockefeller Program

In December, 1934, the Rockefeller Foundation approved a million-dollar grant for an experimental program to deal with Chinese rural reconstruction. The program envisioned cooperation among the Nankai Institute and several other institutions, including Yenching University, Nanking University, and the Mass Education program of James Yen. In July, 1935, the Nankai Institute was awarded $37,500 for its role in the program.(Thomson, pp. 135-140) In April, 1936, the member institutions formed the North China Council for Rural Reconstruction.The focus was to be on training of potential administrators of government programs to promote rural development at the grass roots, with Nankai given responsibility for the areas of economics (supplemented by J.B. Tayler's Yenching program) and local government. Two rural field stations were provided. One was at Tinghsien (headquarters of the Mass Education program) and the other at Tsining, in Shantung Province.

For this program, Nankai initiated a new two-year graduate program with emphasis on cooperatives, land problems, and local government and finance. Students were to take a year of course work, then spend about half a year in field research and another half year in a kind of internship in rural development programs. Ten graduate students were dispatched in three groups on extensive programs of field research. [24] At this point, the graduate program contained no course work specifically on economic theory.[25]

The evolution of the Nankai program from 1931 to 1936 showed a large element of creative opportunism. Neither Franklin Ho nor H.D. Fong was, by temperament or training, drawn directly towards grass-roots local development. That impulse came from J.B. Tayler and from James Yen, filtered through the incentive system of the Rockefeller Foundation.[26] The most original contribution of the Nankai component was the concern with local government, and that involved the political scientists more than the economists of the Nankai Institute. Nevertheless, both Franklin Ho and H.D. Fong assumed major roles in the new programs, teaching and writing in areas related to rural problems.

As the Nankai staff adapted to the focus of the Rockefeller program, their research orientation also shifted. They became painfuly aware of the limitations of efforts to do broad surveys based on questionnaires and interviews and came to emphasize intensive case studies of particular localities and activities.[27]

Policy Views

The prolific published output from the Nankai program consisted primarily of descriptive materials, typically incorporating whatever statistical data could be obtained. Ho and Fong touched on major obstacles to economic growth. Some related to government--absence of educational programs and infrastructure (especially transport), abusive taxation, unfair treaties giving advantages to foreign products and firms. Others involved deficiencies of Chinese market economy. Rural industries lacked information, standardization, and quality control, all of which required some degree of collective action, for which Fong particularly recommended cooperatives. [28] These writings were consistent with the grass-roots character of the Rockefeller program and reflected the influence of Tawney and Tayler.

Indeed, the difficulties of the Chinese people in developing effective forms of collective action had received a lot of attention from earlier Chinese scholars, notably Liang Chi-chao. The problem is more fundamental than any dichotomy between private and public sectors: societies which show facility in forming effective private organizations appear more likely to form effective public ones as well.[29] The student of economic history might have seen this problem lurking behind the absence, in China, of the vigorous development of town life which was significant in Europe by the 14th or 15th century.[30] Effective collective action in Anglo-American development was central to

the emergence of the factory system (focus of Fong's dissertation) and the corporation. At any rate, western mainstream economics did not equip Ho, Fong, and their colleagues with very powerful tools to analyze this question.(See Schrader 1993).

In 1936, both Ho and Fong presented fairly comprehensive visions of China's development problems and appropriate policies, visions quite different from the articles just cited. [31] Both affirmed the general merits of Sun Yat-sen's approach to development. Ho's endorsement was more thorough. He supported Sun's emphasis on "equalization of land ownership" and "all land to the tillers", and, like Sun, neglected programmatic detail. He also reiterated Sun's recommendations for promoting farm consolidation and mechanization and for encouraging population movement to sparsely settled areas. Regarding industry, Ho endorsed tariff protection, as Sun had done.[32] Whereas Sun had urged a vast program of government investment, ownership and operation in industry and trade, Ho envisioned government planning and control without so much outright ownership. Like Sun, Ho urged government to extend highways and railways. In the area of his own special interest, Ho recommended the government develop income and inheritance taxation to provide it with the financial resources for a more activist policy.[33]

H.D. Fong's thoughts on the same topics showed many parallels, particularly the commitment to a comprehensive, non-

socialist (and vaguely articulated) system of government planning and control.[34](Fong, 1936 a, b) He urged that the system should include extensive trade unions for workers and trade associations for firms. Fong did not strongly endorse Sun's slogans regarding land policy nor his mercantilistic views on tariff protection.[35] Instead, Fong suggested export restrictions on natural resource products such as iron ore and tungsten. Fong also recognized that China's factor endowments dictated labor-intensive production, rather than the high capital intensity implied by Sun Yat-sen and implicitly endorsed by Ho.

Conspicuously absent from the writings of Ho and Fong was any concern about China's population growth as a source of low incomes and a possible focus for policy actions. This, too, was consistent with Sun Yat-sen's outlook, and in sharp contrast to Tawney.

Fong's 1936 monograph, entitled Toward Economic Control in China, strongly implied the desirability of strong central control. The "problems" Fong enumerated were all simply obstacles to such control. (Fong, 1936b, esp. pp. 1-4, 74-83). There was not a sensitive awareness of the government's shortcomings in providing a basic framework of law and order, nor of the potential hazards, both in terms of inefficiency and in terms of freedom and fairness, of an extended role for government.

In 1936 Ho went on leave to become head of the Political Department of the national government's Executive Yuan in

Nanking.[36] Fong became the operating head of the Institute.

In 1932–37, the majority of faculty were performing conventional academic activities of teaching and research. Enrollments in Economics increased rapidly. In 1931–2, there were fifteen students above the freshman level. By 1936–7 the number had grown to 117.(Nankai Institute of Economics, 1937, p. 17.) Nankai aggressively continued to recruit newly returned students with western degrees to join the faculty, but many left quickly for positions in the business world. Among the important new recruits who stayed longer were C.J. Bao (Bao Chu-min) and Li Choh-ming. Bao was hired as lecturer in economic geography after his graduation from National Central University in 1933. In 1937 he went to London and completed a PhD in that field at the London School of Economics in 1940. He remained a member of the department for the next half century and was still involved in the program in 1992.[37] Li joined Nankai after completing a PhD at Berkeley in 1936.[38] After the War he returned to Berkeley and became an internationally noted scholar, ultimately becoming President of the Chinese University of Hong Kong.

Chen Chen-han was initially appointed to the faculty in 1935, but soon left to study for a PhD at Harvard, completed in 1941. He then returned to Nankai along with his wife Tsui Shu-hsiang, who had done graduate work at Wisconsin and Radcliffe. Both were Nankai graduates. [39] Rockwood Chin (Chin Quock-ping)

joined the faculty after completing his doctorate at Yale in 1937.

The Economics curriculum was heavily descriptive, with only one 3-hour course in Value and Distribution (and perhaps the one in Theory of Credit) devoted to contemporary economic theory.[40] The descriptive material was strongly oriented toward Chinese conditions.

Looking back over the early years of the Nankai program, it appears that initially Ho, Fong, and their recruits did not hold strong analytical or ideological views relating to China's economy. Their studies, whether at Yale or other respected graduate programs, were largely descriptive. Microeconomic theory did not constitute a major part of their graduate study. Courses generally presumed the existence of a market economy, but it was either taken for granted or criticized--seldom praised. Nor was much attention given to its cultural and legal underpinnings, nor to ways of making it work better.[41] As time passed, however, stronger views on policy emerged. By 1936, both Ho and Fong were endorsing ambitious programs for government economic planning and control which were totally out of scale with the government's competence and capacity to command resources.

Impact of Japanese War

The outbreak of war with Japan in 1937 was devastating for Nankai. The campus was a major target for some of the first Japanese air raids, because of the university's reputation for

patriotic feeling. Much research material was destroyed. Nankai, along with the government universities, evacuated. After a short period in Changsha, Nankai's undergraduate activities were moved to Kunming in the extreme south of China, where they were merged with Peking University and Tsinghua to form the Southwestern Associated Universities. The research and graduate teaching of the Nankai program went to Chungking, the wartime capital.[42] With Rockefeller Foundation aid, the Institute's comprehensive library, which had been rescued before the Japanese bombing in 1937, was moved to Chungking. The graduate program was not resumed until 1939, when the department boasted of having "the largest graduate class in economics in the country."[43] The program received a substantial infusion of theory, primarily from Li Choh-Ming.

The faculty was cut from 20 members to 12, and several new hires had to be nullified. H. D. Fong left temporarily to head the revived activities of the North China Council for Rural Reconstruction in Kweichow Province.[44] A major addition was Lin Wei-ying, who had worked briefly with the National Economic Council after completing his doctorate at Columbia in 1936.

Ho Lien remained in high-level government service during most of the war, being reputedly Chiang Kai-shek's most trusted economic adviser. In December, 1943, Ho became Deputy Secretary-General of the Central Planning Board. [45]

H.D. Fong spent most of the period 1941-43 in the United States, first in study at Harvard and then working for the U.S. Board of Economic Warfare in Washington. (Fong 1975, pp. 77-83) Fong came under the influence of Alvin Hansen at Harvard and became interested in Keynes. He reported that he "managed to dispatch the first and probably the only shipment of Keynesian and related literature via the Burma Road to Chungking. . . "[46]

Study of Keynes was incorporated into Nankai's graduate theory courses. Soon graduate students began to publish articles with strong Keynesian tones. The first-year graduate course in Economic Theory came to focus chiefly on Marshall, Robinson, Chamberlain, Hicks and Keynes.[47] Clearly the Nankai program maintained close intellectual connections with major Economics programs in principal western countries. However, one may entertain reservations about just how much benefit to China's economic policy resulted from this affinity.

H.D. Fong returned to China in early 1944 to assist Ho as research director of the Central Planning Board.(Fong, 1975, pp. 64-66). Not surprisingly, a major focus of Nankai research and publication was on China's wartime economy (particularly the inflation problem) and plans for postwar reconstruction. By 1945 eight of the 17 Nankai Institute staff in Chungking were also working with the Central Planning Board or Ministry of Economics.[48]

During the 1940s, Nankai maintained a very respectable core faculty in its operations in Kunming and Chungking, and was able to report some productivity in teaching and research. However, faculty real incomes were seriously depleted by the inflation, and many held multiple jobs. After the war's end in 1945, Nankai University was reconstructed in Tientsin, reopening in 1946 with new status as a national government university. Roger Evans, visiting on behalf of RF, was told in May 1947, that "10 young Ph.D.s from Columbia, Harvard, Yale, etc. are [coming] in the fall to constitute the remaining staff of the Institute."[49] But the leading economists soon dispersed, particularly as the threat of communist take-over became an actuality in 1949. Rockwood Chin left in 1945, joining the U.S. Department of Commerce. [50] Li Choh-Ming spent two years in the U.S. in 1943-45 as part of the Ministry of Foreign Affairs Postwar Study Group. He then became Deputy Director of China National Relief and Rehabilitation Administration(CNRRA), closely linked with UNRRA. [51] Chen Chen-han and Tsui Shu-hsiang transferred to other universities in Peking. H.D. Fong moved to Shanghai in 1946 as the Acting Director of the newly formed China Institute of Economics.[52] In 1948 he joined the staff of the Economic Commission for Asia and the Far East (ECAFE) under the UN. Wu Tayeh also joined ECAFE, becoming chief of the Statistics Section.(Fong 1975 p. 42) Ho Lien returned with the Nankai faculty to Tientsin and even served briefly as president of the

University. However, the imminent communist take-over led him to move to New York where he joined Columbia University. (Fong 1975, pp. 86-91).

Most of Nankai's permanent faculty acquisitions in the late 1940s were persons who had not studied abroad. Some became quite distinguished: Teng Wei-tsao, with an MA from Nankai in 1944, joined the staff in 1946, went on to translate Hayek's Road to Serfdom in the early 1960s and became Nankai's president 1981-86.(Nankai University Doctoral Programs, pp. 75-79)

The Communists took over control of Tientsin in early 1949. Initially the University was not much affected. H.D. Fong reported in June, 1949, that "the most significant changes introduced are the addition of two courses, one each on Marx's idea of capital and on socialism."[53] Evidence of a relatively protected atmosphere is the ability of Nankai to continue to recruit returned students from overseas. Yang Jingnian had completed a Nankai MA in 1938 with RF assistance, subsequently went to England to obtain a PhD from Oxford in the PPE program in 1948, and joined Nankai in 1951. Qian Rongkun, who had completed a Nankai MA in 1944, returned after graduate study at London School of Economics and began teaching for Nankai in 1951. Chen Yinfang joined Nankai the same year, fresh from completing an MA at the University of Delaware. All three of these were still active in the Nankai program in 1992.[54] But after 1951 recruiting

was of necessity restricted to persons who had not studied abroad--except perhaps in the USSR.[55]

Needless to say, the turbulent developments in Chinese academic affairs after 1950 did not permit any university to maintain an international standard in teaching and research in Economics or much of anything else.(See esp. Lieberthal 1980, pp. 154-7). Chinese were not permitted to study in the West, nor did Chinese already in the West have much incentive to return to China. English-language study was superseded by Russian. Graduate study in Economics was concentrated in the new-formed People's University in Beijing. Chinese higher education was largely shut down during the Cultural Revolution(1966-1976). Universities reopened in 1976 and became relatively international in their program orientations. The Nankai program did maintain good staff people and institutional cohesiveness which enabled it to resume a position of prominence.[56]

Some Assessments

The Economics program at Nankai developed in a relatively few years into one of the best in China. Admittedly, it displayed some of the less attractive features of grantsmanship, promising grandiose and unattainable programs in research and textbook composition. The graduate program shifted rapidly from one focus to another, partly for opportunistic reasons. But the program maintained a sincere commitment to "Chinafy" economics. The Nankai index numbers were a valuable component of data on current

economic conditions. Several useful textbooks were produced dealing with Chinese conditions in Chinese language.[57] A very large volume of material was published describing conditions in Chinese industry and trade. The value of these studies was affirmed when the Japanese had the entire set translated into Japanese in 1936.(Ho 1967 p. 100) In 1947, one resident westerner told RF's Roger Evans that "The only really good economic work in China was done by Nankai, but the staff dispersed to the States to avoid political entanglements."[58]

Compared to other Chinese university programs, Nankai was relatively free from political interference or student unrest. Morale was obviously good, and impressive institutional continuity was maintained. Ho, Fong, and other Nankai staff were appointed to government positions on the basis of merit and worked hard (if in vain) for sensible policies.

The leaders of the Nankai program, Franklin Ho and H.D. Fong, were groping to develop a point of view concerning China's economic policy. Initially, they displayed a faith in radical empiricism: enough index numbers and industry case studies would form a pattern.

In the next stage, Ho and Fong were swept up in the grass-roots-development focus derived from J.B. Tayler. Then their outlook swung strongly toward the state-dominated industrialization advocated by Sun Yat-sen. Their 1936 writings display an uncritical acceptance for a major role for government

as owner and operator of productive facilities. [59] In 1939, Fong supported state-driven industrial development in the unoccupied regions of China in order to resist Japan's aggression:

> China under present war conditions must hasten to industrialize the best she can, just as Soviet Russia had to industrialize under the NEP in 1921, through the exercise of the strictest economy over the national life. The capital needed must be derived, as in Soviet Russia, from the forced savings on the one hand, and through the exportation of agricultural and mineral products on the other.(Fong 1939, p. 303).

By 1936, the role of capital had become a central element in Fong's writings on industrialization.(Fong, 1936c). "Industrialization begins with the possession of capital," he wrote in 1942, placing natural resources second and human resources third.(1942b, p. 45)

Learning about the shortcomings of Chinese government from the inside, Ho Lien backed away from endorsing a large role for government. Writing in 1941 at a low point in his government service (he had just been dismissed from the Agricultural Credit Administration as a scapegoat for inflation and corruption), he stated :[60]

> There are many in the government. . . who are in favor of a controlled economy; but I and others feel that this is not a realistic attitude, however welcome this method is from a

> theoretical point of view. China, with no census as to production or population, and with a political machinery which cannot function from top to bottom, presents difficulties of a nature that are not similar to any in foreign countries. At a time of stress and strain, a thorough policy of control, without a full realization of its consequences, is also fraught with danger.

By the time he composed his memoirs in the 1960s, Ho recognized that the collectivist emphasis which prevailed in the 1930s was misdirected. "The government simply did not have the ability and resources to promote industrialization through government ownership and operation."(Ho 1967, p.149)

When Roger Evans of the Rockefeller Foundation visited with Fong in China in 1947, he too had modified his outlook: [61]

> HDFong may have been rendered irresponsible by repeated gambeis ["bottoms-up"] with maotai [a Chinese strong drink] but it still may prove worth while to follow up some of his references: e.g., that China is fascist, that bureaucracy is consuming the country. . . . HDF, on the way home, renounces all interest in the 5-year plan of industrialization in which he earlier played such an enthusiastic and prominent part, but it is not clear whether this is due to disillusionment with planning or with the present regime.

Ho and Fong did not get much help from the intellectual centers of western economics in this painful and conscientious search. The Nankai program was constantly being freshened by recruiting staff from those centers. During the period under examination, graduate study in Economics in western universities involved substantial amounts of descriptive information about taxation, banking, transportation, and industrial organization, intermingled with criticisms of the inefficiencies and injustices of market economies. Nobel laureate James Buchanan recalled his initial graduate studies in 1940 as follows:

> I surveyed the workings and structures of the institutions of Roosevelt's New Deal; I came to understand central banking theory and policy; I learned something about taxation and budgetary processes; I learned a bit of elementary statistics, especially in practice. But neither in these courses nor in my prior undergraduate experience did I have proper exposure to the central principle of market organization. I remained blissfully ignorant of the coordinating properties of a decentralized market process, an ignorance that made me vulnerable to quasi-Marxist arguments and explanations about economic history and economic reality. . .[62]

The Nankai experience is a sobering reflection of the condition of academic economics in the west between 1920 and 1950.

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Endnotes

1.The next few paragraphs draw heavily on Chiang 1986 pp. 133-150, 156-174.

2.Ho subsequently translated into Chinese Fisher's book on The Making of Index Numbers as well as a number of Fisher's short economic essays for the general public. Allen 1993, pp. 190-2. Aside from Fisher, Yale did not at the time have a particularly

distinguished Economics department, nor did very many Chinese go there for graduate study. The most attractive American universities for Chinese graduate study were Columbia, Harvard, and the University of Pennsylvania.

3. Ho discovered that the actual collection of price data was very difficult. Many trades had specialized vocabularies; in addition, weights and measures were frustratingly unstandardized. He needed to employ retired tradespeople to assist in data collection. Ho 1967, pp. 97-98.

4. Ho, 1930. H.D. Fong reported that Ho based this research on a set of "Chinese Customs Returns from the very beginning in 1860's" which he purchased with a gift of $500 from Irving Fisher. Fong 1975, p. 31. Fong also noted that Ho's index of the barter terms of trade followed "the precedent set by Professor Taussig."(Fong 1934b, p. 18.

5. Fong 1930. Fong also had an experience very rare for Chinese studying in the U.S.--he worked for the Ford Motor Co. for three months in the summer of 1925. He described the experience as including "working on the assembly line, shoveling coal into the furnace, mediation in family disputes, visiting the municipal morgue for identification or examination of employees killed in accident, etc." Fong 1975, p. 28.

6. Terrill 1973 shows the depth of Tawney's passionate Christian socialism as well as his low opinion of mainstream economics. Tawney initially came to China at the urging of J.B. Condliffe of IPR , who felt that "an historian versed in the pre-industrial economic history of Europe would provide a fresh angle of vision." Tawney returned to China in 1931 as an educational adviser sponsored by the League of Nations. Later he edited a volume of translated Chinese commentaries on agricultural problems, most of them highly critical of existing conditions. (Tawney, 1939) Walt Rostow recently assessed Tawney 1932 as "one of the best such pieces ever written."(Rostow 1994, p. 155)

7. Tawney was here echoing earlier convictions of Ho and Fong, who had written in 1929:

> The class struggle. . . may be mitigated if not eliminated by a better understanding of its past history in other nations; [likewise] the evils of child and woman labor under a laissez faire government. The pains of transition such as those arising from the displacement of handicraft by machine labor, should not be fully felt in China, as they had been in western industrialized countries.(1929a, p. 3)

But how to do all this? When Sun Yat-sen had expressed similar convictions a few years earlier, he went on to propose a socialist system. Ho and Fong presented nothing so specific.

8. President Chang Po-ling, while an active recruiter of western-educated experts, was also skeptical about what they were doing. Chiang reports this dialogue with Franklin Ho concerning his index-number work:

"What do you need all these figures for? What are you trying to find out?"

"Well, my statistical studies can prepare us for the scientific reconstruction of China."

"Well, your procedure often reminds me of a man who tries to locate an elephant with a microscope."(Chiang, p. 141)

While it is easy to scoff at Chang, in truth Ho appears to have had no very clear notion of just how the index numbers would promote his commendable objective. For a genuine policy application (albeit much later), see Ho 1967 p. 385.

9.Franklin Ho candidly admitted that the textbooks "under present circumstances in China, will have to be largely translations or adaptations from the best products of western experiences" but assured that they would be "made fit for Chinese consumption." Yen, Chang, and Ho to E.E. Day, July 30, 1931, in Folder 432, Box 51, Series 601, RG 1.1 , p. 4, Rockfeller Archive (hereafter RA).

10."A Prospectus of Nankai Institute of Economics," 1931, in Folder 439, Box 52, Series 601, RG 1.1, RA, p. 2.

11. Tayler's innovative role regarding rural industry is affirmed in Fong 1937 p. 276

12. Trescott 1992, 1993; Alitto 1979; Van Slyke 1959. R.H. Tawney was very impressed by Tayler's ideas and made numerous references to them in his book.

13.Chiang, pp. 195–202. Seven major articles were published from this project, of which six concerned taxation and county finance.

14. As projected in 1933, the survey would have been comparable in scope to those of John Lossing Buck at Nanking University. Ho 1931 had quoted approvingly and extensively from Buck's surveys. (pp. 239–242, 272–7). Individual farm families were to be asked questions relating to family and population, farm capital (including "kind and amount of land cultivated, livestock, buildings, farmstead, farm tools, feed and seeds"), farm labor, crops, home industries, marketing, credit, and family receipts and expenditures. "Report on the work of the Institute for 1932–1933," May 22, 1933, Memorandum A, p. 2; Folder 432, Box 51, Series 601, RG 1.1, RA. This over-ambitious project was not carried out.

15."Report on the work of the Institute for 1932–1933,"
May 22, 1933, Folder 432, Box 51, Series 601, RG 1.1, RA, p. 5.

16. "Personnel of the Teaching and Research Staff, Nankai Institute of Economics, 1932–1933" (mimeo); attached to letter from Ho to

Edwin Day, Folder 432, Box 51, Series 601, RG 1.1, 16.RA; Chiang, p. 193.

17. Nankai research assistants were not always graduate students. In 1934 they appointed Andrew J. Grajdanzev, who held a master's degree from the Harbin School of Law and Economics in extreme northeast China. Grajdanzev was a native of Siberia and was fluent in Russian and Japanese as well as Chinese. He left Nankai in 1937 to obtain a master's degree in Economics from Berkeley, then worked for several years on the staff of IPR, publishing prolifically on topics relating mainly to parts of Asia other China. My thanks to Ms. Colene Voll of Oregon State University Archives for supplying this information.

18. Wu went to Harvard and Li to the London School of Economics.

19. Interview with Wu Pao-san April 27, 1992. Wu spent most of his career with the Institute of Social Science, after 1949 the Chinese Academy of Social Science (CASS). He was a major target of official attack during the anti-rightist movement of 1958.

While at Nankai, Wu was the major author of a textbook in elementary economics, adapted from the popular American textbook by Fairchild, Furniss, and Buck(Elementary Economics, 2nd ed., 1930, 2 vols.). Ho 1967, p.82. The book, co-authored with C.T. Tu, appeared in 1937. Fairchild, Furniss, and Buck were Yale professors.

20."Report of the Nankai Institute of Economics. . 1933-1934," Folder 433, Box 52, Series 601, RG 1.1, RA, p.5. The initial conception of the graduate program was to be "somewhat similar to that of the Institute of Economics of the Brookings Institution in Washington, D.C." Each student would be assigned to a professor and a senior research fellow, in a kind of apprenticeship. "The student will be encouraged. . . to do independent work and to have personal contact with the faculty members whenever he desires; he will be required to take little or no class work. . ." "Report on the work of the Institute for 1932-1933," May 22, 1933, Folder 432, Box 51, Series 601, RG 1.1, RA, p. 8.

21.The bibliographies, which appeared in English in NSEQ, arose from the Institute's aggressive program of assembling a library on China's economy. Ho 1967, p. 88

22. By 1933 the index-number program included the following: wholesale commodity prices(North China, weekly); cost of living (Tientsin working-class families, weekly); foreign exchange rates (Shanghai and Tientsin, weekly), prices and quantities of China's imports and exports (annual). They also published raw data on domestic exchange rates, native interest rates, prices of gold, silver, and dollars. "Work of the Institute, July, 1932-December, 1933,", attached to letter Ho and Chang to Gunn, Dec. 21, 1933, in Folder 433, Box 52, Series 601, RG 1.1, RA.

23. Ho developed his text as he taught the course, beginning with American works by Harley Lutz (Public Finance) and Edwin R.A. Seligman (Essays in Taxation), and incorporating material about China as he could locate it. Ho 1967, pp. 80–81. The textbook was adopted by "more than a dozen leading universities." "Report of the Nankai Institute. . . July 1, 1935 to June 30, 1936," Folder 439, Box 52, Series 601, RG1.1, RA, p. 15.

The Institute's initial plans for textbook production were another example of "boundless ambition." A report of December, 1933, projected no fewer than 20 textbooks or similar teaching materials. "Work of the Institute, July, 1932–December, 1933," attached to letter, Ho and Chang to Gunn, Dec. 21, 1933, Folder 433, Box 51, Series 601, RG 1.1, RA, p. 3.

24. "Report of the Nankai Institute of Economics, July 1, 1935 to June 30, 1936," Folder 439, Box 52, Series 601, RG 1.1, RA.

25. "Nankai Institute. . ." 1937, pp. 19–21.

26. Tayler's influence is very evident in Fong 1933, esp. pp. 348–351.

27. Ho 1967, pp. 102–9; footnote 14 above.

28.See especially Fong 1933, pp. 350–1; 1934a, pp. 453–5; 1935b;1937. China is, according to Fong, "a free market in the true

sense of the word. . ."(1937, p. 267), but one searches in vain for any affirmation of the virtues of free markets.

29. Carlo Cipolla writes "When a society shows vitality it does so at all levels, not only the economic, and it succeeds better than other societies which seemingly have the same amounts of resources. . . it is necessary to understand an atmosphere of collective enthusiasm, of exaltation and of cooperation."1976, pp. 117–8. A similar view is attributed to political scientist Robert Putnam,: "the performance of government reflects the character of civil society." Cited Barone, 1995, p. 46.

30. Cipolla 1976, pp. 139–145, who notes that "the people of the town intuitively developed feelings for union and cooperation."(p. 144) Fernand Braudel writes that "the social structures in both India and China automatically rejected the town and offered, as it were, refractory, sub-standard material to it."(1973, p. 410) Fong touched on this: 1937b, p. 922.

31. There was probably a reason for this change of outlook in 1936. In that year the government appeared to be making a decisive move toward state-owned industrial development with substantial aid from Germany, following a treaty for barter exchanges in 1934. See Kirby 1983.

32. Ho and Fong had briefly endorsed protective tariffs for "infant industries" in 1929b, p. 31. When he composed his memoirs in the 1960s, Ho commented (in reference to the 1930s) "Although formulators of policy claimed [Sun Yat-sen's] San Min Chu I as the basis of their action, there is no basic principle of development outlined there." Ho 1967, p. 148. During his government service, Ho worked unsuccessfully to try to obtain agreement on a substantive interpretation of Sun's views. Ho 1967, pp. 294-300.

33. The statements in the text are based on Ho 1936a, published in Chinese language. It is interesting to compare this paper with Ho 1936b, a paper presented to the IPR conference in 1936 and widely circulated in English. Ho 1936b is much more a descriptive survey of the economic policies developing in China. A brief section at the end criticizes policies for lack of coordination, inadequate attention to training personnel, and of course, lack of financial support (pp. 51-57). There is no real assessment of the content of specific policies.

34. Fong 1936 a, b. In all fairness, Fong's extremely valuable survey of specific industrial developments in China contains several references warranting skepticism about government. For instance, regarding electric power, "too often. . . nationalization has so far consisted simply of expropriation with subsequent deterioration of services."Fong 1936c, p. 64; see also pp. 71-74.

35. Protectionism was never a big element in the Ho-Fong policy outlook. But they constantly alluded to the damage being done by competition from foreign imports. Fong 1942b went so far as to assert that "the failure of the Government to adopt a persistent policy for the protection and encouragement of industry has considerably impeded the course of China's industrialization."(p. 56) By the mid-1930s China had high tariff rates, but troubled relations with Japan prevented rigorous enforcement, especially in Northeast China.

36. His experiences are recounted in detail in Ho 1967.

37. Nankai University. . ., 1990, pp. 341-3; interview with Bao Juemin, June 14, 1992.

38. Li's doctoral research on international trade under silver exchange focused on China's silver-based monetary system. It yielded two articles in the QJE (Li 1935, 1939).

39."Nankai Institute of Economics: Its Work in War-time, 1937-1940," Folder 439, Box 52, Series 601, RG 1.1 RA, p. 16; author's interviews with Chen Chen-han and Tsui Shu-hsiang, May 1992; Li 1981, pp. 8-9.

40. The 1933-34 curriculum included 41 course titles, many clearly in business administration rather than Economics. There were two

courses in mathematics and two in statistics. "Work of the Institute, July, 1932–December, 1933," op. cit., pp. 6–7.

41. These comments can be well illustrated by the textbook which underlay the Nankai principles book --Fairchild, Furniss and Buck's Elementary Economics. (1930) (See note 18 above) The two volumes aggregate to about 1,200 pages. There is a staggering amount of factual material and a very verbose, diffuse style. The micro theory of firms and factors is developed at length, but in a strictly partial equilibrium manner with little in the way of evaluations. Opportunities to moralize about market economy are missed at such key points as discussion of property rights (I, 18–21) and the functions of money (I, 392). Economic development is treated only through discussion of "historical stages" in which the increases in output and productivity receive only miniscule attention (I, pp. 68–69).

42. "Nankai Institute of Economics. . . Eighth Annual Report to the Rockefeller Foundation July 1, 1939 to June 30, 1940," Folder 439, Box 52, Series 601, RG 1.1, RA.

43.The graduate class numbered nine students. Their first year program included seminars in economic theory offered by Li Choh-ming and Fung Chuan-Tchs (newly hired with PhD from Vienna), history of economic thought by H.D. Fong, and economic history by recent Yale PhD Rockwood Chin. An unusual innovation was a

requirement that all graduate students study German, an arrangement which exposed them to distinguished economist Tuan Mao-lan. Tuan had received a PhD from Columbia in 1928 and was serving as senior secretary in the Ministry of Foreign Affairs. "Nankai Institute of Economics. . . Eighth Annual Report to the Rockefeller Foundation July 1, 1939 to June 30, 1940," Folder 439, Box 52, Series 601, RG 1.1, RA;" Chinese Who's Who", in China Handbook 1937-1943, p. lxii.

44. This operation was closed down in April, 1939. "Nankai Institute of Economics:Its Work in War-time, 1937-1940," Folder 439, Box 52, Series 601, RG l.l, RA. This was not the only product of the Rockefeller program. In 1938 Ho Lien became head of the Agricultural Credit Administration and established a program to help improve the organization of rural credit cooperatives. A number of Nankai people were involved, including accounting professor Y.K. Liao and former student Feng Fang-tung. Ho 1967, pp. 221-5.

45. There was much criticism of the Chinese government's economic program during the war. Critics argued it was designed to enrich insiders by giving the government monopoly control over important industries. Ho was considered a member of the "Political Science Clique" which dominated the Ministry of Economic Affairs. This clique allegedly wanted "to control China's economic life."

Reynolds, 1975, p. 144, 170-3. Ho's memoirs and much other evidence suggest he was a reluctant participant and that the undoubted impulses toward government monopoly were coming from other sources. Ho 1967, esp. pp. 382-400.

46. Fong 1975, p. 45. He also referred to Keynes in his National Planning Association pamphlet on postwar industrialization in China:

> Many modern economists, under the leadership of John Maynard Keynes, lay stress on the expansionist tendencies of full employment and maintenance of a high level of living, and challenge the traditional views on saving and investment. According to them, if foreign investment be assigned a new role of helping to develop the resources of capital-deficient countries after the war, . . . the servicing of foreign loans may not become such an immediate matter of concern. Long-term financing may then be possible, and the responsibility for debt servicing may not arise until the borrowing nation. . . has developed sufficiently that fuller use of resources and higher level of income will in turn provide the necessary means for the repayment of these loans. Fong 1942a, p. 67, citing Hansen, Fiscal Policy and Business Cycles. Considering his interest in development, it is surprising that Fong had no apparent awareness of Schumpeter.

49. Shang Heng-kang published "An Explanation of Full Employment"(June 1942) and "From Marx's Theory of Crisis and Keynes' Theory of Employment to China's Economic Policy"(January, 1943). Yang Shu-chun produced "Theory of Full Employment and China's Wartime Economic Policy,"(October, 1942) and "On the Price Theory of J.M. Keynes,"(November, 1943). Chien Yung-kun wrote "Keynes' Theory of Interest."(March, 1944). Nankai professor Chen Chen-han, who had received his PhD from Harvard in 1940, published "The Monetary Theory of J.M. Keynes,"(August, 1943). These were all in Chinese language and I have not listed them at the end of this paper. See citations in "Annual Report of the Nankai Institute of Economics. . . July 1942-June 1943," Appendix V(Folder 440); "Nankai Institute. . . Twelfth Annual Report to the Rockefeller Foundation July 1, 1943 to June 30, 1944, pp. 15, 17 (Folder 440); Franklin Ho to Marshall Balfour, March 13, 1945 (Folder 437, all in Box 52, Series 601, RG 1, RA). Shang Heng-kang completed a PhD at Harvard in 1947 with a dissertation on capital formation. Ho to Joseph Willits, June 14, 1947, Folder 5601s, Box 51, Series 601, RG 1.1, RA. See also Li Choh-ming's reference to Keynes in his 1941 review(Li 1941, p. 202).

48.Ho to Marshall Balfour, March 13, 1945, Folder 437, Box 52, Series 601, RG 1, RA. Fong mentioned the following Nankai Institute graduates in his department in 1944: Sung Hsia, Wong Chiang-chun, An Hsi-chieh, Teng Wei-chao and Yang Su-chin. Fong 1975, p. 70.

49. Roger Evans,"Travel Diary, 1947", Folder 430, Box 51, Series 601, RG 1.1, RA, pp. 66, 73.

50. Chin had been born in the U.S. to Chinese parents and thus could claim U.S. citizenship. American Economic Association 1964 p. 52. Later he held faculty positions at Berea, Wheaton, and University of Connecticut.

51.Ho to Balfour, May 11, 1944; Folder 437, Box 52, Series 601, RG 1, RA;"Fourteenth Annual Report of the Nankai Institute of Economics, 1945-46," Folder 438, idem.

52. The Institute was formed with Franklin Ho as director and Fong as his assistant. It was supported by a number of Shanghai businesses and proposed to focus its initial efforts on study of the relation of government to business, and the international economic problems of China. "Application from the China Institute of Economics to the Rockefeller Foundation. . ."
Ho to Joseph Willits, June 14, 1947, Folder 601S, Box 51, Series 601, RG1.1, RA.

53. Report of interview with Roger Evans, June 1, 1949, Folder 438, Box 52, Series 601, RG 1, RA. Courses dealing with socialism were relatively common in Chinese universities prior to 1949. Chou En-

lai was a loyal alumnus of the Nankai secondary school and helped shield the university from the worst of political abuse.

54.Interviews with Chen and Yang, June 17, 1992; Nankai University . . ., pp. 79–80, 90–92; Biographical Dictionary. . ., p. 1027.

55.One notable exception was the addition of Wang Chi–tsu, who had completed a PhD at Illinois in 1954. Wang worked in the Ministry of Foreign Affairs until joining Nankai in 1962. Nankai University Doctoral Programs. . ., 1990, pp. 94–97.

56. A comparative assessment of Chinese university Economics programs is given in Hu 1984. He spent Fall, 1983 as a Fulbright professor at Nankai. The present author visited Nankai in 1983, 1984, and 1992.

57. Textbooks actually published included, besides the Ho–Li public finance and the Wu–Tu principles, a two–volume work by Fong entitled Studies in Chinese National Economy (1938); and books on commercial law, municipal administration in the U.S. (!) and personnel administration. Thus they did not exactly bestride the mainstream of economics. In all fairness, other text projects (economic history, economic geography) at least reached the stage of being duplicated for classroom use. "Report on the Work of the Institute for 1932–1933," Folder 432, Box 51, Series 601, RG1.1, RA, p. 3.

58. Evans "Travel Diary, 1947" p. 44(May 1, 1947), quoting Father E.S. deBreuvery, director of the Documentation Service at Aurora University, a Catholic institution in Shanghai.Folder 430, Box 51, Series 601, RG 1.1, RA. For examples of theoretical sophistication in Nankai writings, Li Choh-Ming's 1939 and 1941 items serve well. My own favorite is a brief article on inflation by Tsui Shu-hsiang (Mrs. Chen Chen-han). With concise logic it destroys the numerous false theories of inflation and establishes the central role of currency-financed government deficits. It is superior to most of the writings on inflation in the U.S. in the 1940s. (Tsui 1941)

61. In 1937 Fong had written, "Other factors, notably that of foreign influence, play an important part in forcing the process of industrialization on a fundamentally agricultural society, but that the state is primarily responsible for nurturing it to its growth and maturity cannot be disputed."(Fong 1937, p. 259) And see Fong 1942a, pp. 78-81.

60.Ho to Gunn, March 3, 1941, Folder 434, Box 52, Series 601, RG 1, RA. This was indeed a bad year for Ho. In August his son was killed in an air raid. Ho himself was in Hong Kong when the Japanese took it in December, but managed to escape two months later. Ho 1967 pp. 320 ff.

Ho's disillusion with the unlimited-government interpretation of Sun Yat-sen's ideas apparently began in 1938, when Ho was appointed director of the Economic Department of the newly-formed San Min Chu I Youth Corps. He convened a conference aimed at clarifying the economic interpretation of Sun's work. "While there was a general feeling in government and Party circles that industry should be completely owned and operated by the government, and there was a general atmosphere favorable to state socialism, I was against this and had the support of most of the professors at the conference. . . The government was not capable of running industry." Ho 1967, pp. 299-300.

61. Roger Evans travel diary, entry April 22, 1947; Folder 430, Box 51, Series 601, RG 1.1, RA.

62. Buchanan 1990 p. 165. For comparable comments on London School of Economics, see Seldon 1984 pp. xvi-xx.