

"ECONOMIC PROBLEMS IN CHINA"

By. A. Bland Calder, Assistant Commercial Attache,

U. S. Department of Commerce.

Delivered before the Institute of International Relations,
Riverside, California, December 17, 1931.

Having just returned to American soil from a sojourn of more than three years in China, returning home with some misgivings and apprehension in fact over what I might find here in view of the reports of depression which have been reaching us on the other side of the Pacific, I must confess that I should much prefer to sit here and have you tell me about the economic problems of the United States than to attempt to tell you about economic conditions in China. I've heard so much about this depression the United States is suffering that I have had eyes and ears wide open every minute since landing in an effort to secure some visual impression of what depression is like. I last saw the United States in 1928 enjoying super-prosperity and from the reports I have heard of present conditions, I had visions of long bread lines, poorly clad unshaven people down at the heel, and other visible evidences of real suffering. It is with intense relief that I find that the people of this great country of ours, at least so far as I have been able to observe in the brief few hours I have been ashore, have not suffered the privations endured by a man I read about in a story by an American writer on conditions in Soviet Russia. It seems that a train drew into the station in Moscow from one of the districts of South Russia and among the passengers who alighted on the platform was a man without any clothes. He was promptly arrested and taken around to the police station and questioned by the officer in charge as to the reason for his appearing in public in the nude. His answer was, "Well, you see, I'm from Minsk." This didn't seem to satisfy the police chief who pressed the matter further asking, "What has that got to do with your going around without any clothes on?" With something of surprise the man from Minsk explained, "Well, you see, in Minsk we completed the five year plan in two years." That statement seemed to explain everything so the man was allowed to go free.

If I could by television or descriptive oratory focus your attention on the everyday life of the great masses of Chinese, I could show you a contrast between their economic status and that of the American people so great that you would feel fortunate indeed to be an American, even under depression. I haven't the talents or the time available in this brief address to go into the details of the economic status of the average Chinese individual or family. I can only commend to you a book such as "The Good Earth" written by that gifted American woman, Pearl

Buck. The book takes you through an entire cycle of Chinese family life with all its vicissitudes and struggle against many real odds, a family which achieves greater fortune than the average in the end. After reading this novel which is fiction only in the continuity of the story and the names of the characters, representing as it does a faithful picture of Chinese character and Chinese living conditions, you will feel that you have been granted an intimate glimpse into the personal lives of one quarter of the human race -- the Chinese people -- for whom henceforth you cannot help but have a deep and sympathetic interest. That book in itself is a masterful treatise on Chinese economics in the form of a story which will touch your heart. You will understand better what I mean after you have read it if you have not already done so.

To ask anyone to speak on the economic problems of China is to invite him to participate in a debate over a set of controversial issues. I must confess a feeling almost of helplessness when it comes to the point of attempting to give you in a brief space of a half hour an insight into the economic status of the Chinese nation and people or to endeavor to explain the reasons why conditions are as they are. It seems to me that the subject is of such colossal proportions as to stagger the analytical powers of the greatest of experts in economics and that he who would feel qualified to present a formula by which the economic problems of China might be adjusted to the best advantage of the Chinese themselves and of the rest of the world would be presumptuous indeed. I like to regard myself as a humble student of this subject, a spectator as the events unfold, and not in any sense as one who has reached hard and fast conclusions, despite the fact that I have resided in China for nine out of the past fourteen years since my first contact with that country. For, after you adopt a definite viewpoint on some one phase of the China situation and feel qualified to make deductions or predictions, you are quite likely to find that something entirely different transpires and that your conclusions were wrong. One's experience and study of China are thus full of surprises and upset calculations. Your viewpoint will depend much upon what you may be doing in China. Missionaries, doctors, lawyers, bankers, importers, exporters all see conditions in China from different angles. The newcomers' views gained from first impressions may become considerably altered as the length of his stay in China is prolonged. Viewpoint may be affected also by experience in other Far Eastern countries. While you are in China you may be inclined to very set opinions on a certain subject; when you look back at the situation from this side of the Pacific your views may be considerably modified, unless you are a cold uninfluenced analyst of facts. Thus you can see that much of the presentation of the situation in China is biased, or prejudiced. Much of it is out and out propaganda for or against this or that issue or phase. The presentation varies vastly with the individual reporting on the situation and many of those who would interpret China to the outside world have decidedly conflicting views on almost every phase of the subject depending on his experience or purpose.

As students in an Institute of International Relations such as this I feel that we are in an enviable position since we can be free from bias and prejudice and can exchange information and views with mutual benefit. We are called upon to swallow no dogmatic views and are entirely at liberty to accept or reject what is presented to us and to build up our knowledge of facts in a detached way. Thus I shall deem it a privilege if my remarks are accepted as a contribution toward a better understanding of this subject so important to China as well as to the rest of the world.

Your own Californian, Julean Arnold, American Commercial Attache to China, my chief, with whom it has been my privilege to work off and on for the past eleven years, as many of you know, has labored most ardently over the past three decades in spreading a knowledge of China here in the United States. He has been so deeply imbued with the vision of the modern development of China in its importance to American trade and to American economic well being generally that he has put untiring effort into compiling facts, figures, and graphs relating to China's economic and trade position. He has put this information into concise form for dissemination to Americans and has performed a service of inestimable value in interpreting America to the Chinese so that they might see the contrast in their own economic status with what we have achieved here in the United States and be inspired thereby to adopt some of our methods. Many of you may have seen in the past his pamphlets, revised from time to time, entitled "Salient Facts on China". The latest edition, just printed, he calls "China Through the American Window." In it are shown the similarities and contrasts between China and the United States. It is virtually a measuring of China by the American yard stick. It is being distributed jointly by Mr. Arnold and the American Chamber of Commerce at Shanghai to several thousand prominent Chinese in China and to a mailing list of several thousand persons interested in China and China trade here in the United States. It is printed both in English and Chinese and is intended to assist the Chinese to a vision of the tremendous potentialities their country has for modern development comparable with what we have already achieved here in the United States, and to aid Americans in gaining both a knowledge of China's position economically and a vision of what her modern development will mean to the United States. Fortunately I was able, just before sailing from Shanghai, to secure a number of copies of this booklet for distribution to members of this institute especially interested in China. There is so much concise information packed into that one small volume that I shall not impose upon your time by attempting to recite portions of the context, but from it you cannot fail to enrich your knowledge of China's economic position.

It seems woefully inadequate that only 10,000 copies of this publication were printed, that more funds were not available for spreading this gospel of Americanism among the Chinese student and educated classes generally. Even though this class is but a very small percentage of the population, it is the class which is now

engaged in bringing about the great changes that are transpiring in that vast and thickly populated area, and which will shape China's future destinies.

A large percentage of this class of educated people have really but a poor knowledge or understanding of the modern world. They can visualize only the evidences of modernity which have penetrated China to their immediate surroundings. A few thousands of Chinese students have been educated in the United States both privately and as a result of our refunding of our share of the Boxer Indemnity and have come to know us favorably. Other thousands have been educated in American mission and other schools in China, but, compared with the great bulk of the population, those who have had touch with or knowledge of the outside world are lamentably few.

We do not ask China to adopt en toto American methods, particularly as we cannot claim that we have reached the ultimate in economic organization in the Occident, but we believe China can take many pages from the book of western experience generally and can profit greatly to our benefit and hers by incorporating in her development some of the fundamentals which we know have been responsible for building up our high level of economic prosperity. I can assure you that you need only take one brief trip to China to convince yourself that the average American even in this time of depression is so much better off than the average Chinese that comparison reveals a terrific and almost unbelievable contrast. The great masses of Chinese have never even dreamed of the sumptuous luxuries we enjoy even now in this depression of ours. An American business man who travels widely over the world in the interests of his company, on arriving back in Shanghai from a trip around the world, said, "Give me America even under depression." So, it is clear that despite our not being as well off as we were, we are still very much better off individually and collectively than the Chinese and other Oriental peoples.

I believe it would be a good thing if there were a large fund which could be drawn upon to speed up the process of acquainting the Chinese with the western world generally and especially America. Placing a copy of this booklet of Julian Arnold's in the hands of every Chinese college student, and in the hands of every government official, great and small, in China, would do much to create a greater receptivity toward western institutions and to stimulate that interest and kindly feeling toward America and the western world generally so necessary to the development of harmonious understanding.

One could safely say that China has not yet made up her mind as to what extent the foreigner may participate in her modern development, though certain individual leaders are known strongly to favor such participation. Some of the Chinese believe in state control and ownership of transportation and industry, and in government monopoly of some of the big commodity trades. They shrink from foreign participation and want foreign aid only in the

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form of advisors or in the form of credits for equipment for the developments planned, but those credits will naturally not be forthcoming until stable, secure, and promising conditions are achieved.

I wish I were rich enough to charter ships and invite scores, hundreds of the better class of Chinese in influential positions in China who have not had the advantages of direct contact with foreign countries to take a trip with me right around the world. I would take them up and down and across the United States on our railways and highways and by airplane, show them our factories, schools, all the advantages enjoyed by the average American family. I believe it would make such a profound impression that on their return to China many of the obstacles to speeding up modern developments would be removed. It would no doubt surprise many of them to know that America got a substantial share of its start with the aid of foreign capital under laws and administration which permitted that capital to operate profitably under secure conditions, and without any impairment to the sovereignty or independence of the United States. I am sure that millions, yes, billions of dollars of capital will pour into China as soon as conditions are made stable, secure, and favorable for its profitable operation.

So it is with the keenest interest that the outside world watches events in China in the hope that the day is not far distant when that stability will have been achieved and China may quicken her stride in catching up with the western world in industry, transportation and education, when her impoverished masses may enjoy a better existence under an economic system embodying such features from the West as are adaptable to her needs.

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What are China's economic problems? Here we strike controversy. I might tell you that China's basic economic problem is over-population, that the political and natural calamities which befall the Chinese people are really a biological manifestation, the natural consequences of this over-populated situation, the working out of the Malthusian theory. I could back up my contentions with many facts which would point in the direction of my being correct. The National Geological Survey of China, if my recollection of its figures are correct, has published some very significant facts connected with the topography of the country. It states that 60% of China's entire area is over 1000 meters above sea level, that 40% is more than 2000 meters above sea level, and that 30% is more than 3000 meters above sea level. If you will study a relief map of China or a colored topographical map, you will see comparatively little green in the whole area. The green, of course, represents the low lands, river valleys, and rich alluvial coastal plain. The yellows, tans and deep browns in various gradations of color represent the steps up to the great central Asiatic plateau. Agriculturally these facts have profound significance. It is undoubtedly the

answer to why the bulk of the population is concentrated in those low lying arable lands along the coast and up the river valleys, concentrated at more than 800 persons to the square mile in some of the coastal provinces. I could quote statistics, as nearly as any authentic figures are available, to show how a high birth rate, despite high infant mortality, creates a surplus of people who must be wiped out by floods, famines, wars, banditry, and disease. Were I to take these few factors as conclusive evidence and make a flat and bald statement that the country is overpopulated, I should doubtless be confronted at once with having to debate the matter at length with numbers of those present who may have given the subject considerable thought and who might controvert my arguments with various contentions to the contrary. There are those who would say that the popular impression that the Chinese farmer is the most intensive tiller of the soil in the world and secures the largest return from his efforts, hence can feed no more persons per acre than he is now doing, is an exploded theory, that indeed the Chinese farmer is inefficient, wasteful, inexpert, follows custom rather than scientific means in agriculture, and that with improved methods employing chemical fertilizers and other aids known to the agricultural expert the soil can be made to produce vastly more per unit area than it now does. Others might rightly contend that waste areas at the lower altitudes could be developed by irrigation, dry farming methods, or otherwise. Certainly some of those contentions would be correct as experimental work done largely with American assistance in agricultural departments of certain universities in China have shown decided possibilities in this direction. Introduction of drought resisting seed by famine relief organizations operating in Northwest China have also demonstrated favorable results.

Japan's experience in improving agricultural methods, by introduction of chemical and other artificial fertilizers, also by terracing farther and farther up the hillsides in that mountainous country, her pressure of population necessitating a steadily greater production of foodstuffs, would also indicate that such contentions are sound.

As a matter of fact very little is yet known of these agricultural problems in China. Figuratively and literally speaking, the ground has only been scratched. No adequate statistics or even definitely reliable estimates can yet be made as to China's production of several major crops, and still less is known of the necessities of the population in the way of consumption. There is as yet no exact or accurate census of China's population. Studies of the situation have been under way for some years and steadily greater attention is being given to this phase of China's economic position.

The government at Nanking has been taking a greater interest in it than ever before and when funds can be secured for so doing will doubtless go seriously into the matter of increasing agricultural productivity. A great deal more will be known about this

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problem 25 years from now than is known at present. Consider alone the colossal task, expense and time necessary to develop a training organization for agricultural improvement which would be effective in bettering the methods employed by a farming population of probably 380 million people, an organization of agricultural extension such as has been developed here in the University of California for example.

I seem to recall within the past two or three years of our greatest prosperity that some of our economists contended that the United States could support even at the prosperous level then prevailing, five times the present population, in other words, 600,000,000 people. Possibly those same economists would actively contest assertions that China is over-populated.

In China probably 85% of her four to five hundred millions of people are engaged in agriculture, but not entirely so. Investigators state that the average farmer in China really puts in on the average only about 90 days work per annum on the land, that he devotes a large part of his time to other pursuits, including various handicraft industries, and that a very considerable portion of his time is expended in carrying his produce on his back or pushing it on a wheel-barrow long distances to market, also that he still possibly has much free time aside from these pursuits. All these factors are important to consider in a study of the subject.

Considering further this question of population, agriculture and food supply, it develops that nearly 25% of China's imports from abroad consist of foodstuffs. It would appear uneconomical that China should import huge quantities of rice, sugar, wheat and flour. On the other hand, huge quantities of beans and bean products from Manchuria, of peanuts and peanut oil from Shantung, and of eggs and egg products from several sections of the country are normally exported, slightly more than offsetting in value the imports of other foods. It has been pointed out by certain students of the subject that so long as China can profitably export surpluses of the type of crops such as peanuts and beans in which China can excel and compete because of the large amount of human labor involved in production, she can go on importing wheat (produced abroad by machine labor) without injury to her economic position. This is undoubtedly true when considering China as an entity in connection with maintaining a foreign trade balance, but the economic relationships of the various sections of the country are not so well organized as yet that the basic problem of food supply within the country is remedied. For example, the comparatively sparsely settled area we call Manchuria produces and exports huge surpluses of foodstuffs abroad and under normal conditions in world foodstuffs markets reaps a huge financial gain and is in an envious economic position, but this does not assist the economic position or food supply problem of the more thickly populated areas south of the great wall which do the bulk of the importing of foodstuffs from abroad.

When I received a radio in Shanghai from Mr. Ash, our San Francisco District Manager, requesting me to be prepared to speak on the "Economic Problems of China" I was a bit non-plussed for a few moments, but on re-reading the message I could find nothing in it which indicated that I was expected to produce a solution for those problems, so I began my work of preparation of material with a much lighter heart than otherwise would have been the case, and feel a great sense of relief that I can leave the solution to you, or better still to the leaders of Young China some of whom are quite cognizant of this population and food supply problem and have already made some headway in the basic studies of the problem.

Another great economic problem of China is that of transportation, having a vital effect upon this problem of sectional economic relations within the country. Here in the United States we can scarcely conceive of economic prosperity without our hundreds of thousands of miles of railways and three million miles of highways and twenty six million automobiles. China has comparatively little of this modern development, only 10,000 miles of railways in fact, possibly 40,000 miles of dirt roads and about 50,000 automobiles, concentrated mostly in a dozen port cities. Not deprecating the importance of her coastal transportation, and of her canals and rivers as highways of commerce, it must be admitted that China has scarcely begun a modern transportation development. Millions of tons of cargo are still carried on the backs of human beings, or pushed on wheelbarrows, or carried on pack animals. There are areas which produce food surplusses but which have insufficient or inadequate transportation facilities for moving these supplies at a reasonable cost to less favored districts or to those suffering temporary food shortages.

Certain of my Chinese friends have contended that the human pack animal is not such an extravagance as we think, that because of the large number of people of the farming class devoting such a small proportion of their time to the actual tilling of the soil, their time in carrying on their backs or shoulders or pushing goods to market on wheelbarrows costs nothing, that these people would merely have more idle time on their hands if not so occupied. But I am inclined to feel that this contention can be regarded as correct only so far as it applies to transporting produce from the farm to the nearest village or market and that there is a distinct distance limit beyond which such transportation is not economical. The daily wage of a carrier or wheelbarrow coolie is sufficiently high to make the transportation of goods by this method for as much as 200 miles, almost a prohibitive figure. For example, in Shantung two years ago, I found that an exporter of egg products was moving goods a distance of about 125 miles by wheelbarrow at cheaper rates than the railway then under military control with excessive surcharges and taxes was charging. Prices of egg products abroad at that time were sufficiently high to warrant this wheelbarrow expense but we

figured out that the cost of wheelbarrow transportation for distances of 125 to 175 miles was equivalent to an ocean freight cost for transportation by steamship once around the world at rates then prevailing. Freight rates for long hauls require revision on Chinese railways downward to give products from the remote interior a better advantage in world's markets, and China unquestionably needs tens of thousands of miles of additional railways as well as auxiliary motor highway transportation. Exchange and distribution are fearfully handicapped under the present limited facilities and many areas of China must continue to get along largely dependent upon local supplies of food and other necessities. I do not believe there is much controversy on this question. Practically all agree that this transportation development is essential in order to effect a betterment of economic conditions generally.

The lack of educational facilities and the illiteracy of probably more than three quarters of the Chinese people is another terrific obstacle to economic improvement. The mass education movement has made some headway but because of lack of funds has probably reached no more than twelve million people so far, a very rough estimate based on the sale of about 6,000,000 copies of the lesson books. It aims to teach the farming people to read a thousand of the most useful Chinese written characters in a three months course of study.

China's military octopus, with probably $2\frac{1}{2}$ million men under arms is an economic extravagance which the country can ill afford. It has been eating up 85% of the revenues of the Central Government and absorbs the major share of the revenues of sectional governments, and thus thwarts the plans for remedying the other ills referred to. The political instability must be corrected therefore before the country can make rapid headway in solving the other economic problems.

The disadvantages of China's currency system which is on a silver and copper basis, present an economic problem, especially as relating to her foreign trade position which is extremely serious. Low silver, now worth half or less than half of its normal exchange value in gold, has seriously crippled China's buying power. It appears highly essential that China's position in this respect cannot be materially improved until silver both increases in value and is placed on a stable basis. It is the violent fluctuation of silver which disturbs the economic and trade position of China, quite as much as depreciated value of her currency. American help was invited in the form of the Kemmerer Commission which spent a year in China outlining a financial program for the country, some of the features of which have been adopted with considerable benefit but the big obstacle of a fluctuating low value currency has yet to be solved.

I could go on and paint a very dark picture, one which would present such a formidable array of obstacles and such seemingly overwhelming odds against any immediate improvement in this whole situation that you would class me with that group of pessimists who believe that China is not progressing, who see in the wars

and upheavals of varying kinds that have transpired in the past two decades retrogression rather than progress. I have been forced, in trying to secure a balanced viewpoint on China's position, to create a vision in my mind's eye of some analogous situation. Perhaps the line of speculative thought I have followed will assist you too to some better comprehension of China and her present state.

It must be taken into consideration that China developed as a nation almost entirely without contact with what was going on in other parts of the world, achieved a civilization, customs, philosophy, a language and manner of writing quite different from anything else in the world, and for a period of several thousand years successfully maintained that aloofness and complacency which won for her the appellation in recent decades of "Sleeping China". The family system was the bulwark of the body politic. The loyalty and obligation of the individual was to the family. The affairs of life were prescribed largely by custom, the result of the teachings and philosophies of the ancient sages. There was a cut and dried type of education, uniform throughout the country for all students regardless of what occupation or career the student might have in view. This uniformity kept the written language and official spoken language intact, but many spoken dialects grew up such that persons from one part of the country have difficulty in making themselves understood in other parts. While there were many variations of habit and custom, in general the family system was the same throughout, casting life in a groove from which the individual could not easily escape. Hence originality and inventive ability and at times the arts and literary accomplishment stagnated, and China got into the habit of looking back at her glorious and illustrious past rather than forward into the future. Thus China was totally unprepared for the incursion of the modern world upon her domestic calm and complacency. She tried methods of continuing to hold herself aloof and to keep the barbarian from her doors. To China, all the outside world were barbarians.

But with the development of modern transportation and international trade no nation can remain aloof from the rest of the world. All countries are becoming more and more interdependent. Almost without a moment's notice, so rapid has been the development of China's foreign contact compared with her thousands of years of independence from outside influences and events, the twentieth century of modern progress has burst in upon China, rudely awakening her to an unpleasant consciousness of her own economic backwardness.

Prompted by Jules Verne, and other writers of adventure, I try to draw upon my imagination for a vision of what would transpire if we Americans were able to rotate through space several thousand American educators, business men, engineers, railway material, a small army to protect them after arrival at destination, and accompanied by various other appurtenances of our modern civilization, we descend upon the planet Mars. Supposing we were to land on the most populous part of that planet among a

people quite content with their own civilization and culture and modest kind of life. After establishing a means of conversing with them which would virtually amount to training up a number of Martians to speak English, their language offering too many complications for general adoption by ourselves, imagine the effect of introducing motor cars. Engineers are determined to convince the Martians that their system of canals is uneconomical, that they need railroads and all the other advantages of modern civilization as enjoyed here in the United States. Suppose that several thousand young Martians are corralled and sent back to the United States to attend our colleges and universities. Suppose that simultaneously with our visit France, England, Germany, and other nations engage in doing the same thing. All meet a certain amount of encouragement after the first barriers of aloofness and prejudice are broken down. We find the people gradually more receptive to new ideas. We Americans make great headway in "selling" Mars on the benefits of modern democratic government of the people, for the people and by the people. About the time they get under way with the program, let us suppose that a substantially large and well funded delegation arrives from Soviet Russia eager to convert the Martians to the idea of developing a purely communistic state. The Martians by this time have developed some avidity in grasping new ideas. They prove to be far more good natured and tractable and capable of learning than we had at first supposed. They become much interested in all this influx of new ideas, are willing to try anything once, so they take a sizeable dose of Bolshevism. Right on the heels of our bewhiskered friends from Moscow is a delegation from Italy, proponents of the advantages of Fascism as the only real solution to the Martian political problem now becoming more and more complex.

There are a great many old dyed in the wool conservatives in Mars. They believe in going slow with these new fandangled ideas. They become impatient with the students now arriving back from England, Germany, the United States, and Soviet Russia, eager to put what they have learned into immediate effect. The old school conservatives obstruct and thwart the students and their foreign advisors in the furtherance of a great array of plans for turning Mars upside down economically, religiously, socially, and otherwise.

Without my going any further with this hypothetical situation, I'm sure you will agree with me that the people from the Earth would have by that stage of the game created so much confusion in Mars that they might find themselves very much embarrassed now and then as a result of the backfire from the various conflicting programs they had endeavored to launch. You will agree with me also, I'm sure, that the straightening out of the situation thus created might take considerable time, that the Martians might in self-defence play off these various competing foreign invaders against each other, and that in the absence of any concerted or coordinated plan on the part of the various delegations from our own planet to extricate Mars from its predicament, that it would not be presumptuous on the part of the people on that neighboring planet to ask to be let alone for a spell so that they might orient themselves

without undue interference to the new conditions obtaining in the Universe. It would be quite natural that Mars should want to take the moulding of her future into her own hands and to be left free to borrow from the earth such suggestions, ideas, and methods as might be found to be most adaptable to her own needs. That she might be expected to perform a great deal of wasteful experimenting is only to be expected.

To come back down to earth I cannot help but regard China as a country which has undergone a fairly similar experience to that just pictured. Foreigners in and out of China are impatient of course with the slowness with which China is progressing, impatient with the obstacles which appear to be constantly thrust into the path of progress.

But when I think of China and of the relations which have developed between that country and the outside world, when I ponder over her domestic problems alone, aside from her foreign relations, as a result of this incursion of the modern world of invention and machine industry, I wonder why the disturbances have not been more widespread and of greater violence than actually has been the case.

The consequence alone of what has been termed in western countries the industrial revolution whereby machine industry has upset the whole economic structure founded on handicraft industry and hand methods in agriculture by converging upon China suddenly in contrast to the gradual development of modern industry in the West, has been one of the chief factors disturbing China's equilibrium. I do not mean to imply that China's own modern industrial development has been so extensive as to be entirely responsible for this, but with the development of China's foreign trade in recent decades the influx of machine made goods at lower prices and of better quality than the cruder hand made articles has created real havoc in upsetting the balance.

In illustration of this idea I may quote an incident from my own experience. When I was first in China years ago I assisted in the sale of a machine for washing, drying and stoning wheat, for installation in one of China's new modern flour mills at Hankow. The equipment arrived from the United States, we transhipped it via river steamer to Hankow and our engineer was about to leave for that city to install the machine and put it into operation when we received a telegram from our agent in Hankow advising us not to send the engineer as the machine had arrived, been delivered, but had been smashed to pieces by the mill staff. It developed that farmers and dealers in wheat up country thinking to secure more money for the wheat they sell, adulterate it by the addition of small brown pieces of stone, laboriously manufactured by hand and added to the wheat. The millers actually pay less for the native wheat to offset the difference in weight and the cost of removing the stones, but the farmers apparently do not realize that. About 40 men were employed in this particular mill to sift out and pick out the

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stones and deleterious matter from the wheat before milling. These men saw their means of livelihood being taken away from them and took the only means which appeared feasible to their untutored minds to defend their position. Think of the economic waste of large numbers of people at work adulterating wheat and other large numbers busily engaged in removing the adulteration.

Four years ago when I visited the South China port of Swatow which has been recently modernized with wide streets, I was told by people there that just a few days previous to my visit, when the first motor busses comprising a city transportation system were put on the streets they were wrecked by a mob of ricksha coolies who saw in this development a menace to their livelihood.

These are typical reactions to the incursion of the machine age. I do not mean to imply from these illustrations, however, that China has not already met a good deal of this incursion and absorbed a great deal of modern industrialism. The great adjustment is going on full blast. Not only has China forsaken her monarchical government and is in the process of a political revolution, not only is she attempting to adjust the terrific dislocations of society caused by the industrial revolution and the changed relationships of individuals within the family involved in adopting modern civil codes, but also there is a regeneration of thinking influenced by western education and philosophies. The first students to return from America and Europe had little opportunity to employ their talents to advantage. Those returning today find vaster opportunities awaiting them. Men trained in modern banking, finance, agriculture, and engineering are being absorbed rapidly into this modernization of China. The well qualified find themselves called upon to fill concurrently several posts. Instead of there being a surplus of well trained western educated students with no way of applying their knowledge, there is really a dearth of well qualified people to participate in the great changes that are going on.

It may seem at times to the foreigner resident in China that business and industrial progress are almost hopeless, so violent and unfavorable are some of the manifestations of the tremendous upheaval occurring in China's political and economic world. But her foreign trade advancement is a definite index of the progress made in this huge adjustment. Foreign trade has trebled in volume in the past twenty years. Our own sales to China, while they have fallen off in the past two years in gold dollar valuation though less in volume than these values would indicate, were five times greater in 1929 than in the years just prior to the Great War. This advance in trade occurred in the face of almost continuous warfare or preparation for war in one part of the country or another involving numerous major upheavals; it occurred in the face of and in spite of the fact that railways have been out of business, strangled by military activity, and military interference, for a large part of the time and have deteriorated badly as to condition of right of way and of rolling stock; this advance has occurred in the face of the fact that China's armies have

