

Economic Development in Twentieth Century East Asia

The international context

Edited by
Aiko Ikeo

Routledge Studies in the Growth Economies
of Asia



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ECONOMIC DEVELOPMENT IN TWENTIETH CENTURY EAST ASIA

East Asia is an area now attracting much interest internationally, not least because of the growing economic importance of the region.

Taking economic development and the international environment in twentieth century East Asia as its major theme, the volume is divided into four parts. Part I presents East Asian views of the historical changes and transitions which have occurred in East Asia since the nineteenth century. Part II looks at the introduction of Western ideas to East Asia and the pursuit of cultural identity. In Part III, ideals, conflicts and strategy in East Asia during the 1920s and 1930s are examined. Part IV includes papers on China's economic policy, ethnic policy and the 'Confucian communism'.

Including many papers from scholars based in China, Korea and Japan, this collection supplies fascinating insights into aspects of East Asian economic development which will interest scholars in a variety of related fields and provoke further research and debate.

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She was editor-in-chief of *Development of Civilization: A Comparative Study of the National Characteristics of the Chinese Forms and Japanese Forms* (1992), and *A Study of Social Economic Thought and Modernization in East Asia* (1994).

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PREFACE

This book is a collection of selected papers which were presented at the Second International Symposium on East Asia, held at Kokugakuin University in Tokyo between 31 August and 1 September 1995. More than forty scholars participated in the conference, coming from Canada, China, Korea, India, the Netherlands, the USA, and Japan. The main theme was 'Economic Development and the International Environment in Twentieth Century East Asia'. The year 1995 was the fiftieth anniversary of the end of World War II. Scholars in each country have been making historical studies to clarify the economic and social changes in East Asia which led to that war or were brought about because of the war. Thus time was ripe for an international gathering to exchange academic results and to place East Asian studies on a more productive track by eliminating emotional rejection.

Kokugakuin University boldly decided to hold an international symposium on twentieth century East Asia, and gave its generous support, in both funds and service, for specialists in East Asia to meet and exchange their expertise. Kokugakuin has not only been deeply interested in the study of Japanese culture and history, but also feels responsible for dispatching Japanese culture and knowledge to the rest of the world. The university generously agreed that the Organizing Committee would have sole responsibility for the program, and that a special task force should be formed to assist the entire symposium project.

The Organizing Committee for the International Symposium on East Asia was voluntarily formed by eleven Japanese specialists in March 1994, with another joining later. An announcement of the symposium was issued and papers were called for in March 1994. Over the course of several meetings the Committee narrowed down the main theme, selected papers, and asked interested scholars to discuss the presented papers. A special task force was formed from the staff of Kokugakuin University in December 1994 to assist in the preparation and holding of the symposium until the conclusion of its budget in October 1995. In April 1995 the Organizing Committee confirmed that it was only responsible for organization of the symposium and agreed that Aiko Ikeo, Editor-in-chief, and a couple of organizers would be in charge of publication of the proceedings. In December 1995 the Committee formally dispersed. The Editor, consulting with the organizers of Kokugakuin University, selected papers centered on the main theme 'Economic Development and the International Environment in Twentieth Century East Asia' for this volume. At the final stage, it was decided to drop the phrase 'and the International Environment' from the main theme, because it seemed too long for the book title.

The symposium gave many participants their first opportunity directly to exchange knowledge and information with specialists from different cultural backgrounds in East Asia. Focus was placed on collective activities and their meaning, rather than on individuals or particular incidents. We believe that an important first step was made

toward the sharing of understanding of twentieth century East Asia. No one doubts that specialists in East Asia need to cooperate further to promote fertile research.

It is noteworthy that the symposium had six presenters and two other participants from the People's Republic of China. Chinese scholars are eager to participate in international conferences, although their academic community seems to be highly competitive and they are producing many studies written in Chinese. It seems easier for them to hold an international conference within China and to invite scholars from abroad than to attend a conference outside the country. In fact, the First International Symposium on East Asia was held in Beijing in April 1993. It was successfully organized by the Institute of Economics, Chinese Academy of Social Sciences, under the main theme of 'The Economic—Social Thoughts and Modernization in East Asia'. More than forty specialists from China, Korea, Taiwan, and Japan were given the opportunity to meet together. They presented wide-ranging papers on East Asian culture, economic thought, economic development and the economic future, covering the period extending from ancient history through to post-World War II. The proceedings were edited by Jia-zhen Zhu, Tan Ye, *et al.*, and published in Chinese as *A Study of Social Economic Thought and Modernization in East Asia* (Shanxi Economic Publishing House, Beijing, 1994).

We are pleased that the publication of our proceedings by Routledge enables us to share the important results of the Second International Symposium on East Asia.

The Editor

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The 1995 symposium on East Asia and the publication of these proceedings would never have come about without a sincere desire for international exchange and the dedicated support of numerous scholars and assistants. We wish to thank all those people who recognized the significance of the entire project on 'Economic Development and the International Environment in Twentieth Century East Asia' and were involved in making it happen.

We would particularly like to thank the following organizations and individuals:

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Thanks are also given to the members of the Organizing Committee of the symposium: Akira Baba, the organizer (Kokugakuin University), Aiko Ikee (Kokugakuin University), Yoshiko Kojo (Kokugakuin University, now moved to the University of Tokyo), Tamotsu Nishizawa (Hitotsubashi University), Yoshinobu Oikawa (Rikkyo University), Tetsuji Okazaki (University of Tokyo), Masaharu Osaki (Kokugakuin University), Yasutami Suzuki (Kokugakuin University), Kazuo Ueyama (Kokugakuin University), Kiichiro Yagi (Kyoto University), Shinichi Yamamuro (Kyoto University), and Michio Yamaoka (Waseda University) for their organizing efforts.

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NOTE ON NAMES

In China, Korea and Japan, the individual's family name is normally given first, followed by the given name (e.g. Tokugawa Mitsukuni). In very few cases, a Korean name may also have a 'middle' name.

However, an attempt has been made to place given name first and family name last (e.g. Mitsukuni Tokugawa) throughout this volume in order to facilitate understanding regardless of whether it is a Western or an Eastern name. A few Chinese names very familiar to Western readers are exceptionally placed in the Eastern manner (i.e. with family name first and given name last), for example Mao Tse-tung and Si-ma Qian.

1

INTRODUCTION

A.Ikeo

THE CONCEPT OF EAST ASIA

The concept of East Asia is itself of some complexity, and the emphasis in this concept has shifted from cultural ties to economic performance in the twentieth century. Since 1945 it seems that both politicians and ordinary citizens have begun to show more concern about economic growth rather than the preservation of their original cultures or traditional values. It can be said that this trend was also stimulated by the establishment of the International Bank for Reconstruction and Development, namely the World Bank, in 1945.

The World Bank gave special attention to the success of many of the East Asian economies in achieving rapid and equitable growth, and therefore decided to undertake a comparative study of economic growth and public policy in East Asia in 1991. The resulting reports on policy issue were collected and published in 1993 under the title *The East Asian Miracle: Economic Growth and Public Policy*. The phrase 'East Asian miracle' has become vogue among East Asian scholars and development economists. We emphasize, however, that looking at East Asia from the economic perspective is really a phenomenon of the post-World War II period. It may be safely said that this trend was promoted by the World Bank itself and was not the case before it started active financing for pro-growth countries.¹ The Bank economists have enlarged the concept of East Asia by paying attention exclusively to East Asians' rapid growth with equity.

The concept of East Asia has primarily been based on cultural identification, including Confucianism and the use of Chinese characters in writing, since East Asians did not use Western alphabets in ordinary writing. The main members of traditional East Asia were considered to be China, Korea, and Japan. With regard to religious cultures, it should not be forgotten that in Japan, Shinto and Buddhism have been at least as deeply rooted in ordinary life as Confucianism. Speaking of the influence of Buddhism on everyday life, the Japanese share many elements with peoples in Indo-China. Therefore, the case of Vietnam, adjacent to China, is very complicated. As the World Bank has realized that East Asian economies differ in many respects, such differences are even more paramount when we examine East Asian culture and tradition.

East Asian countries officially implemented their isolationist policies in the seventeenth and eighteenth centuries. But every rule has its exceptions, and each government maintained a few channels for transactions with other East Asian countries and Westerners, while monopolizing the information they obtained. In other words, the doors were closed for ordinary people to transact with outsiders. However, most citizens enjoyed peaceful and stable lives in their native lands, and they also cherished their own culture. In the nineteenth century, conditions began to change when Westerners came

more often to East Asia and protested at the monopoly of trade by a few merchants. Westerners thus used force to open the door to East Asia.

The historical development of East Asia has become even more complicated since that time. We must consider not only East Asian incidents, but also the conflict of interest between Westerners and Asians. The chapters in the Proceedings aid in understanding the changes and transitions in East Asia, as it gradually became open to Westerners. In the following section, I will summarize both the composite chapters, and one excellent paper which was presented at the symposium and was published in a Japanese journal (Matsumoto 1996). In principle, the papers are arranged in chronological order.

FROM TRADITIONAL RELATIONS IN EAST ASIA TO EXTENSIVE EXCHANGE WITH THE WEST

Part I presents East Asian views of the historical changes and transition that have occurred in East Asia since the beginning of Western aggression in the mid-nineteenth century. At the symposium, two renowned East Asian scholars, one Chinese and the other Japanese, gave keynote presentations. Many participants in the symposium enjoyed their lectures, because the two share the same understanding of the modern East Asian history and historical viewpoint with many other Chinese and Japanese scholars.

X.Yu provides a typical Chinese view of the transition of the international system and relationships in East Asia from the nineteenth to the twentieth century from the perspective of historical development. Yu argues that until the mid-nineteenth century the 'China-barbarian system' had existed in East Asia. This system was an international hierarchical system in which China was at the apex and conferred titles of nobilities on surrounding nations, which in turn brought tribute to China. From the mid-nineteenth century, the destiny of East Asian nations was determined by the international system formed by the West, Japan, the USA and the Soviet Union. Yu believes that the gaps of national strength between nations or between regions, which produced antagonism and conflict, have been narrowed through the rapid progress and change experienced in the latter half of the twentieth century. He expects that East Asia will exert some influence on the formation of the future international system in the twenty-first century.

S.Etō, referring to Yu's lecture, considers the continuity and discontinuity in East Asia from a comprehensive perspective. Etō starts with the understanding that traditional society in East Asia was based on feudal autarkical regimes, and he discusses the process by which tradition collapsed both from inside and from outside by the force of foreign countries. Etō, then, traces the dualism of reforms and revolutions both in China and Japan, and maintains that the Japanese absorbed new things while resisting them as did the Chinese. Etō also mentions the delicate issue regarding the legitimacy of the Japanese emperor, and the mentality of Japanese in the post-World War II period. Finally, Etō summarizes 'the light and the shadow' in modern Japanese history from a dialectical perspective, and presents numerous suggestions for the study of modern East Asian history.

WESTERN IDEAS VERSUS CULTURAL IDENTITY IN EAST ASIA

Part II includes three papers written by Chinese scholars which also discuss both the introduction of Western ideas to East Asia, and the pursuit of national or cultural identity.² At the symposium, it was made clear that numerous important changes began in the field of economic thought, business, and education from around 1920 onwards.

T.Ye remarkably demonstrates that the 1920s and 1930s were the initial period for systematic research on the history of Chinese economic thought both in China and Japan. She carefully analyzes the historical study of Chinese economic thought in the 1920s and 1930s with reference to the biographies of several scholars. She concludes that Q.Tang's research was the highest accomplishment of this period and played a crucial role in the history of Chinese economic thought as it became an independent branch of economics in China. She laments that no such a topic on Chinese economic thought exists within the discipline of the history of economic thought in Japan. Yet, few universities in Japan even offer courses on the history of Japanese economic thought. It is interesting to note that Ye does not differentiate economics from political economy and she uses only the term 'economies' in her chapter.

X.Zheng makes a vivid socio-economic analysis of Chinese business culture in the period from the 1920s to the 1950s. He discusses the exchanges and clashes which occurred between China and the West in Chinese commerce from the 1920s to the 1950s, with commodities being the carriers of original cultures. Zheng examines the commercial enterprises, including Shanghai Yongan Corporation, Guangzhou Xianshi Corporation, Tianjin Central Plain Corporation, Sichuan Baoyuantong Corporation, and Harbin Tongji Corporation. Zheng argues that the awareness of information and the concept of efficiency and creativity in Western business injected vigor and vitality into Chinese business culture and brought it up to date. According to him, Chinese business ideas from the 1920s to the 1950s were characterized by distinctive Chinese features, constituted mainly by traditional Chinese moral principles such as honesty, fidelity, righteousness, propriety, assiduity and thrift. It is noteworthy that some Chinese still remember the commercial prosperity of this period.

In his challenging chapter, Q.Liu regards the May-Fourth era of the 1920s as a significant turning-point in modern Chinese history. Liu emphasizes that relevant education is able to alter the value system of society, to cultivate a new generation and to push forward social progress. Liu argues that democracy was not only the ideological weapon, but also the ideal aim of Chinese revolution of the 1920s. John Dewey and Bertrand Russell were invited to China by educational reformers to give intellectuals and young people a broad introduction to the democratic ideology of liberty and equality. Recognizing the importance of Western individualism, the reformers placed their focus on the development of individuality as a basis for sound personality in Chinese citizens. According to Liu, many students of the new generation emerging in the May-Fourth era fought against the regime of warlords and the aggression of imperialism, then put themselves into the career of social reform and revolution. Examples of the transformation of Western ideas are scattered throughout this chapter.

IDEALS, CONFLICTS, AND 'STRATEGY' IN EAST ASIA

Part III includes the papers contributed by scholars with different cultural backgrounds but focused on the development in East Asia during the 1920s and 1930s.

S.Kwak and H.Lee examine the conditions for economic development in Korea in the first half of the twentieth century, based on the latest results of intensive research on the colonial period. Korea was closed until the great powers started to compete for the country. In that competition, Japan won control over Korea and opened it by force. Since then, a unilateral Japanese influence has been impressed on Korea, with Japan developing Korea as a supply base for the Japanese, not for the Koreans. Kwak and Lee argue that the most important factors for economic development that Japan never introduced to Korea were will and motivation in business activity. Under colonial rule, the growth of the voluntary will of the native people was hindered by the oppression of colonial governments and foreign capital. They emphasize that mutual respect is critical in international relations.

K.Yagi, focusing on two individuals, discusses the ideals in which Japanese intellectuals believed, and the dilemmas which they faced at the outbreak of the Sino-Japanese War in mid-1937, the war which at the time was called the 'China Incident'. The intellectuals were shocked when the puppet state of Manchukuo was established in 1931, but they came to hope that both China and Manchukuo would join the 'Cooperative Community of East Asia' which was supposed to be led by Japan. Yagi expresses their ideals as 'the unification of East Asia' and 'the elimination of capitalism'. After 1937, the intellectuals endeavored to formulate an historical justification for the controlled economy, which had been introduced pragmatically from the necessity of supplying the war. Yagi seems to appreciate their sincere dream of establishing what could be called 'communal totalitarianism' in East Asia.

Based on his research into the archives of Japan's Ministry of Foreign Affairs, K.W.Radtke provocatively discusses Japan's pre-war policies toward China, which led to the 'Hirota foreign policy' and provided the startingpoint for all-out war against China in 1937. Radtke summarizes his views in the form of several impressive propositions. The central point in his chapter is that, although Japan aimed to become a hegemonic power in Asia, it was unable to develop a consistent grand strategy, but relied only on an array of incoherent tactical moves. Radtke argues that Japan attempted to use coercive diplomacy to conquer an economic hinterland (China) by preventing China's unification (i.e. preventing North China from being economically and politically linked to the Nanking government). He also argues that Japan's pre-war policies prevented the earlier rise of a strong and independent Asia in the twentieth century, a development which is only now beginning to take shape.

P.F.Hooper, looking at East Asia from the Pacific side, examines the development of American—Japanese tensions within the Institute of Pacific Relations (IPR) during the 1930s, and charts the evolution of relations between the two groups from friendliness to hostility. The IPR was formed under the leadership of Americans and Japanese in the mid-1920s. Its focus was initially on cultural and racial issues that were of great concern in each country, and the two groups thus shared a good amount of common purpose. However, reflecting the broader developments of the era, this sense of unity largely disappeared during the 1930s. Following the Pearl Harbor attack, the American unit

declared its support of the Allied war effort, while the Japanese unit ceased meaningful participation in the Institute after the mid-1930s and concentrated its efforts on studies supporting Japan's Asian policies. Hooper's narrative deliberately unfolds the issues that drove an ever-deepening wedge into this relationship.

At the symposium, T. Matsumoto clarified the historical heritage of the iron and steel industry which was developed by the Japanese in Manchukuo (i.e. the northeast district of China adjacent to Russia, Mongolia, and Korea). Matsumoto deliberately focused his attention on the mining and iron-manufacturing divisions of the Showa Iron and Steel Works, and traced what happened to their facilities after the Japanese left in haste for the mainland at the end of World War II. Parts of the facilities were damaged during that war and in the subsequent civil war between Chinese nationalists and communists. Some parts were confiscated by the Russian army, as the USSR joined the Allies a few days before the conclusion of World War II. Matsumoto nonetheless concluded that the damaged facilities were repaired, went back into operation in the early 1950s, and thus contributed to the economy of the district (see Matsumoto 1996).

ECONOMIC THOUGHT AND REFORMS IN DEVELOPING CHINA

J. Zhu's chapter provides a compact summary of Chinese economic policies since 1919 and the concept of equal distribution of wealth which lay behind them. He divides the historic course of change in Chinese society into three stages: the period of the new democratic revolution from the May-Fourth Movement in 1919 to the founding of the People's Republic of China in 1949; the period of the socialist planned economy from 1949 to 1978; and the period in which the policy of reform and the 'open door' to the outside world after 1978 led to the socialist market economy. The adoption of new reform policies was always followed by debate regarding equal wealth distribution, or 'equity' in the World Bank's terminology. Zhu is concerned about the contemporary world following the Cold War, in which the contradictions between the rich developed countries and the poor underdeveloped countries and the extreme disparity between poor and rich within a country have become increasingly acute social and international problems.

D. Peng contributes to the controversy regarding the role of Confucianism in East Asian economic development by arguing that alone it does not have strong influence on economic development, but that it always works as a social and cultural ethic with other more fundamental factors, such as the political or economic systems. Peng continues to maintain that Confucianism acts as a norm for people's behavior by emphasizing authority, hierarchical order, and discipline, and thus often serves as a tool for the ruling class. His point is that Confucianism enhances the ability of the government to control and mobilize the society. According to Peng, Confucianism can facilitate economic development when the government is seriously committed to it. In contrast, Confucianism can also make things worse when the government carries out policies unfavorable to economic development, because it increases the ability of the government to implement such policies. Therefore, Confucianism is a double-edged sword that can

cut both ways. Peng's bold analysis of 'Confucius communism' in China is already at issue.

X. He endorses the effectiveness of current Chinese government policies on good ethnic relations in China, claiming that the situation is different from that in the former USSR. In China, the ethnic minorities were confined to the border and interior areas, where their customs, habits and religious beliefs were not respected during the 'Cultural Revolution'. The implementation of the policy of reform and opening up has contributed to changing the ethnic societies from semi-closed to a more open type. The introduction of the market economy stimulates migration to the places which offer more business chances compared to the areas where the people were born. He counts 413,800 people from 55 ethnic groups, in addition to Han Chinese, living in Beijing from the latest statistics. He optimistically maintains that, thanks to these recent policies, favorable conditions have been created for the growth of both state consciousness and that of the Chinese nation. The Chinese state's preferential policies, which encourage Han majorities to marry into the ethnic minorities, are most interesting. Children born to 'cross-cultural' couples, are frequently registered as belonging to an ethnic minority in order to enjoy the benefits of the preferential policy. He points out that such 'minority' children speak the Chinese language, and their psychology, habits and customs are virtually the same as those of the Hans. As a result, the increase in the population of ethnic minorities is accompanied by the spread of Han culture.

TWENTIETH CENTURY EAST ASIA

The contributors do not necessarily share the same views or opinions about modern East Asian history. This collection is a first attempt to examine twentieth century East Asia from a broad perspective under the consideration of the introduction of Western ideas, the cultural identity, economic development, and international relations. The scholars know that more scientific research is needed to overcome the incompleteness of the remaining historical documents. East Asia was never monolithic, although some politicians and intellectuals attempted to unite the East when faced by the aggression of the West, which had economic interests in the region. East Asians should continue to look seriously at modern East Asian history in order to create more friendly relationships in the twenty-first century.

NOTES

- 1 The World Bank played some role in the post-World War II internationalization of economics (see Coats ed. 1996).
- 2 Sugiyama (1994) discusses the introduction of Western ideas to Japan, and the pursuit for national identity in Japan. He focuses on the struggles, debates, and activities of the leading Japanese intellectuals during the 'first turbulent decades' (c. 1868–89).

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Part I
FROM TRADITIONAL
RELATIONS IN EAST ASIA
TO EXTENSIVE
EXCHANGE WITH THE
WEST

TRANSITION OF THE INTERNATIONAL SYSTEM AND RELATIONSHIPS IN EAST ASIA IN THE FIRST HALF OF THE TWENTIETH CENTURY

X.Yu

From the middle of the nineteenth century to the middle of the twentieth century the international system in East Asia has three times undergone enormous change, accompanied by subsequent shifts in the relations between East Asian nations. The aims of this chapter are to investigate the process and causes of the transition seen in the international system of East Asia, to look deep into its influence upon the relations between East Asian nations, and, moreover, to consider what kind of lessons it should give to East Asia, at the approach of the twenty-first century.

The history of East Asia in the twentieth century was divided into two periods at the end of World War II. Between these two periods can be seen sequential and causal relationships, but there was a relative gap; that is, in the latter period, the international system, the domestic structure of each nation, and the mutual relationships between nations were different from the first period. Compared to those two periods, the gap between the latter half of the nineteenth century and the first half of the twentieth century was so small that the two can be considered as one historical stage or period. In general, a century is defined as a series of one hundred years, and in East Asia the hundred-year period from the middle of the nineteenth century to the middle of the twentieth century should be regarded as 'one century'. When examining the history of East Asia in the first half of the twentieth century, one must, therefore, begin with the latter half of the nineteenth century.

Until the middle of the nineteenth century, the 'Chinese-barbarian system' had existed in East Asia, a peculiar international system under the leadership of the powerful Ming and Qing dynasties. This was a pre-modern international system, in which the emperor of China conferred titles of nobility on surrounding nations, with the latter bringing tributes to the former, and the former putting restraints on the latter. The system was based on the characteristic ideas of Confucianism, including the Three Cardinal Guides (the ruler guides the subject, the father guides the son, and the husband guides the wife) and Five Constant Virtues (benevolence, righteousness, propriety, knowledge and sincerity) and the concept of benevolent government; namely, the relationship between the emperor and local lords in China's feudal age was applied to international relations in East Asia.

Around the middle of the nineteenth century, however, the great powers of the West began to advance into Asia, thus posing a threat to the Chinese—barbarian system. These powers had already formed the Western-style international system in the latter half of the

eighteenth century. Unlike the Chinese-barbarian system in East Asia, the Western system lacked a single powerful leader, and many nations of all sizes were legally equal.

Under the Chinese—barbarian system, the countries of the West were regarded as 'barbarian countries' which should bring tributes to China. At one time, the Western nations also accepted this kind of relationship, and during the one-and-a-half centuries until the end of the eighteenth century countries such as England, Russia and Holland had brought tributes a total of seventeen times. However, the form of tributes gradually changed, and in the first half of the nineteenth century the West began to utilize this system as a means of trade through which they could make great profit. There were a number of factors behind this change: the empire of China, at the center of the Chinese—barbarian system, began to decline; from the seventeenth century into the eighteenth century, the Western powers carried out bourgeois revolutions and converted to modern capitalistic societies; and after the Industrial Revolution of the mid-eighteenth century, they tried to extend their sphere of influence outside the West. This was due to the mechanism of expansion inherent in the Western capitalistic system; in other words, the need to accumulate capital and develop suppliers of natural resources and new markets. For these purposes, the Western powers, including England, made inroads into East Asia. The confrontation of the two different international systems appeared in the form of the Opium War, which broke out in China in 1840.

China was defeated in the Opium War and part of the Chinese—barbarian system began to collapse. In 1842 England entered into the Nanjing Treaty with the Qing dynasty. With this as a start, a series of unequal treaties was concluded by the other Western powers, which meant that a legal system began to take shape between the Qing dynasty—the leader of the Chinese—barbarian system—and the Western powers. The Western powers also concluded various unequal treaties with Korea, Japan, Vietnam, and so on, and established similar legal relations with those nations. However, the traditional power relationship of the Chinese—barbarian system in East Asia did not immediately collapse, but after a number of wars, it was completely demolished at the time of the Sino-Japanese War (1894–5). At that point, the Western powers established a colonial international system in East Asia which greatly changed the international environment in East Asia. This was the first change in the international system of East Asia.

In Europe the formation of the Western-style international system had begun with the Treaty of Westphalia in 1648. Under its principle of 'balance of power', the sovereignty, independence and equality of each nation were respected, and on this basis peace was maintained until World War I. However, when this legal system was applied to East Asia, it was against the principle of the Westphalia Treaty; the sovereignty and independence of East Asian nations were violated and the conclusion of unequal treaties put them in a subordinate position by force. The international system in East Asia was transformed from the Chinese—barbarian system into a colonial system, and the century-long colonial period began.

How could the Western powers force such a system on East Asia? And why did East Asia accept it and fall into colonial or semi-colonial status *vis-à-vis* the West? The main cause was the inequality of the social and historical development between East Asia and the Western powers. Similar phenomena were observed all over the world, not only in East Asia but also in Southeast Asia, Latin America, Africa, and so on. The West shifted from a feudal society to a capitalistic society after going through the bourgeois revolution

during the middle of the seventeenth century in England, the American Revolution in the eighteenth century, and the French Revolution in the late eighteenth century. They established modern political systems and economic structures through the Industrial Revolution, and organized modern armed forces equipped with new weapons; the strength of each nation rapidly grew.

Unlike the West, the East Asian nations still possessed feudal societies under the control of royal authority, and agriculture played a central role in their economies. Their armed forces were not equipped with modern weapons, and their military training was also pre-modern. At that time, East Asia was two hundred years behind England, one hundred years behind America and more than fifty years behind France. This represented not only a time lag, but also a fundamental gap in the historical development of the society. The Western nations were successful in breaking down their own feudal societies through revolutions and reforms which transformed them into capitalistic societies. A capitalistic society is more advanced and superior to a feudal society.

As the Western powers advanced into East Asia, their capitalistic societies confronted East Asia's feudal ones. Considering the gap in social development between the two, it is only natural that, in this confrontation, the modern and powerful Western nations overpowered the weak pre-modern East Asian nations, which could not resist invasion. This inequality in social development produced a considerable gap of national strength between Western and East Asian nations, and the colonial system with its law of the jungle—the weak are victims of the strong—prevailed. That is to say, the theory of 'inequality of power', one of the principles of the Western-style international system, was applied to East Asia by the West.

A similar gap in the historical development of society also existed between East Asian nations. As a member of the Confucian bloc of East Asia, Japan held a unique position among those nations at that time. Until the middle of the sixteenth century, Japan had been a part of the Chinese—barbarian system, but seceded from it following the Ming—Japanese War, which was started by Hideyoshi Toyotomi in 1591. Japan was in its late feudal period until around the middle of the nineteenth century, and was close to a national crisis similar to those of China and Korea. However, it abolished its isolation policy and opened the country to foreign trade and diplomatic relations; the Meiji Restoration in 1868 was its first step out of a feudal into a capitalistic society. It promoted the policy of 'out of Asia, into the West', assimilated Western civilization and culture, and established a capitalistic nation based on the emperor system. Domestically Japan promoted the accumulation of wealth, the establishment of new industries and Westernization. Toward other countries, it resorted to gunboat diplomacy and wars, and thoroughly destroyed the East Asian Chinese—barbarian system by forcing unequal treaties on its neighboring countries, Korea and China. Such treaties were similar to those which the Western powers had forced on East Asia, and did even more serious damage. If Japan had grown into a different type of nation, or if Japan and the other East Asian nations had formed an alliance against the Western powers under the principle of Asianism advocated by some Japanese and Sun Wen, the international system of East Asia in the twentieth century would not be what it is. Although this may be an idealistic hypothesis in studies on international relations, some consideration should be given to it as East Asia enters the twenty-first century.

The other East Asian nations learned from Japan's Meiji Restoration and attempted to carry out reforms and revolutions of their own, namely, the Coup of 1884 in Korea, the Reform Movement of 1898 and the Revolution of 1911 in China. However, all these revolutions failed, and Korea and China were unable to change from a feudal into a capitalistic society. A gap between development and national strength was created between Japan and the two countries—Japan was strong, Korea and China were weak—leading to a series of aggressive wars in which Japan invaded the neighboring countries and divided East Asia into two opposing camps. This was a tragedy which originated in the inequality of historical development between East Asian countries as well as the second change in the East Asian international system.

As the Chinese—barbarian system collapsed due to invasion both from inside and outside East Asia, the colonial system was established.

The East Asian international system and the colonial system were under the control of Western nations from the middle of the nineteenth century to the 1920s. Its representative example was the Washington Treaty System, which Japan followed and cooperated with, since, compared with the Western powers, it was still a minor nation. However, from the early 1930s to 1940s, Japan also broke down this system through the Manchurian Incident, the Japanese-Chinese War and the Pacific War, and tried to establish an East Asian regime under its control—the Great East Asian Coprosperity Sphere. This was the third change in the East Asian international system.

The collision of the Eastern and Western international systems was a conflict or antagonism between two kinds of nationalism, which grew into a great power that shook the international system in East Asia. In the West, with the development of capitalism, nationalistic consciousness was established in the eighteenth century, which in the East only developed a century later, in the nineteenth century. Nationalism is a state of consciousness, a thought or a movement seeking the unification, independence and development of the nation as a sphere of the same way of life, culture and communication networks. In other words, it is a psychology of wishing for the existence and the development of the social group called a 'race' or 'nation' to which one can have a sense of belonging. The invasion by the West of East Asia meant that Western-style nationalism advanced into the East and, under such circumstances, East Asian-style nationalism grew out of contempt for the Western invasion, as a movement for independence and liberation. The East Asian nations were in opposition to the liberalistic political system and rationalistic economic structure of the West, and supported their original cultures and traditions. Contemporary political movements against the Western invasion were often related to anti-Western culture.

Such phenomena led to cultural friction between East and West. All elements of East Asian culture were linked with one another and maintained a systematic balance. The peoples of East Asia valued the originality of their traditional cultures and did not accept Western values, which were heterogeneous and foreign to them. This means that they rejected Western culture, leading to East-West friction and political and economic antagonism. Such troubles that arose between nations were usually settled through conquest and surrender. There is no doubt that the invasion by Western powers of East Asia since the middle of the nineteenth century originated in such cultural friction. However, East Asian culture was not integrated into Western culture, nor was it

extinguished; it was firmly retained and existed as a component of the movement against the Western invasion.

However, this was only one aspect of East-West cultural friction. In other areas, a small number of people with advanced knowledge and foresight tried to absorb Western civilization and culture in order to resist the West, using them for the development of their own nations and people, and the establishment of a powerful nation. Such tendencies can be seen in the Westernization Movement, the Reform Movement of 1898, the Revolution of 1911, the New Culture Movement in China, the Coup of 1884 and the Patriotic Culture Movement in Korea, the Meiji Restoration and Westernization of Japan. Such absorption and acceptance began on a small scale, gradually expanded, and has continued until today. In a sense, the East Asian nations achieved their independence and gained military and national prosperity by absorbing and accepting Western culture and civilization. This was an ironic phenomenon, but it was historically inevitable and rational that the undeveloped East Asian nations should absorb the advanced culture and civilization of the West.

These historical facts, however, did not justify the Western acts of aggression in East Asia. Each Western nation in modern times was under a dual national system. Domestically, they established a political system based on modern democracy and liberalism, developed modern scientific technology and promoted unprecedented material civilization, while on the other hand they invaded East Asia. East Asian nations (except Japan) absorbed Western civilization and culture but resisted the West's aggression. In other words, East Asia also took dual measures to cope with the policy of the West.

Each nation had a very complicated interest in East Asia in the formative period of the colonial system, which can be explained by the theory of 'dual international relationship'; that is, the relations between nations concerning East Asia were not simple, but had a dual or double structure. For example, the relations between the Western nations and between Japan and the Western powers over East Asia were multiple in that they supported and cooperated with each other in some cases, while in others experiencing antagonism and conflict. Such phenomena originated in the policies of the great powers, which were trying to maintain and expand their interests and spheres of influence in East Asia. The relations between the Western powers and the countries they invaded—including China—had a double face. Fundamentally, the relation between the two was that of invader and invaded, but there were also inconsistencies which originated in antagonism and conflict between Japan and the Western powers over China and the other invaded nations. On the one hand, the Western powers supported the invaded nations in order to check Japan while, on the other hand, they used Japan for the purpose of putting pressure on the invaded countries. For their part, the invaded nations took advantage of the conflict between the Western powers and Japan, depending on the former to resist the latter.

However, such dual relations were not fixed. They changed in accordance with the situation in East Asia and the world. Some 'dual relations' between two nations, or between one nation and several other nations, came to an end, after which, in some cases, they became 'single-face' relations. For example, at the outbreak of the Pacific War, the dual relations between Japan and the USA concerning East Asia came to an end; only a relationship based on antagonism and conflict remained. The same thing also happened to relations between Japan and the European nations.

The theory of 'dual international relationship' is entirely applicable to the cases of semi-colonized nations in East Asia, but is not relevant where nations were totally colonized. As for Korea, it had been in a dual international relationship since the middle of the nineteenth century until 1910, when it was annexed to Japan. Subsequently, Korea was completely colonized by Japan, with the West recognizing its annexation. In consequence the former dual relations concerning Korea vanished. In the latter half of World War II, as the international situation in East Asia changed, the problem of Korea was taken up as a two-sided international problem and, with the support by the allied powers, Korea achieved its independence and liberation. However, the fight between the USA and the USSR concerning East Asia resulted in the division of Korea into two, the north and the south. The northern part of Korea belonged to the camp controlled by the Soviet Union, and the south belonged to the American camp; the whole of Korea was thus drawn into the Cold War, which led to the outbreak of the Korean War in 1950. Judging from this fact, it can be said that, in a sense, the international circumstances and system were among the important factors which determined Korea's destiny.

With regard to Russia, it belonged to Europe, though its Siberian district belonged to East Asia, and geographically it was bordered by China, Outer Mongolia and Korea. Like the Western powers, Russia went south and invaded East Asia, a situation which I will not take up here. In the October Revolution, Russia overthrew the Czarist system, renounced the unequal treaties which had been concluded with East Asian nations, proclaimed equality between peoples and nations, and asserted the emancipation of labor and peasants from capital and landlords. These declarations stimulated intellectuals, oppressed labor and peasantry in East Asia to struggle for national independence and emancipation from the class system. Communist organizations began to be formed in the 1920s, together with labor or peasant movements. The antagonism between classes within a nation became more serious, sometimes developing into civil war and leading to the breakup of a nation. Contrary to this phenomenon, communist organizations in East Asia allied with laborers to establish an order in opposition to the colonial system. This was formed by Comintern under the control of the Soviet Communist Party; linked to the domestic antagonism between classes and foreign policies with the intention of resisting invasions and achieving national independence, it began to oppose the earlier colonial system in East Asia.

Contrary to the influence of the October Revolution in Russia, the Fourteen Points announced by US President Wilson at the beginning of 1918 inspired the liberal nationalists in East Asia with the spirit of racial self-determination, and prompted the formation of a united front for national independence and liberation. This was different from the communist organizations, but also began to resist the colonial system.

Thus, the East Asian movement to resist colonialism was divided into two, and after achieving national emancipation and independence this division once again developed into civil wars or disputes. During the Cold War between the USSR and the USA, the communist organizations belonged to the Soviet camp and the united front based on Wilson's Fourteen Points belonged to the US camp, with each opposed to the other.

Through the examination of the international systems and relations between nations in East Asia during the twentieth century since the middle of the nineteenth, it can be said that, in a sense, the destiny of East Asian nations was determined by the international systems formed by the West, Japan, or the USA and the USSR, even if there were few

choices. However, such systems at the same time promoted resistance movements and reforms inside the East Asian nations, and had a new impact upon changes to the international system in East Asia. This means that the causal relationship went in a circle, while also indicating that, contrary to the pre-modern world, in the modern world one nation or region cannot exist in isolation, but must coexist with the world as one composite part of it. Today, East Asian nations exist in the post-Cold War international society. The new international society of the twenty-first century that we are currently fumbling for will certainly have an impact on East Asia, which will also exert some influence on its formation.

The colonial system in East Asia, which lasted for one hundred years from the middle of the nineteenth century, was caused by inequality between the development of the West, Japan, and the other East Asian nations. Inequality in the development of society, economy and armaments will cause gaps in national strength between nations or regions, that is, gaps between the strong and the weak. Such gaps can be hotbeds of antagonism and conflict between nations and regions, or an important factor in the formation of an unequal international system.

Today in East Asia the gap has been narrowed in various fields between nations through rapid progress and changes in the latter half of the twentieth century, but the problem of inequality still remains. Moreover, this area still demonstrates various after effects of the Cold War system. These are problems that East Asia must face and resolve in order to secure peace, stability and development.

(Translated by Satomi Kaneko)

3

CONTINUITY AND DISCONTINUITY IN EAST ASIA

S. Etō

This chapter is based on my keynote speech at the 1995 International Symposium on East Asia. I start with the question of what the traditional society was, and discuss the process in which tradition collapsed. Next, I consider the dualism of reforms and revolutions both in China and Japan. Finally, I summarize the light and the shadow in modern Japanese history.

WHAT IS TRADITIONAL SOCIETY?

As far as East Asia is concerned, traditional society can be considered as a feudal society. Some scholars maintain that the dynasties in China were not based on feudalism, but a close study of the Qing dynasty shows that the power of the governor-general in each region was very strong. When he collected taxes, he sent a certain amount of it to Beijing and then put the rest in his own pocket. Under such a governor-general there was a well-organized system of bureaucracy with centralization of power. However, the salaries of officials were surprisingly meager—so meager that they could hardly live on them. Instead, they were as a matter of course permitted to take commissions, and that was the reason many Chinese people longed to become government officials and exerted every effort in order to pass the classical examination for government service. Of the numerous official posts, those which were most eagerly sought after were the governor-general of Guangdong and Guangxi, the governor of Guangdong, and the commissioner of Yuehaiquan. The last was the highest position of customs at Guangdong, and only Manchus were appointed to the post. Because trade at Guangdong was most lucrative and brought in huge wealth, and the income of the commissioner was so enormous, the post was not to be given to Han Chinese but to be monopolized by the Manchu. The wealth these posts controlled far exceeded that of Japan's Ministry of Finance. Therefore, even the Qing dynasty, when its administration system is studied closely, reveals many remarkably feudalistic elements.

Now, let us proceed to the question, 'What is a feudal society?' Needless to say, a feudal society is basically an autarkical society. Accordingly, Japan under the Tokugawa Shogunate was basically autarkical, as was Korea under the Yee dynasty and China under the Qing dynasty. The external trade that flourished at Nagasaki and Guangdong was an exceptional case under these feudal autarkical regimes. In such a society, it was only natural that production would stay at the same level; in other words, the stagnation of production was a major premise. The stagnation of population was also taken for granted.

Towards the end of the Edo era, however, the productivity in some of the feudal clans began to rise rapidly and they tried to break away from the shogunate. At the same time, serfs started to run away from rural villages to towns, breaking away from the bondage to the land. The samurais whose salaries had been paid in rice were reduced to poverty. Thus the system's self-sufficiency began to collapse, bringing about the growth of commerce or distribution systems. Such scholars as Baigan Ishida, Kyūou Shibata, and Shōeki Andō developed a very modern way of thinking, which spread to the public through the last days of the Tokugawa regime and the Meiji era (i.e. in the last half of the nineteenth century). Ginkō Kishida, founder of Japan's first modern newspaper, entirely denied the hierarchical discrimination which had been the basis of feudalism. The real purpose of life he showed to the public was money-making. As his opinion is very interesting, I would like to quote Kishida's letter to his niece on the occasion of her marriage.

If you make efforts in your youth to learn writing, reading, and calculations, and acquire many arts and skills as well as wisdom, you will be able to become wealthy. Human bodies are made convenient to use, equipped with such organs as eyes, ears and nose, as well as hands and feet. You are given such a useful body by the Father in Heaven, whose command to you is to work hard and become wealthy by making use of this body.

(Quoted in Etō 1974:259–60)

It is noteworthy that Kishida grew up in the Tokugawa regime which imposed a most strict hierarchical order. His message was the same as that of Yukichi Fukuzawa who wrote (in 1900), 'A feudal regime is as hateful as the murderer of one's parents.' It can be said that these people were well prepared for modern society even before the shogunate regime broke down in 1868.

It can be said that the situation was almost the same under the Qing dynasty. Emperor Yongzheng did everything to save money; he was extremely frugal in everything. The next emperor, Qianlong, spent money generously and brought about the golden age of Qing dynasty. He had almost emptied his treasury-box in his later days, namely, in the latter half of the eighteenth century. However, with a large amount of money circulating in the society, production rose remarkably. Prices were going up little by little. This period thus witnessed the phenomenon called creeping inflation in modern terminology. Such inflation strongly stimulated output, and when people could secure enough to eat, the population grew. Scholars have always maintained that this was how the Chinese population exploded towards the end of Qianlong era. According to one record, the population increased five-fold in thirty years. This cannot be true; it is impossible. But there are other documents relating that the government tried desperately to absorb the increased population by encouraging people to develop land for cultivation. In addition, many people migrated from China to Southeast Asia in this era. It seems, however, that the development of productivity and the increase in population which occurred in the latter half of the eighteenth century were not well balanced, and the population explosion proceeded much faster. Liangji Hung, a government official who lost his position at that time, wrote—as did Thomas R. Malthus—that overpopulation invites famine and war.

The closing days of the eighteenth century in the Qing empire were another example of this principle. Since the White Lotus rebellion, homeless peasants strayed about the country, and the government began to lose its authority over the people. In short, the feudal system and its order collapsed from the inside. This situation was the same in the Japanese shogunate regime and in the Qing dynasty.

At the same time, the Western impact compelled China's transformation and played an important role in the collapse of traditional society. In the case of the Qing dynasty, the outside pressure was foreign military power. As Xinchun Yu explained in Chapter 2, according to the traditional Chinese concept, China was the center of the world and a flowery celestial empire, while countries outside were all barbarians. So long as this neat hierarchical system could be enforced by its military strength, the authority of the Qing empire was protected. For instance, the Manchu used military force mercilessly to suppress Yi-dynasty. They also brought Vietnam under their control, but failed to do the same with Burma. Yet Burma became a tributary state which paid tribute to Qing.

When European East India Companies started trade at Guangdong in the seventeenth century, their ships were far inferior to those of Qing in military capability. Therefore, the companies had to accept and follow the system imposed by Qing. From the latter half of the eighteenth century, however, the balance between West Europe and Qing underwent a great change. The Qing empire remained in stagnation. In eighteenth-century Europe, bridges built of stone were rare and it was dangerous for a woman to travel alone. According to Charles Dickens' description in his novel *A Tale of Two Cities* (1859), a journey from London to Dover by a stage coach was so dangerous that after dark the coachman had to drive with a gun in his hand in constant fear of highwaymen. In contrast, in both the Qing empire and in Japan under the Tokugawa government, travel was extremely safe, and the roads were kept very clean, as reported by Engelbert Kämpfer (1727).

This situation then underwent a complete change. The developments of the industrial revolution coupled with the Napoleonic wars advanced Great Britain's capacity to manufacture excellent firearms. It also built fast ships using timber from North America and Russia. As a result, British battleships of the 1830s became much stronger than those of the Qing empire. Within a few decades, the design of European ships and armaments made extraordinary progress. In 1839, only two gunboats of the British navy, surrounded by more than seventy Qing battleships, could confront them unvanquished.

Having lost its overwhelming military strength, the Qing empire lost its authority and the regime began to collapse. The monopoly on Guangdong business was broken up in 1834, and several opium merchants, called free traders at that time, joined the trade. Their ships were different from the large vessels used by the East India Companies when they had monopolized trade. These new ships were very slim and small. When tea was shipped for Europe at Guangdong, they could sail faster, thus enabling the free traders to sell their tea sooner and for a better price. In this way, the free traders rapidly accumulated wealth, and organized themselves into companies such as Jardine Matheson & Co. and Dent, though the latter went bankrupt later. The turning-point in relations between China and Europe came when China was surpassed in military strength, while Britain succeeded in developing modern industrial productivity against the background of its struggle with Napoleon.

While the difference in military strength between Britain and the Qing empire became apparent, Qing naturally continued to protect its traditional regime against the Europeans. Such situations invite cultural conflicts; some may call it cultural 'friction', but I prefer the term cultural conflict. The same phenomenon is now to be observed between Japan and the USA. The cultural conflict between Great Britain and Qing was fatal because everything about the two countries was different, from their daily life to the official system of decision-making. Nothing short of a war could decide which side should prevail; in fact, military strength finally settled the issue. The Opium War between Qing and Britain erupted in 1839. As it did not open wide enough the doors of Qing, the Arrow War followed in 1856. Still unsatisfied, the Anglo-French Army occupied Beijing in 1860. The Sino-French War broke out in 1883, followed by the Sino-Japanese War in 1894–5. The subsequent Treaty of Shimonoseki included clauses to the effect that foreigners would have the right to establish factories at open ports such as Shanghai and Tianjin. Such privileges brought no direct advantage to Japan, which had not yet accumulated enough capital to build factories in these areas. The countries that wanted factories in China were Britain, the USA and Germany. The Japanese government understood the desire of these world powers and included the clause granting foreigners the right to build plants at the open ports. Thus China was dragged into a system in which the principle was free trade in the European style.

Harry Parks, the second British Minister to Japan, who had been in China for a long time, is once said to have advised that when one would have diplomatic negotiations with the Chinese, one should shout, be angry and pound on the table. I have been looking for documentary evidence of this statement, but so far I have not found it. However, the anecdote has been handed down very tenaciously in East Asia. It reflects the perception that the world powers used gunboat diplomacy, namely, the policy of threat by warships.

In this way, tradition collapses both from the inside and through the force of foreign countries. In the case of Japan, tradition was destroyed by force from the outside. The Anglo-Satsuma War in 1863 and the occupation of Shimonoseki by the four allied fleets in 1864 were just two instances among many. At that time, what the great powers of Europe wanted to achieve—even by resort to arms—was abolition of the feudalistic monopoly of trade. In the case of the Qing dynasty, the Treaty of Nanjing signed after the Opium War revoked the licenses for foreign trade issued to the Chinese traders, called Hong merchants, with the result that anyone could engage in it. Up to that time, in Anglo-Chinese trade, Qing conducted a monopolistic policy while Britain followed a free trade principle. In such a case, it is evident that the country following a free trade policy will lose; it is absolutely disadvantageous. Current trade negotiations between China and Japan reflect the situation. Chinese negotiators are monolithic, while on the Japanese side, the *Asahi* newspaper says one thing, the Socialist Party says another and the New Frontier Party says still another, making the situation disadvantageous to Japan. The same thing happened in this Anglo-Chinese trade. The trade monopoly of the Qing traders had to be destroyed, even by force, and that destruction had to be carried out in the name of free trade. When the great powers succeeded in opening the Japanese ports, their first action was to abolish the silk guild in Yokohama which had monopolized the silk trade.

Chinese import taxes were next brought under control. If heavy taxes were imposed on English merchandise by the Qing government, penetration into the Chinese markets would be difficult; import tax must therefore be controlled. Similar attempts were made

in Japan. As a result of the *Edo Kaizei Yakusho* (Edo Tax Amendment Agreement), the import tax imposed by the Tokugawa shogunate government was brought under the control of foreign countries. Although the phrase 'free trade' sounds admirable, in order to realize it in nineteenth-century East Asia it was necessary to overthrow the feudal regimes by military force. The new system was established on the basis of enforced change; it did not grow by itself and was far from *laissez-faire*.

This is the way in which traditions have been destroyed in East Asia. I would like to emphasize the fact that what decides whether a tradition can survive, or whether reform can take place, is the difference in power. To some extent, persuasion also plays a part. Whether the argument carries conviction or not may be important. I believe, however, that the final deciding factor is always power. Otherwise, the modern history of East Asia in the nineteenth and twentieth centuries can never be understood.

I have just mentioned that persuasion might play a part. This part can be very important. Even though tradition could be suppressed by force, unless the way of suppression was persuasive the results would be very different. The European powers that entered the Qing empire were by no means acceptable to that hierarchical system and they met with bitter resistance. In order to overcome this opposition, the European powers resorted to wars and won. As history teaches us, the winners of wars have always perpetrated cruelty. At present, Japan is under the crossfire of blame, but similar or worse things happened when the British and French armies attacked Beijing and Guangdong in 1860.

In the case of Japan, although there must have been much conflict, the people did not defend their traditional value system or culture as desperately as the Chinese. The reason why the Japanese did not offer such resistance is an interesting topic. For them, the center of civilization has always been far across the ocean, ever since the Tempyo and Nara eras. The Japanese have learned from the center. Students, if they really want to study something, had to go abroad, ever since the era of envoys to the Sui dynasty in the seventh century. The priests at Gozan (the Five Temples) in the Ashikaga era also stayed in China to study in the fourteenth century. Shunshui, who left China and settled in Mito in 1659, was welcomed with great respect in Japan. At the beginning of the Meiji era around 1870, when Chinese diplomats or merchants who could write poems arrived from China, many Japanese gathered to welcome them and pay their profound respects. Therefore, when new culture came from Western Europe and America, the Japanese were prepared to try to understand it. San'you Rai travelled to Nagasaki to learn the latest situation in Europe. In one of his poems he praised Napoleon, though he called the great hero Louis. At Nagasaki he must have been told that this was the name of the hero who conquered Europe.

In the same way, if you have a chance to study old manuscripts at the prefectural library, you will find a great many concerning the Opium War. These manuscripts were based on news learned from foreigners at Nagasaki and, though they were kept under control by the Tokugawa government, they were copied secretly by many feudal clans. There are a considerable number of copies of the anonymous *Afuyo Ibun [A Collection of Hearings on Opium]* which shows how eagerly the samurais in many feudal clans wanted to learn of the latest happenings in foreign countries.

Thus, whether new things are rejected as heresy or accepted as progress is an important issue for a government in persuading its people. Each time dynasties changed

in China, the new one wrote an official history condemning the preceding regime for its evil acts. When the Manchus conquered the whole country, they wrote *Manchu Yuanliu Kao* [*The Origin of the Manchus*] (A *et al.* 1778) in order to claim that they were the supporters of legitimate culture. When they invaded and conquered Korea, they mercilessly persecuted those Koreans who insisted on the authenticity of the Ming dynasty. Whenever tradition and innovation come into conflict, the problem of legitimacy is the focus of political battles and politics. In Japan also up to the Meiji era, the dispute on a *de jure* government between the Northern and Southern dynasties in the imperial pedigree had been an extremely delicate but basic issue among scholars. The present emperor belongs to the Northern dynasty. However, San'you Rai (1914:621ff.) and *Dai Nihon Shi* [*The Grand History of Japan*] (Tokugawa *et al.* 1657–1906) stated that it was the Southern dynasty which was legitimate. Therefore, the Northern dynasty is a traitor to the Southern dynasty, and the legitimacy of the emperor is doubtful. Finally, however, all the scholars who expressed doubt about the legitimacy of emperors who did not belong to the Southern dynasty were purged from the national universities. Therefore, at present we no longer trouble ourselves with the issue of the legitimacy of the Southern and Northern dynasties, and accept the present emperor as the only emperor. Yet, until the issue was finally settled there were a number of arguments about the legitimacy of the emperors.

Concerning this problem of legitimacy, the mentality of the Japanese people has been rather opportunistic and practical. Half a century ago, many people, with the *Asahi* newspaper leading, accepted in a matter of a few days the occupation policy for democratization of Japan imposed by the US military forces. Japanese people are very flexible, which is the reason why they have reached this present age without fierce disputes about political legitimacy. In the case of Germany, the Nazis, a very particular heretical group, seized power and enforced their policy. Therefore, the authenticity of Germany did not exist in what they did. In their concept, all the evil was done by the heretical group, the Nazis. Most German intellectuals active in post-war society were anti-Nazis during the war. There are one or two Nazi ideologues, but they are evaluated in another sense. Accordingly, the postwar German intellectuals are able to proclaim with pride that what was done in the past Nazi era was not of their doing. The authenticity of Germany is with them, not with the Nazis. At conferences the German scholars proudly make this claim. Germany must take responsibility for what the Nazis did, but the policies and ideology of the Nazis were heretical.

On the other hand, in Japan, although there had been many criticisms against the militaristic control before World War II broke out, these were whispered in secret. The whole of Japan as a nation participated in the conflict and fought it strenuously. After the war, in Japan which was democratized and freed from militarism, the Japanese worked hard to ensure that they could eat well and to reconstruct the country to what it is now. As to the problem of the responsibility for the war, only a very few people can say that they were not responsible because they were anti-militarists and fought against the policy of the government. Some of the people who make such claims are fakes; some changed their position overnight. So, half a century after the war, this problem has not been settled in Japan as squarely as in Germany. In foreigners' eyes, this must look very strange.

THE DUALISM OF REVOLUTIONS AND AGGRESSIONS

As I have explained, innovation needs force and persuasive power in order to acquire legitimacy. Standing on this premise, let us think about the 1911 Revolution in China. Many Chinese are still unable to evaluate this revolution which was like a storm, as in France one can still find royalists even after the French Revolution completely changed the course of history. The problem of legitimacy is extremely delicate and at the same time needs force to be solved.

It is only natural that in Japan—where politics, economy and society have been drastically changed in the two hundred years since the last days of the shogunate—tradition and innovation should cause conflicts. The modern history of Japan can be explained only from the understanding that through these conflicts the Japanese dialectically created new things. Now, this leads us to the second theme of this chapter, the dualism of innovation and revolution. It is often said that Japan consists of people who are pragmatic and unreligious. This may be true, but the anti-Buddhism movement in the Meiji era and the severe suppression of the Ohmoto cult in 1935 show that there were very serious conflicts. As a result of these sufferings the Japanese made the dialectical decision to allow coexistence of multiple religions. A majority of Japanese go to the Shinto shrine to pray for their newborn babies, marry in Christian churches and when they die their funerals are conducted by Buddhist priests. These ways of worshipping are unquestioningly accepted in Japanese society, which is the product of such sufferings.

In the previous chapter Xinchun Yu mentioned that the Chinese have absorbed new concepts while resisting them. The same is true of the Japanese, for example those who went to Europe in the Meiji era to study. Ōgai Mori was one of them, and although he became an outstanding European scholar, it is remarkable how he resisted the Europeans. Angered by a thesis condemning the Asians as an inferior race, he fiercely rejected it though his German was still far from fluent. Once a renowned Japanese diplomat ridiculed Mori for studying hygiene in Germany, saying, 'Japanese pick their nose.' Mori was determined to refute him. After a few decades of search, he found a passage in a novel by Danish writer Gustaf Weed, describing a European sailor picking his nose. Wild with joy, Mori wrote a novel about it. The same can be said of Sōseki Natsume, who stated, 'When there are mountains, the Europeans dig tunnels through them. We make roundabout ways between the mountains. That is the difference between the East and the West.' To the end of his life he was severely critical of modern Europe, although as a scholar of English literature he was second to none in Japan. I believe that the reason Natsume is still loved by many Japanese as a novelist is that he kept struggling between the East and the West throughout his life.

The attitude of the Japanese people that they must learn from the West but cannot help resisting it has been apparent in their politics and economy. Without such dilemma and tension, the dialectical development of tradition and innovation could never have been achieved. This is the theme of this chapter. As Xinchun Yu took up nationalism as an example in the previous chapter, let me do the same. The people who are devoted to new ideology, for instance, the soldiers in the National Army organized during the French Revolution, fought fiercely with revolutionist fervor. Their strength was entirely different

from that of mercenary soldiers. However, when the French army led by Napoleon crossed the Alps and attacked Italy, they became invaders. They overthrew the ancient regimes and small Italian kingdoms one after another, and behaved as a merciless occupation army. As you see, when nationalism acts outside its own country, it reveals such a remarkable degree of aggression that the nationalists turn out to be the new aggressors. I believe this is an invariable law in human history. When Bismarck, the iron chancellor, unified Prussia into the German Empire and endeavored to establish friendly relations with neighboring countries with a view to preventing further expansion of the German Empire, the young mustachioed Kaiser was displeased. He adopted a new aggressive policy towards East Africa and the Near East, and launched the battleship-building race. Who was more popular among the German people, old gouty Bismarck or the young Kaiser with his mustache? In those days the one more popular in Germany was the latter. When Napoleon III was elected president by an overwhelming majority, what did he do to maintain his popularity? He followed an aggressive policy so as to externalize the domestic social instability. He dispatched his army to Mexico and started a war against Prussia, though he finally failed in both attempts.

This is the same with modern Japan. So long as its nationalism stayed within the national borders, it was respected and loved as a rising country in Asia. However, there was an undercurrent rapidly coming into power: this was a new ideology, the liberation of Asia, which was formed through the last days of the shogunate and Meiji era, and captured many hearts of the young. A well-known anecdote of the time was that Tei Hara, a captain on active service, gave up his military career and joined the anti-American war of independence in the Philippines led by Emilio Aguinaldo. Another famous episode concerns Yoshimasa Yamada, who was working for the School of Sino-Japanese Trade Study, then located in Shanghai. When the Huizhou incident took place, he dashed away to fight with Sun Yat-sen and was lost in action. Tōten Miyazaki wholeheartedly supported the revolutionary philosophy of Sun. He sold his entire estate in support of the Chinese revolution, and lived in poverty devoting his life to Sun. In the Shōwa era, however, the disciples of these people began to take an aggressive approach towards China. They eagerly supported the idea of invasion by military force in order to make it a submissive vassal of Japan. The best examples were Mitsuru Toyama, Ryōhei Uchida and the members of the Kokuryū Kai Group.

This is an iron law in history, and it seems that all the Japanese people agreed with such a law. For example, in 1915 a civil war took place in Nanjing and a Japanese national flag was smudged and dishonored. On this occasion, Moritarō Abe, then Chief of the Bureau of Political Affairs, told his staff that the case was no more than the damaging of an object, and that friendly relations between China and Japan were more important. His opinion was that Japan should not demand disgraceful apologies from China. The army and the right-wing, however, demanded that the government should give China a severe punishment and demanded an apology. Moritarō Abe was assassinated by an eighteen-year-old boy, and China was forced to apologize with due ceremony as the Japanese army demanded. The Chinese army was forced to perform a very formal ceremony. According to newspapers of the time, the eighteen-year-old patriotic boy was popular among the Japanese, while the assassinated minister was not. This reflects the trend of the time, or the national sentiment.

Social scientists must confront such sentiment boldly, even if they find themselves in the minority in society and are criticized by the mass media of the day. They must recognize those few people who have stood up against such trends. For instance, Sei Arai, one of the founders of *Dōbun Shoin*, objected to demanding reparations after the Sino-Japanese War. His opinion was that, as Sino-Japanese relations were going to continue over a long period of years, there should be no grudge left on the Chinese side as a result of Japan's insistence on reparation. Then there is the example of Tanzan Ishibashi, an advocate of free trade, who was a kind of 'Little Japanist'. In England in the nineteenth century there were 'Little Englanders' who argued that as long as trade could be carried on freely, it was not necessary to acquire colonies by force. Tanzan Ishibashi was of the same opinion and he never changed it, arguing that it was unnecessary for Japan to plunge into military action in China and Manchuria so long as it could secure access to the markets in those areas. At that time such a view was very rare among the Japanese. An army general, Maomi Ishimitsu, who started his military career as an artilleryman, ran up the social ladder to general, and firmly opposed engaging in military activities in China. Although he was a general, he spent his later years in utter obscurity as a result of his views. We did have such people, although they were very few.

Although it is currently accepted that Japanese aggression culminated with the founding of a puppet state, Manchukuo, when we study the history of Manchukuo more closely, we find some Japanese who resisted—at the risk of their lives—such expansionist intentions of the Kwantung army. Some of them lost their jobs over it. History is not a straight line. Whenever something new finds its way into the old regime, tremendous tension and friction take place.

LIGHT AND SHADOW IN HISTORY

In the last part of this chapter, I would like to discuss light and shadow in the history of mankind. All history has its light and shadow. Viewed from one standpoint, modern Japanese history is shady and dark. Chinese, Koreans and overseas Chinese living in Southeast Asia will find it very dark. In contrast, from the viewpoint of the Indonesians, Malaysians and Indians, the Pacific War expedited their independence. Especially in Indonesia, thousands of Japanese soldiers fought together with Indonesians in the war for independence, and some of them were even executed by the British or Dutch armies after the war. That is why Mahathir, Prime Minister of Malaysia, said to Mr Murayama, Japan's Prime Minister, when they met in 1995, that it was not necessary for Japan to be so apologetic all the time. Viewed from the perspective of tradition and innovation, both perceptions are true. Seen from one standpoint it is light, and from another it is shadow.

As I understand that this book is meant for straightforward discussions, I have tried to be very straightforward and have said that there is light and shadow in real history. Lenin criticized such a multilateral view of history as bourgeois objectivism. However, he was a revolutionary and not a scholar, so I construe his statement as a political message.

As the problem of Confucianism is being taken up in relation to the economic development of modern East Asia, I would like to make one remark as my interpretation of the issue.

Confucianism is by nature not compatible with production development or modern market mechanism. Accordingly, in a stagnant society, it is a very convenient philosophy from the ruler's standpoint. However, in East Asia, it is said that Hong Kong, Taiwan, Korea and Japan were able to achieve their economic development because of Confucian ethics. This is equivalent to Max Weber's idea that the behavioral ethics of Protestantism promoted the development of modern capitalism. Incidentally, two Australians, Reg Little and Warren Reed, wrote an interesting book, *The Confucian Renaissance*, in 1989, which explains how the social order based on Confucianism has contributed to the explosion of productivity. As it is observed through the eyes of Australians, it is all the more interesting and convincing. However, I have lived fifty years in post-war Japan, and I do not think that Confucian obedience or the ethic of paying respect to superiors stimulated Japanese corporations to achieve higher productivity. This was not the case. In Japan, competition was stimulated under the guidance of the government. In the automobile industry, competition expedited technological innovation, and Japan had sufficient human resources to realize such innovations. These people went abroad to study after the war, and with very little language skill they studied hard and brought back state-of-the-art technologies. The success of Japanese industry was achieved by human resources and the market mechanism. In Korea, those first-class people who are promoting the economic development and revitalization of society are very far from Confucianism. They are Americanized and aggressive. I am much more Confucian than they.

Therefore, I do not think that the ethics of Confucianism promoted economic development. Rather, where an adequate market mechanism coexists with the traditional ethics of Confucianism which is still playing a certain role, workers must face dilemma, conflict, tension and friction, thus making them more hardworking. Such dialectical principles can explain the phenomenon better. This is the conclusion of my chapter.

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Part II
WESTERN IDEAS VERSUS
CULTURAL IDENTITY IN
EAST ASIA

AN ANALYSIS OF THE HISTORICAL STUDY OF CHINESE ECONOMIC THOUGHT IN THE 1920s AND 1930s

T.Ye

INTRODUCTION

As the twenty-first century approaches, the position of the East Asian region appears more and more important in the world structure. Regrettably, however, the fundamental core of East Asian societies and economies—their economic thoughts and doctrines—have not been sufficiently valued and studied. Until now, East Asia has basically represented a black hole in the history of world economic thought. The history of economic thought generally takes the modern West as its basis, from which theories and methods are developed. However, there is a wealth of unique data of economic thought in the vast amount of historical documents of East Asia, especially of China. In the economic situation developed earlier than that of the West for thousands of years, collecting the unique thoughts and doctrines of Chinese traditional times is also of a certain universal significance in various countries of East Asia (i.e. the so-called ‘culture circle of Confucianism’). In addition, under the current economic reform and modernizing construction, China has accumulated plentiful practical experience and theoretical attainments, of which the economic thought especially has great value, embodying the typical and universal significance of economic development and modernizing construction in the developing countries.

The historical study of Chinese economic thought is an independent branch of economics in China, covering the history and law of economic thought from ancient times till now. Many twentieth-century scholars have devoted efforts to opening up and studying it. Today, when centuries are changing, it is extremely necessary for us to put the stress on the examination of research of the history of economic thought, especially its formative period. The summary and analysis of academic research history of the twentieth century is an indispensable foundation for development across the centuries. Generally speaking, systematic research into the historical study of Chinese economic thought started from the 1920s, having achieved impressive accomplishments mainly owing to the contribution made by the Chinese and Japanese scholars (Ye 1994). This chapter is an attempt to make a comparative analysis between Chinese and Japanese studies. As a brick attracting jade, several clues are suggested which may have been neglected by predecessors, trying to show my own academic thought and theoretical innovation while reiterating the call for deepening cooperation in the study of East Asian economic thought by various countries. As a preliminary collection and compilation of important accomplishments in this period, stress is placed on analyzing representative

monographs in a limited space, summarizing and explaining the primary characteristic, basic content, research methods, and academic significance of systematic historical study of Chinese economic thought in its opening period. This will provide some reference and lessons for summarizing the historical study of the economic thought of both China and East Asia in a comprehensive way.

THE HISTORICAL STUDY OF CHINESE ECONOMIC THOUGHT IN THE 1920s AND 1930s

With regard to world conditions, the war in the first half of the twentieth century and the construction of the latter half are basically the main features of the times of development. The 1920s and 1930s were an interval between two world wars. It was an important period of social change and economic cultural development, in which academic study and theoretical research were very brisk. In pace with the independence of national economies and the development of national cultures, studying and exploring the history of economic thought of one's own country became an important aspect of academic advances during this period.

The 1920s and 1930s are the turning-point of world development. World War I had ended and a new world system had begun to be established. The independence of nations and the development of countries were confronted with the struggles of great powers which carved up the world and scrambled for spheres of influence. Relative stability was mingled with local wars and global economic panic. Consequently, the requirements of seeking development and casting off crises promoted work in economic science. Alongside the revitalization of national economies and cultures, the study of the economic thought and theories of one's own country became an important aspect of academic development. Chinese scholars tried systematically to study the economic doctrines of their own country, mainly because they wanted to provide references for the revival of the national economy and the creation of a new one.

Japanese scholars studied the history of Chinese economic thought both because they wanted to explore Eastern economic theory and because traditional sinology had to be expanded in the relatively stable period. Therefore, systematic research on the history of Chinese economic thought, undertaken mainly by the scholars of China and Japan, started from this period with its own academic sources and social conditions.

As we know, the cultural exchange and interaction between China and Japan can be traced far back. *The History of European Economics*, written by the Japanese scholar Seiichi Takimoto, has a subtitle: 'The Origin of Western Modern Economics in the Doctrines of China'. Among the Chinese works translated into Western languages during the 1920s and 1930s, those relevant to the history of economic thought include *The Book of Lord Shang*, translated by G.G.L. Duyvandak (London 1928); *Xun-tzu*, translated by H.H. Dubo (London 1928); and *Discourses on Salt and Iron*, translated by E.M. Gale *et al.* (Leiden 1931). Western scholars also translated and published other books and did some relevant research, but these cannot be regarded as systematic study of the history of Chinese economic thought. During this period, scholars in France, Germany, Britain, the USA, Japan and China published various works, exploring the influence which Chinese

culture exerted on the West, especially the problem of the origin of the French physiocracy theory in Chinese thought.

China and Japan are close neighbors separated only by 'a strip of water'. Their cultural exchanges have a distant source and a long stream, the only one of its kind in international relations. Japanese sinology studies are very famous and some of them are relevant to the content of economic thought, though they are not quite systematic. From around 1920, Japanese scholars began to undertake specialized research on the history of Chinese economic thought. Masayoshi Tazaki, Kinji Tajima, Sukema Kojima (Ojima), Fumio Hozumi, Yuzo Dekuchi, Naoaki Ueno, Kozo Kuwada, Yasuo Izawa and Akira Tada are all representative of the considerable achievements made by Japanese scholars in this field. It is worth noting particularly that work by Japanese scholars began almost at the same time as the systematic study by the Chinese of their country's history of economic thought. Qinq-zeng Tang praised the work of these Japanese scholars:

Among the foreigners who study the History of Chinese Economic Thought, only the Japanese can be praised as hard working.... Although there are many Europeans and Americans who study Chinese philosophy, talking about just economic thought, none of them observe accurately.

(Tang 1936:14)

The main Japanese contributions and characteristics in this period were as follows. First, on the basic theses of special topics, some specialized works clearly entitled Chinese 'economic thought' were produced. Second, the research focus mainly concentrated on pre-Qin Dynasty times. Third, the research methods mainly relied on the characteristics of scholars' specialities, taking the methods of traditional sinology and Western economics as reference. Fourth, there were some limitations in the depth, range and systematic degree of the research. It is comparatively objective to treat it as the beginning of a period of systematic study. Fifth, in this period, Kinji Tajima gave lectures on the history of Eastern economics at Kyoto Imperial University (Kyoto University after 1947), teaching the history of Chinese economic thought in early ancient times. These might be the only such lectures given outside China at that time.

China in the 1920s and 1930s was also an important period in which tremendous social changes occurred. The state revolutionary theory and practice of Sun Yat-sen aroused the effort to 'vitalize China' in intellectual circles. Economics developed mainly by introducing Western theories toward 'creating new unique Chinese economies' and 'preparing to create new economic thought of our own country'.¹ Works written on economics increased and specialized and systematic studies of the history of Chinese economic thought were published. An independent course on the history of Chinese economic thought started to be established in many universities. These were developments never seen before that time.

The accomplishments of Chinese scholars generally have the following characteristics and significance:

- 1 Sorting and sifting the data prepared the conditions for making this subject an area for independent and systematic study.
- 2 Large numbers of research monographs were published, for example: Naikuang Kan, *The Economic Thought of Ancient China* (1926); Quan-shi Li, *An Elementary History*

of *Economic Thought in China*, (1927); Meng Hsiung, *History of the Economic Ideas of the Late China Dynasty* (1935); Ke-ren Chao, *Economic Thought of Sun Yat-sen* (1939); Qing-zeng Tang, *The History of Chinese Economic Thought*, vol. one (1936); Han Huang, *Economic Thought of Kuan-tzu* (1936); Feng-tien Chao, *Economic Thought During the Last Fifty Years of the Ch'ing Period*. These all were works on the history of Chinese economic thought which had not appeared before. At the same time, large numbers of theses were also published.

- 3 The research methods mainly applied Western economic theory, combining the division of Chinese traditional schools, studying its economic thought and viewpoints. Some scholars strove to surmount the system of Western economics, approaching the research method and theory of their own country's intellectual history from the development of Chinese economic thought. On the methodology, there were different inclinations and contentions of Westernization, Marxism and the quintessence of Chinese culture.
- 4 The research focus mainly concentrated on the pre-Qin Dynasty and modern contemporary period. The form of the works included comprehensive history, category history, and writing on specialized topic studies.
- 5 In the area of research theory, emphasis was placed on discussing the nature of the study, the object, category concept, development law and analysis method of the history of Chinese economic thought. As an independent subject, the basic theory and research methods were laid down. The fundamentals of Western economics and the study of the history of Chinese economic thought were combined. The tradition in which Chinese national doctrine took *Jing Ji* or 'economy' as 'administering the country' and 'running the world well and helping the people' was changed and a new discipline was established through gradual accumulation.²

The significance of the work by scholars during this period lies in the establishment of systematic study of the history of Chinese economic thought from then on, and represents the beginning of an exploration of its development.

CASE STUDY OF CHINESE SCHOLARS' PRINCIPAL ACCOMPLISHMENT

Chinese people studied economic thought from a very early period, but without such a systematic and theoretical approach. In the 'overture' stage before it became an independent discipline, the principal contribution of pioneer Ch'i-ch'ao Liang was to envisage establishing such a field of study. In 1902 Liang wrote *An Elemental History of Sheng Ji Xue Evolution*, which introduced the history of Western economic thought. In the same year, in his thesis *On the Tendency of Chinese Academic Thought Change*, he explicitly advanced: 'I am planning to write a book, *The History of Chinese Sheng Ji Xue*, collecting what our fathers have discussed and comparing them with Western doctrines.'³ Many of his writings published around the beginning of this century were concerned with the content of this discipline's study.⁴ *Sheng Ji Xue* was purely economics. In the early years, Chinese people variously called economics '*Fu Guo Xue*', '*Sheng Ji*' or '*Sheng Ji Xue*', and some people also called it '*Jing Ji Xue*'.

The works of Chinese scholars in the modern contemporary period have their own characteristics, but the systematic nature of their theories is comparatively weak. In this limited space, I can only select Nai-Kuang Kan's book (1926), which was the earliest, and Qing-zeng Tang's book (1936), which reflects the highest accomplishment of this period.

Nai-Kuang Kan, *The Economic Thought of Ancient China* (1926)

Nai-Kuang Kan (1897–1956) was born in Guangxi Cenxi. He graduated from the economics department of Lingnan University and became a teacher there in 1922. In January 1926 he became a central executive member of the Kuomintang (KMT). In 1928 he left for the research institute of the University of Chicago in the USA for further training, then assumed various posts in the KMT government.

Kan's *The Economic Thought of Ancient China* was published by the Commercial Press in January 1926 and was the earliest Chinese monograph on the history of economic thought. Kan said in the Preface that this book was 'one part of the history of Chinese economic thought he taught in Lingnan University'. That perhaps is the earliest record that the subject of the history of Chinese economic thought was taught in a university. The book has nine chapters. Besides the Introduction and Conclusion, the other seven chapters expounded the economic thought of Lao-tzu, Confucius (or K'ung-fu-tzu), Mencius (or Meng-tzu), Socialism in the pre-Qin Dynasty times, Xun-tzu and Kuan-tzu.

Kan (1926) mainly used the method of Western economics. From the chapter on 'Socialism in the pre-Qin Dynasty times', one can discover the problem. The people enumerated, such as Kuang-yu, Hua-shi, Chen-zhong, Xu-xing and Chen-xiang, had nothing to do with 'socialism'. Although Kan repeatedly compared the thought of pre-Qin Dynasty times to modern Western doctrines, the book's inclination toward depreciating China's theories and appreciating those of the West is very obvious. However, this was the universal tendency at that time. Another characteristic of the book is its high estimation of thought in pre-Qin Dynasty times and its underestimation of thought after that time. The author pointed out: 'The economic thought of our country advanced just in the pre-Qin Dynasty times. The thinkers after the Han Dynasty did not go any further than the thinkers in the pre-Qin Dynasty. The economic thought after the Han Dynasty is nothing but the continuation of those of pre-Qin Dynasty.' Therefore, the economic thought after the Han Dynasty 'actually has no particular value being worthy of study', so 'after discussing the thought in the pre-Qin Dynasty, this book is ended' (Kan 1926:i). This inclination also had some universality. In fact, after the Han Dynasty, economic phenomena were more complicated and diverse and the theoretical and systematic nature of the economic doctrines were also more advanced. As the technology of print was spread and enhanced, the data could be even better preserved. For example, paper currency did not appear until the Song Dynasty, so the earliest theory of paper currency emerged in the Song Dynasty in the history of world currency theory development, which was inconceivable in the pre-Qin Dynasty.

Kan preliminarily standardized the history of economic thought. He pointed out that economic history was a discipline which recorded economic phenomena by objective narration while both the history of economic thought and the history of economics were

disciplines which studied the origin, development and influence of economic thought through subjective eyes. But the history of economics studied economic thought after Adam Smith, while the history of economic thought studied the subject as it developed from ancient times. The research units in the history of economic thought about which Kan talked included schools, problems, times and four individual types, of which he thought that the first three had both virtues and defects while only the research taking the individual as a unit could avoid the defects of being too general, and achieved the virtue of also covering the whole field. So, this book used only the fourth method. He also suggested that the study should pay attention to the personality, the academic research method of an individual (i.e. 'knowing the people') and should meanwhile also be aware of the ideological trend and social situation of the times in which the author lived (i.e. 'discussing the world'). 'Knowing the people and discussing the world' was the method for studying economic thinkers.

Kan advanced that the characteristics of the history of Chinese economic thought before the Qin Dynasty were as follows. First, there was no scientific system to support it; only some snatches of thought existed. Second, most of the economic thought was partial to finance and the facts were more than doctrines. Third, during thousands of years, almost all thinkers, except Laotzu and Kuan-tzu, agreed that rent should be reduced. Fourth, thinking highly of agriculture and looking down on manufacture and commerce were attitudes which had existed since ancient times. Fifth, there were some people who advocated socialism, but mostly of the Utopian variety. Sixth, ancient economic thought, especially Confucianism, had an ethical color, which might hinder the objective realization of economic principles. In conclusion, Kan pointed out that the various schools of thought in pre-Qin Dynasty times interacted on each other persistently and had a moral color. They established the basis for much of the thought which appeared later. What was lacking was the fact that 'there was no great thinker who could organize those doctrines into a masterpiece for later thinkers to study, or advance a great issue which could attract descendants to answer. The reason why the thought of Greece could benefit Europe lay completely in these two points' (Kan 1926:1-2, 6-7, 10-13, 135-7).

Kan (1926:87) roughly viewed economics according to production, distribution, exchange and consumption, 'the division of four method', but he considered that studying economic thought in pre-Qin Dynasty times 'had to start from consumption because there were no big problems which happened at that time'. Kan (33, 42) made comments on all the greater thinkers such as Lau-tzu, Confucius, Mo-tzu and Kuan-tzu, although he did not think highly of Confucius' popular views, saying that he had 'anti-economic motives': 'I do not want to learn from Dr. Chen Huan-chang Economic Principles of Confucius and his schools, drawing wrong conclusions by false analogy.' Owing to limited space, this book's research on the various great thinkers is not in depth, but its contribution by cutting into a mountain is unforgettable. Qing-zeng Tang (1936:14) affirmed Kan's 'compiling systematically, discussing very thoroughly, criticizing very fairly and making a contribution of advocacy which can never be neglected'. Now let us deal with Tang's study.

**Qing-zeng Tang, *The History of Chinese Economic Thought*, vol. one
(1936)**

Qing-zeng Tang originated from Jiangsu, Changzhou, and during his early years he studied finance and the history of Western economic thought at Harvard. On returning to China, he assumed successive professorial posts at the universities of Jiaotong, Jinan, Zhejiang, Guanghua and Fudan. He was a diligent scholar, with knowledge of both China and the West, and a prolific author. From 1949 he was a professor of economics at Fudan University and he died in 1972.

The History of Chinese Economic Thought, volume one, was published by the Commercial Press in March 1936 as part of the University Book Series of textbooks; volume two was never published. The book is divided into ten parts. With the exception of the Introduction and Conclusions, the remaining parts discuss the economic thought before Lao-tze and Confucius, Confucianism, Taoism, Mohism, Legalism, Nongism and other schools, politicians and merchants, historical books and economic thought. Many relevant references are included.

Tang (1936) is generally acknowledged as a representative work on the history of Chinese economic thought before 1949. I consider this to be the case for the following reasons. First, the author was the only individual with enough learning and academic attainment to take on this task. Second, the historical data compiled and used are the most abundant, the work is the longest, and the setup and system are the most rigorous. Third, the theoretical contributions are particularly prominent, including the definition of the discipline, standardization of the basic theory and research method, and the rationality of the basic concept and objective exposition. The book far surpassed other achievements of the same period in its depth, range, systematic theoretical nature and many other aspects. Tang was the scholar who published the most research work at that time and he stated:

In the spring of the seventeenth year of the Republic of China (1928), I was invited by my friend Mr. Shu-liu Xu to teach this subject in Jiaotong University, where I began to write this book.... I also wrote this book in various universities in Shanghai and Nanjing, teaching this subject about 40 times successively. I wrote this book just because the students listened to the lectures diligently and friends expected earnestly, so I am very grateful to them and shall never forget them.

(Tang 1936:i-ii)

From this statement, we know that the history of Chinese economic thought course was taught in many universities in the 1920s and 1930s. Tang's book was written as a university textbook, which was very significant in laying the foundations to make this subject independent.

Tang (1936) is obviously different from books like Kan (1926), which has the inclination to depreciate China and appreciate the West. In his Preface, Tang expressed clearly that the objective of his book 'is to lay the groundwork for creating a new economic thought for our own country'. Tang (362) advanced that 'China's economics developed actually earlier than various countries' in the West' and believed that 'there was no denying the fact that Chinese ancient economic thought flowed into the West'. His Introduction is the part which has the highest theoretical value. It mainly expounded three problems:

- the nature of Chinese economic thought;

- the position of Chinese economic thought in the world history of economic thought;
- the method of the historical study of Chinese economic thought.

Tang (2–3) believed ‘all the opinions on the economic system can be called economic thought’ and ‘the biggest function of economic thought is to satisfy the desire of mankind and to promote the progress of the economic organization’. He suggested that solving China’s series of economic problems required perfect economic thought:

The economic problems of our country have their own particular nature and solving them needs people of our country to find the method by ourselves, just buying to sell old and new Western thoughts is useless. However, if we want to have the economic thought which suits our country’s situation, we must study the History of Chinese Economic Thought.

(Tang 1936:4)

Tang pointed out that Chinese economic thought emerged very early but developed too academically and mixed with political or ethical ideas. He denied the opinion that ‘China has no economic thought’ and conscientiously analyzed the reason why this opinion appeared. He believed that there were some factors both in thought and in fact which were unfavorable to the development of Chinese economic thought, causing China to lag behind the West and to be in an inferior position. He considered that economic thought in successive dynasties always put emphasis on distribution and looked down on production, which was the key factor bringing about the backwardness of China’s material civilization thereafter.

Tang divided the history of Chinese economic thought into three periods:

- 1 Infant period (from primitive society to the end of the Qin Dynasty).
- 2 Implementation period (from the beginning of the Han Dynasty to the end of the Ming Dynasty).
- 3 Development period (from the beginning of Qing Dynasty to the time when Tang lived).

Tang (1936:9) particularly indicated ‘China’s economics was quite developed after the Han Dynasty’ and ‘it is a misunderstanding to think that there was no economic thought after the Han Dynasty. This misunderstanding left a very great legacy of trouble and must be speedily put right’. He standardized the overall structural system of the history of Chinese economic thought, but admitted that only the history of economic thought in pre-Qin Dynasty times had influence abroad. He advanced that the great thinkers in the pre-Qin Dynasty times put emphases on economic theory while the economic thought after the Han Dynasty laid particular stress on implementation.

Tang believed that the complicated schools in China’s history ‘were not so complicated. In brief, they were just the four schools of Confucianism, Legalism, Mohism, and Nongism’.. Tang classified Confucianism as ‘the golden mean school’, Mohism as ‘the actual benefit school’, Legalism as ‘utilitarian school’, and Nongism as ‘taking action school’, and thought that these schools were just the four great tides of the history of Chinese economic thought. He took Confucianism and Legalism as the main

stream and believed that Mohism and Nongism 'had no influence, though they included some interesting parts'. As for Taoism, though it could be entered in the list of research, 'its doctrine had a far-reaching evil legacy, belonging to harmful things and having no benefits at all'. The other schools or doctrines were simple or had no influence (Tang 1936:9). These statements could not but contradict the research objectives he defined and his judgment could only be arbitrary, giving away his limitations.

In the aspect of specific research methods, Tang mainly advocated mastering the principles of economics, and laid stress on the connections of disciplines such as economic history, philosophic history and political thought history. He emphasized the importance of historical data and the significance of four research methods: analysis, interpretation, comparison and criticism. He believed that the research units had just four types: the author, the doctrine, the school, and the times. Since all of them had both virtues and defects, 'there was no harm in putting them in important position simultaneously'. He indicated that it was not enough just to study the thought of a few politicians and philosophers:

[The thought of ordinary people] could not be expressed. At this late hour, the will of the people is very flourishing.... Researchers of the History of Economic Thought should pay some attention to all the mediums spreading knowledge, such as all newspapers, magazines and propaganda materials.

(Tang 1936:35)

This view and the research of 'lower-level society' or 'nonentity' which became popular in historiographical circles half a century later were different in approach but equally subtle in their results.

Tang had many original opinions. For example, he criticized the view that Yang Song restrained commerce, writing that 'it is an exaggerated account to say he despised commerce...., the scholars who despised commerce in the history of Chinese economic thought firstly appeared from the Han Dynasty' (Tang 1936:278-9). Tang indicated: 'the doctrine of Legalism had the most abundant creative spirit and had many originalities in economic analysis' (296). He demonstrated that the doctrines of Legalism had employment value in various conditions. In his studies of Confucianist thought, there were also many original opinions. For instance, he said 'Confucius did not simply avoid profit, he just opposed profit of small, not the profit of the large.' He emphasized that Confucius 'was not the originator of Chinese economic thought' in the history of Chinese economic thought. 'Confucius was just one of several thinkers and his doctrines, though the influence was very great, were insufficient to represent all of Chinese economies' (25-68). He believed that the greatest contribution of Nongism was 'advancing the idea of supporting oneself by one's own labor' and 'understanding thoroughly the importance of laborers.... The biggest defect of the doctrine of Nongism was attaching too much importance to individual ability' (304). Tang severely criticized Taoism, saying 'it actually was a big obstacle in the development process of Chinese economic thought. Lao-tzu, Zhuang-tzu and so on were all criminals of our country's history of economic thought' (136). That perhaps went too far.

Tang explicitly opposed ‘giving strained interpretations and drawing farfetched analogies, using new doctrines to strain old doctrines of ancient scholars’ (69). He continued:

It is also unnecessary to show deliberately an arrogant air and to despise the opinions of older generation of scholars, resulting in writing off at one stroke the virtues of the doctrines of predecessors. Only when one has a proper attitude, can one advance a fair argument.

(Tang 1936:69)

This is a norm which every researcher should abide by, but Tang himself was not necessarily as good as his word. For example, he said that Kuan-tze advanced the ‘Quantity Theory of Money’ more than a thousand years before French scholar Jean Bodin and that a Chinese scholar Ji Ran, who lived two thousand years earlier than C.Juglar, had introduced ‘Economic Cycles’ (221, 339). In addition, he also objected to Marxism, and a scholar named Jue-ming Shi wrote an article which concentrated on criticizing Tang’s research method, advocating the study of the history of Chinese economic thought by Marxist materialist dialectics. In short, as a founder of systematic research on the history of Chinese economic thought, Qing-zeng Tang’s actual contribution was to strive to ‘create new history of Chinese economic thought’ (1933:308). His methodology did not just follow one school of the West but made great efforts to explore the method suited to historical studies of Chinese economic thought, which was his superiority over the other scholars at the time.

CASE ANALYSIS OF THE MAIN RESEARCH ACCOMPLISHMENTS OF JAPANESE SCHOLARS

The main accomplishments of Japanese scholars can be represented by the following three monographs:

- Masayoshi Tazaki, *Chinese Ancient Economic Thought and System* (1924);
- Kinji Tajima, *History of Eastern Economics: Economic Thought in Early Ancient China* (1935);
- Sukema Kojima (Ojima), *Chinese Thought: Social Economic Thought* (1936).

Masayoshi Tazaki, *Chinese Ancient Economic Thought and System* (1924)

Masayoshi Tazaki was a doctor of economics who studied at Tokyo Commercial High School (Hitotsubashi University after 1949) in his early years, learning the doctrines of the economic and legal system. He was successively tutored by Tokuzo Fukuda, Ginzo Uchida and other teachers. In the USA he studied under the professors of sinology at Columbia University, and collected data from the libraries of Harvard University and the Library of Congress in Washington.

In the autumn of 1920, Tazaki accomplished the second part of his book (i.e. the four sections about organization and institution). After asking for a tutorial from Fukuda, he realized that they lacked sufficient research about the origin of the history of Chinese economic thought. After two years' further work he wrote the first part of his book—the two sections about thought. In 1923 the whole book, including two parts and six sections, was completed (Tazaki 1924: Preface) and published by Naigai-Shuppan in November 1924. Later, a Chinese version appeared.

The book's first part, 'Thought', has two sections: 'On the thought and its value in economic history of viewing woman as a symbol of land and agriculture, as was held by primitive peoples in the ancient and modern world'; 'On the ancient Chinese concept of woman as a symbol for land and agriculture'. The second part of the book, 'Organization and institution', has four sections: the first is 'The establishment of the feudal system'; the second is 'The feudal outline shown by *Li Chi & Rituals, Book of Rites*'; the third is '*Chou-li & Rituals of Chou* and its feudal organization'; and the fourth is 'The land system revealed by *Chou Li & Rituals of Chou*'. Finally, there were Conclusions and References. The main research range of this book is the remote history of China, focusing on social organization systems and thought.

The main values of this book are:

- 1 It is the first book entitled 'Chinese economic thought' written by a Japanese scholar.
- 2 It examines ancient agricultural China from the perspective of institutions and thought, comprehensively utilizing the methods of sociology and cultural anthropology.
- 3 Some of the views of this book have significance for inspiring descendants to study further. The materials which it analyzed mainly were *Chou-Li (Rituals of Chou)*, *Li Chi (Record of Rituals, Book of Rites)*, and some parts concerned with the *Classic of Changes (I Ching, Book of Divination)*.

The central issue of the research was woman or feminine taken as a symbol for land and agriculture, which was also the crucial concept for studying the history of Chinese economic thought. When you explored the origin of the history of ancient economic thought, you could find that the economic affairs, such as agriculture, had the same symbol as the reproductive concepts such as woman and feminine (i.e. 'the identity of woman and the economy', Tazaki 1924:4). Tazaki considered that this was not all, but the gods who administered land and agriculture, Earth mother and Corn mother, also took feminine symbols, a concept which existed among various primitive peoples (1924:41). The *Classic of Changes* took earth as negative, female, woman and feminine with its position in the north. The various rituals in the Chinese feudal institution and land system could all be found to have developed from this idea (39–191). For instance, 'the market places for commercial exchange were located in the negative position—the north of the imperial palace and administered by the queen. Old female Dong Officials were assigned to the Ministry of Works as well. It was clear at a glance that the economy was taken as feminine' (Tazaki 1924:346).

In seeking proofs from thought, the two sections about 'thought' verified repeatedly the religions and mythologies of various primitive nationalities, placing particular focus on those in ancient China. However, the aim of this book generally is to explore ideologic origins for illustrating the institutions, and it really has great limitations. At least from the

view of economics, the research of the history of economic thought is comparatively vulnerable. However, some of its viewpoints are still worth close scrutiny.

Kinji Tajima, *History of Eastern Economics: Economic Thought in Early Ancient China* (1935)

Kinji Tajima (1867–1934) studied politics and economics at the Imperial University and economics and finance in Germany. On his return to Japan, Tajima assumed the post of professor at Kyoto Imperial University, taking charge of the economics course of lectures. In 1901 he achieved a doctorate in law. He held a succession of distinguished academic positions, as well as in societies and associations, and was rewarded many times for deeds of merit. During his lifetime he visited China, Europe and the USA⁵.

Tajima's students such as Eijiro Honjo systematized his teaching materials and theses concerning the history of Chinese economic thought and compiled this book, which was published by Yuhikaku in January 1935. Honjo was an outstanding Japanese researcher on the history of economic thought. In his introductory remarks to this book, he indicated that in his later years Tajima particularly devoted himself to the illustration of economic thought in early ancient China. The book is a fairly systematic monograph which has been conscientiously compiled. The manuscript of the *History of Eastern Economics* has been taken as a basis and supplemented by eight theses. The four further theses which could not be included in the main body of the text are presented as appendices (Tajima 1935:i-iv).

The book was composed in two sections, Introduction and Principal Exposition. The Introduction mainly discusses 'the purpose and range of this teaching material' and 'the scholars and their schools in early ancient China'. The first chapter of the Principal Exposition is 'The economic thought revealed in *The Classic of Documents (Shu Ching); Book of History*'. The second chapter is 'The economic thought revealed in *The Four Books*'. In the appendix, a chronicle of the author's life and a catalogue of his monographs and theses are included. The main values of this book are:

- 1 Among the studies on the history of Chinese economic thought at that time, this work had greatest significance for economics.
- 2 The author attempts theoretically to develop the economics based on Western modern times, as shown by its title.
- 3 The author had the greatest esteem for ancient Chinese culture and suggested that there were close connections between Chinese and Japanese culture. This was a foreshadowing of the study of the history of East Asian social and economic thought.
- 4 Through studying four Chinese classics (i.e. *Classics of Documents (Shu ching): Book of History*, *Great Learning (Ta hsueh)*, *Doctrine of the Mean (Chung yung)* and *Analects (Lun-yu)*), the book advanced many opinions with original ideas and left enlightenment to later generations.
- 5 The author was one of the earliest scholars systematically to study Chinese economic thought over a long period of time (he started to publish these sorts of theses from 1894), achieving considerable success. Moreover, he established and taught the history of Chinese economic thought in the economics department of Kyoto Imperial University. His contributions should therefore be recognized.

Of course, this book also has shortcomings. For example, because it is not a monograph, its systematic nature is relatively weak. The author had the greatest esteem for Chinese culture, resulting in some unavoidably biased understandings. In addition, the research was restricted to early ancient China. Considering that the history of economic thought extended for thousands of years, this was also a limitation.

Tajima pointed out that economics 'was established from 1776 when Adam Smith wrote *An Inquiry into the Nature and Causes of the Wealth of Nations*, and the relevant ideas were collected from oral statements and literatures of various early ancient countries of the world, especially of Asia' (Tajima 1935:1). He highly praised the vast accumulation of ancient China literature but thought that it was very difficult to extract economic thought from it. 'The economic thought was combined with moral and political thought and became an integral whole in early ancient China.' If one wanted to study the history of economic thought, one 'had to understand the economic facts around that time, while the economic facts were mixed with other social facts, making it very difficult to review just one subject' (2-3). But Tajima pressed forward in the face of difficulties and advanced three reasons for studying the history of Chinese economic thought.

- 1 The economic thought of early ancient China, including the moral and political thought contained within it, had a great influence on East Asian peoples' thought, especially in Japan, from early times until now. That was similar to the influence which the doctrines of Greece and Rome had exercised on various countries of modern Europe.
- 2 However, to this day most works on the history of economics were written by Europeans and took Greece as the historical origin of economic thought. Occasionally, when they touched upon East Asia, they were more concerned to deal with Hebrew and India, and less concerned with China.
- 3 Though many books of classics and great thought of early ancient China have been translated and reviewed by scholars of Europe and Japan, little economic thought has been extracted and reviewed, especially in Japan.

Tajima wrote, 'According to my opinion, the moral, political and economic thought of early ancient China is as good as that of Greece and Rome. The remarkable achievements are as many as them as well.' He thought that it was understandable for Westerners to think highly of the study of Greece and Rome. 'But if Japanese also do this, it is unavoidable to be satirized as taking the branch for the root' (Tajima 1935:3-4). These statements illustrated the characteristic of the history of Chinese economic thought and the idea that Easterners should pay more attention to studying the history of Eastern economic thought. Tajima developed some original opinions. For example:

The first reflection when I read Gong Yu was that the fair taxation law which was advocated by late modern European financial scholars as a golden rule and precious precept had been enforced at that time. The differences and grades of the feudal land tax were determined not only by the fertility of the land but also by the consideration of many other conditions, because the articles of tribute levied on the benefits and products of land in various states were outcomes of generalized taxation including consideration of equalitarianism and individual capability.

(Tajima 1935:35)

In another example, Tajima (1935:175) analyzed that, 'The sages of early ancient China attached importance to agriculture, though they did not despise manufacture and commerce at first. Among the eight policies of Fan Hong, the second *Shi Huo* was the policy protecting manufacture and commerce.' He cited further data to prove that scholars in early ancient times did not despise commerce, showing sound judgment. He cited important historical material about Kuan-tzu's statement that 'scholars, farmers, workers and merchants are the four kinds of people who are cornerstones of the country' when he stated his view that 'Kuan-tzu did not despise merchants.' Moreover, Tajima (1935:181) objectively analyzed Kuan-tzu's view that 'the four kinds of people should work and live separately', showing another fair comment. What is more valuable is Tajima's analysis of a series of expositions of Kuan-tzu about the division of social labor, and the production process and among various social professions. Tajima doubted whose profession was not fundamental among honest farmers, honest workers and honest merchants. Tajima (1935:43-4) concluded that it wrong to take Kuantzu's statement 'advising people to engage in fundamental professions and forbidding people to engage in un-fundamental professions' as advising people to engage in agriculture and forbidding people to engage in commerce. Tajima made a very important point with this statement.

Sukema Kojima (Ojima), *Chinese Thought: Social Economic Thought* (1936)

In China, Kojima's study of the history of Chinese economic thought is little known. To the best of my knowledge, the only reference to it was in Han Hunang's *Economic Thought of Kuan-tzu* (1926), which mentioned the thesis 'The Origin of Chinese Economic Thought'. Kojima graduated from the legal department of Kyoto Imperial University (Kyoto University after 1947), then went to study in the literature department. He attached high importance to the economic doctrines of physiocracy and made great attainments in French sociology. When he was seventy years old he wrote *Chinese Ethical Thought*, attracting many good comments. He died in 1966.

As early as 1917 he published a thesis on 'The Characteristics of the Economic Thought of Confucianism and Taoism' and made considerable achievements on the history of Chinese thought. His study was not limited only to ancient times, and he also examined the economic thought of scholars such as Yan-wu Gu, Fu-zhi Wang and Zi-zhen Gong.

Kojima's book was published by Iwanami Shoten in November 1936. It was divided into two parts, the first being 'The social economic thought of Confucianism' and the second 'The social economic thought of schools excluding Confucianism'. On Confucianism, Kojima mainly studied the contents of the feudal institution and family morality, the class system of morality and the rule of the intellectual class, the acknowledgment and rejection of revolution, the education of moralization and cosmopolitanism, and the various thoughts, on social policy. On non-Confucian schools, it studied the thought of Mohism, the 'monarch and people ploughing together' doctrine of Nongism, the nihilist thought of Taoism, the 'strong country and weak people' doctrine of Legalism, the *laissez-faire* theory of Si-ma Qian, and so on.

The main values of this book are as follows.

- 1 It was the first monograph which studied the history of Chinese economic thought from the perspective of intellectual history, using the method of social thought history in the study.
- 2 Its research content went beyond pre-Qin times, and it was the only monograph which covered the period from early ancient times to Ming and Qing times.
- 3 This book grasped the locus of economic thought through thousands of years, which was rather difficult.

Of course, just because of these characteristics, the book seemed vulnerable in its limited length. When it made comments on schools, it obviously respected Confucianism and restrained the others, and its academic system also did not seem sufficient. Because it took research on intellectual history as its main method, the significance of economics was relatively light. However, many views and understandings of this book are very valuable, and it introduced research on the history of economic thought into the history of social thought. For instance, Kojima analyzed as follows:

The reason why Confucianism advocated the limiting of desires in any economy was that the feudal society eulogized by Confucianism had a foothold in agricultural economy. However, Confucius and Mencius, the two thinkers, just talked about the limitation of the ruling class desires while they did not mention those of workers and merchants because workers and merchants had not demonstrated power in the society at that time. After the Qin Dynasty and the Han Dynasty, for the sake of protecting the feudal economic structure, the workers and merchants had to be forcefully pushed out. Therefore, the economic slogan of Confucianism became 'attaching importance to agriculture and despising manufacture and commerce, forbidding extravagance and encouraging frugality'.

(Kojima 1936:43-4)

This kind of development of epistemology is worth praising. Another example was the following analysis of Nongism:

It was clear and definite that Nongism affirmed there were independent different trades and callings besides agriculture, and at the same time, Nongism did not just advocate an individual self-sufficient economy. They thought that the division of labor between farmers and other kinds of workers was necessary and understood that the trade between them was indispensable.

(Kojima 1936:76)

Some of his other opinions were also original. For example, the normal view considered that Confucianism had 'the only position of dignity' after the Han Dynasty, but Kojima (1936:102) suggested that Legalist thought was the actual political guide after the Han Dynasty while 'Confucius only played the part of glossing over the surface.'

In short, Japanese research scholars in the 1920s and 1930s had their own characteristics. They studied the history of Chinese economic thought from various perspectives and though there were deficiencies, they made indelible contributions.

CONCLUDING REMARKS

This thesis advanced several issues. First, in order to cross over into a new century of academic development, we must summarize and analyze the history of academic research in this century. Second, the research on the history of East Asian thought is an important aspect of international academic circles which are aiming towards great advancement in the twenty-first century. Third, the research on the history of Chinese economic thought has particular significance for the history of the world's economic thought, especially for the history of East Asian economic thought.

Within a limited space, this thesis has attempted to expound or suggest some views which will cause discussion or criticism:

- 1 The 1920s and 1930s were the initial period for systematic research on the history of Chinese economic thought.
- 2 Scholars of both China and Japan have made distinctive contributions to this, but all the research was in an elementary stage.
- 3 Qing-zeng Tang's research was the highest accomplishment of this period and played a crucial role in enabling the history of Chinese economic thought to become an independent branch of economics. It is a pity that there is no such independent discipline (there is no topic on Chinese economic thought in the discipline of the history of economic thought) so far in Japan, which reflects the difference between China and Japan.
- 4 From its founding, the history of economic thought has been a research accomplishment made by scholars of various countries and it has a particularly close relation with the research into the history of economic thought in various East Asian countries. Today, scholars of various countries should assume more responsibility jointly to develop research into the history of East Asian economic thought.
- 5 The history of Chinese economic thought and the history of East Asian economic thought contain theories which are different from those based on modern Western principles. In view of the current prominence of economic development and modernizing construction, these subjects therefore merit serious study. This is of significance as we cross over into a new century of academic development.

(Translated by Xiao-ge Pei and Tan Ye)

NOTES

- 1 Ren-jun Zhao's 'Preface' and Tang's 'The Author's Preface' to Tang (1936).
- 2 Editor's note: Chinese *Jing Ji* corresponds to Japanese *Keizai*. Both are expressed in almost the same Chinese characters or Japanese *Kanji* characters. Not surprisingly, they have the same meaning, of which one variation in English would be 'managing the world and saving the people'.
- 3 The seventh volume of Liang (1932).
- 4 See Liang (1922) 'A Biography of Kuan-tzu', 'A Biography of Jing-gong Wang', and 'The File of Mo-tzu' in Liang (1932).
- 5 See Kinji Tajima's 'The chronicle of late Dr. Tajima's life' in Tajima (1935:268–75).

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CHINESE BUSINESS CULTURE FROM THE 1920s TO THE 1950s

X.Zheng

Business culture is a phenomenon which has developed with the spread of commercialism. It is the fusion of materialistic form and spiritual content created by merchants through their business activities. It has resulted from the mutual infiltration, interaction and amalgamation of commercialism and a variety of cultures. It has been formed since the inception of commerce and human civilizations. For example, ancient Chinese merchants who travelled along the Silk Road in Central Asia not only sold silk, but also disseminated the time-honored Eastern culture to the West. Nowadays, business culture has been further developed. Deep cultural connotations lie behind all the commercial characteristics such as plentiful commodities, a great variety of advertisements, comfortable and attractive shopping environments, as well as the smiling service of sales clerks.

Business culture has four aspects which require analysis:

- commodity;
- administration;
- marketing;
- business ideas in commerce.

Serious research on business culture has just started as a newly emerging subject in China, because the concept is a new academic field in the world. This chapter analyses Chinese business culture from the 1920s to the 1950s from an interdisciplinary perspective, by taking the following commercial enterprises as examples—Shanghai Yongan Corporation (in East China), Guangzhou Xianshi Corporation (in South China), Tianjin Central Plain Corporation (in North China), Sichuan Baoyuantong Corporation (in Southwest China), and Harbin Tongji Corporation (in Northeast China).

COMMODITIES AS THE BASIS OF BUSINESS CULTURE

As the carrier of the culture itself, commodities form the basis of business culture. Without commodities, there would be no business, let alone business culture. Any commodity has, more or less, certain cultural connotations. In the case of clothing, China has Sun Yat-sen uniform, Japan has kimono, and Europe and the USA have Western-style clothes. This implies that cultural factors are attached to clothes and that the cultural characteristics of different countries have taken shape in clothes. However, Western-style clothes, with some influence of regional culture, are gradually becoming popular all over the world. This phenomenon reflects the spread and blend of culture among all the countries of the world. Tea culture is another example. China has the original tea culture and Japan has its traditional tea ceremony. Having tea is also a blend of traditional culture

and the same commodity, tea. There are similarities as well as great differences between Chinese and Japanese ways of choosing, drying, preparing and savoring tea. Each country has its own customs and special requirements in drinking tea, which reflect different aesthetic standards, life styles and characteristics of civilizations.

With commodities being the carriers of original cultures, the exchange and clash between China and the West was found in the Chinese commercial field from the 1920s to the 1950s. For instance, Shanghai Yongan Corporation presented their management principle as 'to market the world's general merchandise in China, and to promote the sale of China's local specialities throughout China'. They purchased specialities from countries all over the world to meet the demands of customers. Yongan Corporation had a large concourse in Shanghai, East China, for the sales of commodities of both Chinese and famous Western brands. Their customers enjoyed the convenience of shopping in the concourse.

Learning from Western business experience, Harbin Tongji Corporation opened its Daluo New Global Store in Harbin, Northeast China, in 1921. The store followed the Western business manner in commodity display, counter arrangement, show window decorations and advertisements. They mainly sold expensive merchandise imported from Britain, France, Germany, Switzerland, Poland and Japan to upper-class Chinese and foreign customers. In 1927, Tongji Corporation started another store, Tongji Market, in Harbin. This store was aimed at serving average consumers and sold mainly medium and low-price goods. Both stores, which showed mixed characteristics of Eastern and Western business cultures, attracted a large number of consumers from urban and rural areas of Northeast China.

The distribution of foreign goods in the Chinese market had both positive and negative effects. On the one hand, it spread Western business culture and provided commercial experience. This gave an impetus to Chinese businessmen to improve the quality of their merchandise, lower the price, choose better technology and increase the variety of colors and designs. This is the beneficial side of exchange and clash between Chinese and Western business cultures.

On the other hand, the rampant foreign goods greatly threatened the sales of domestic products, adversely affecting the nation's industries, both private and those owned by the state which produced importable goods. This had an unfavorable influence on the development of China's economy. As a result, promoting the sales and production of domestic goods became an important part of Chinese business culture of that period.

Around 1919, more than 90 percent of general merchandise sold in China was from abroad, and therefore domestic goods accounted for less than 10 percent. After 1925, two kinds of shops began to appear, those promoting domestic goods and those promoting foreign goods. As a consequence, domestic goods reached about 30 percent of the share. After the September Eighteenth Incident in 1931 (when Japan began to invade Northeast China), there was an increasing boycott of Japanese goods and the promotion of sales of domestic goods. All the companies and stores began to sell only domestic goods and stopped exhibiting foreign wares. People took part in special gatherings and a variety of newspapers, magazines and publications started a campaign to promote domestic goods. This movement mushroomed in the cities of China, and became a prevailing trend in the whole society to produce, market, purchase and use domestic goods. More and more people regarded the problem of safeguarding the market for domestic goods as one

concerning the fate of the nation. They promoted domestic goods to protect industries for their survival and development. The campaign to promote domestic goods played a prominent role in the development of Chinese business culture. Thanks to its growth from the 1920s to the 1950s, the content of people's consumption was enriched, and their material and cultural lives were improved and enhanced.

In 1935, in the *Hankou Business Monthly*, general merchandise (not including stationery goods) was classified into three categories (necessities, cosmetics and ornaments), and eight groups (cosmetics, underwear, headwear and footwear, knitwear and cotton textiles, glassware, enamel thermoses, domestic hardware, and small articles of daily use). According to related newspapers of the day, the trade of general merchandise in Shanghai marketed altogether thirty-four groups of goods, such as handkerchieves, mirrors, stationery, sanitary articles, toothbrushes, cosmetics, straw mats, aluminum ware, and others.

The business culture of that period was greatly influenced by the West, but also showed Chinese cultural charm, local flavor and aesthetic standards. For example, multilayer cloth shoes, the representative products of Neiliansheng Shoe Shop in Beijing, were made with special skills. A sole had to go through seven procedures before completion and every procedure had specific and strict requirements. Multilayer soles made in this way were sturdy, durable, soft and comfortable, never napping, changing shape or getting too wet, even if worn by a man with sweaty feet.

BUSINESS SYSTEM

The business system is a kind of cultural phenomenon which emerges and develops in business management. It reflects existing business management activities, helps to realize objectives and to guarantee the normal operating order of commercial enterprises. As the backbone of business culture, it includes modes of business management, organization structure, regulations, and so on.

Traditional Chinese business mainly grew from the feudal management system. However, from the 1920s to the 1950s, the Chinese business system went through great changes. The Western system of business management was gradually introduced into China and many department stores were set up. Limited liability companies grew in number and many Western management methods were adopted in the business, wage and financial systems.

At the beginning of Chinese commercial industry, there were only individual proprietorships and partnerships, whose organization modes were comparatively simple. After 1900, several limited liability companies were started up. In 1909, there were fifteen registered commercial companies. In 1915, the figure rose to 202, with capital of 17.95 million yuan, but most of them were merely nominal. In some of those companies which were jointly run by the government—either central government or local municipalities—and businessmen, the government first drew its own dividend regardless of whether the company made any profit. In some cases, the government deducted its dividend when it bought shares; thus, it actually practiced usury.

From the 1920s to the 1950s, standard commercial companies were gradually developed. Sichuan Baoyuantong Corporation was established in 1920. Beginning as a

partnership, it later changed into a limited liability company and began to issue shares to the public. Employees were also allowed to buy shares. Those who had worked for the company for more than two years and been graded as 'excellent' or 'Very good' were permitted to become company shareholders, with this purchase of shares regarded as a form of prize. The employees had confidence in the future of the company and returned all or most of their dividend 'to purchase the new shares'.

At that time, Shanghai Yong'an Corporation, Guangzhou Xianshi Corporation and Tianjin Central Plain Corporation were all commercial stock enterprises. These companies organized a whole set of capitalist structures and administration systems. For instance, the most powerful body of Shanghai Yong'an Corporation was the shareholders' general meeting, below which were the board of directors and the department of managers. Important policies of the company, such as the drawing up of the rules of the company and the personnel arrangement of the middle management class, could be put into effect only when they were approved by either the shareholders' meetings or the board of directors. The function of department system was applied to the medium-level administration. Many business or administration departments, run by those who were proficient in their business, were authorized to make substantial independent decisions. For example, they could set prices for the commodities of their own department. They had the right to replenish the stock according to demand. They were in charge of checking attendance. They had the right to fire common assistants. This kind of reasonable and flexible administration and organization system sped the development of Yong'an Corporation.

Some commercial enterprises of that period, eager to emulate the First Retail Revolution of Western commercial business, managed to reform their business system. For example, Guangzhou Xianshi Corporation was the first to sell goods at separate counters, to table the actual prices, to be open at regular hours and to charge with a receipt. Their business exercised a considerable influence in China, and played an important role in Xianshi Corporation's efforts to improve service quality, gain commercial prestige and to increase their competitiveness.

However, something feudal and backward still remained in the Chinese business system of that period. For instance, according to their assignments and their position in the enterprise, the personnel in Shanghai Cotton Cloth Shop were classified into five categories: senior clerks, supervisors, shop assistants, tally clerks and apprentices. This sort of classification was a kind of feudal hierarchy rather than a division of labor. Apprentices, at the bottom of this hierarchy, were subject not only to the rules of the shop, but also to the oppression of feudal power and extra-economic coercion. As soon as an apprentice was hired, he lost his personal freedom. Many were forced not only to work for the shop, but also to do household chores for the owner. Young apprentices worked over sixteen hours daily; moreover they did housework such as cooking and looking after children for the boss. Due to overwork, apprentices in cotton cloth shops often died young.

MARKETING CULTURE

Marketing is at the core of a business culture. Business trade serves as an intermediary both between different forms of production and between production and consumption, as a bridge between these processes. Marketing is the key to solve the problems of when and at what price to sell goods which were purchased from producers in an appropriate way, how to speed the circulation of stock so as to ensure profits and continuous development of the enterprise, and how to satisfy the various multi-level consumption needs of customers. Market is the starting-point of every business and customers should be borne in mind at all times.

In the field of Chinese business of the 1920s to the 1950s, marketing culture included the development of fields of operation, sales skills at counters, advertisements and the improvement of shopping environments. In these areas, it inherited and developed the fine traditions of Chinese commercial marketing, and demonstrated the distinctive features of Chinese culture. It also learned from and absorbed the strong points of Western commercial marketing and helped to spread Western culture in China.

Gui Bai (370–300 BC), a rich merchant during the Warring States Period (475–221 BC), put forward a famous marketing principle: ‘take what others desert and provide what others want’.¹ He never rushed to purchase popular goods, buying only those which were temporarily in scarce demand and did not appear promising to ordinary people, but which he estimated would be in great demand in the future. Meanwhile he tried to sell out popular goods in large quantities. As a result, he was very successful in commercial competition. From the 1920s to the 1950s, some Chinese commercial enterprises enriched and developed this traditional marketing idea by applying the theory of ‘take what others desert’ from the perspective of developing market and winning over customers, and combining it with the theory of ‘stay clear of the enemy’s main force and strike at his weak points’.

In 1926, Ziheng Lin and several colleagues left the Guangzhou Xianshi Corporation for Japan, and began to raise funds to establish their own commercial company. As they were originally the key persons of Xianshi Corporation, they had rich business experience. Because the commercial competition in big cities such as Shanghai and Guangzhou was so tough, they chose Tianjin as their base for starting a business and focused on the North China market, which was developing rather slowly at that time. They named their company Central Plain after the Chinese literary allusion of fighting for the throne in the Central Plain. Thus, in developing the market they followed the policy of ‘take what others desert’ and ‘stay clear of the enemy’s main force and strike at his weak points’. In order to ensure the dominant position in commercial competition, they avoided Shanghai and Guangzhou markets where their competitors were fairly powerful, and chose Tianjin as their breakthrough point, since commercial business there began to develop rather late, and their competitors were comparatively weak.

In order to improve sales skills at counters, many shops attached great importance to personnel policy, including the hiring and training of shop assistants. A shop assistant should have regular features, speak well and behave in a civil manner. Through training, he or she should be able to explain the functions, characteristics and prices of goods, as well as how to use them, so that customers could handle them and quickly choose what

they wanted. Some large shops required that shop assistants be able to speak a foreign language—English or Japanese—so as to meet foreign customers' demands.

Advertisements played an important role in the marketing culture of that period. For example, Harbin Tongji Market placed advertisements in newspapers, public places, and on the radio. They distributed printed handbills, advertised in windows, at night shows, and along the streets. They utilized parade and band advertisements and published articles about the store in all the Harbin newspapers and magazines. This large-scale campaign made the store known not only to everyone in Harbin, but throughout all Northeast China.

The marketing culture of that period paid great attention to beautifying the shopping areas. Elaborately designed environments were constructed in order imperceptibly to affect the moods and shopping behavior of the customers. As they walked around the shop, they often made purchases, even if they had not originally intended to do so. Ruifuxian Shop in Tianjin was famous for its long history and spacious shopping hall. Designed in an antique style, decorative plates were hung everywhere and the columns and pillars were splendidly carved and painted. This kind of shopping environment, which emanated traditional charm and cultural legacies, gave customers a sense of splendor and security upon entering, so that they could choose commodities in a relaxed mood. In contrast, the Central Plain Corporation, also situated in Tianjin, attracted customers by its modernity, novelty and grandeur. The corporation had a seven-story building with escalators, department stores on the first three floors, a large theater on the fourth, a place of public entertainment on the fifth, restaurants on the sixth, and an open-air garden on the top. This building was well-known in Tianjin in old China.

BUSINESS IDEOLOGY

Business ideology is the soul of business culture and the guide of commercial enterprise. No matter how good the commodities are, no matter how perfect the system and how advanced the marketing means, if the business ideology is backward or inappropriate, all of these become meaningless and useless. Business ideology is the fundamental guarantee of successful commercial enterprise management. From the 1920s to the 1950s Chinese business ideology was characterized by distinctive national features, constituted mainly of traditional moral principles, such as honesty, fidelity, righteousness, propriety, assiduity and thrift.

The precept of the Sichuan Bao Yuantong Corporation, which personnel had to follow, was to 'sacrifice our interests to those of society, serve society and develop our business'. It stressed its object, which was to 'market general merchandise and be engaged in production so as to develop the national economy'. The management principles which they carried out were 'our purpose is to make our business prosperous and enduring' and to start from minor to major business, from easy to hard, from insignificant to important, and from nearby to remote. Their precepts, objects and principles were penetrated with honesty and righteousness, which was called 'the intrinsic spirit of Baoyuantong Corporation'² by the staff and company shareholders. Just because of this spirit, the company became the most famous and the most successful commercial enterprise in Southwest China at that time.

Some businesses of that period also paid attention to the moral character of employees. Qingdao Domestic Goods Corporation, which was established in 1933 and stressed both the ability and morality of employees, always gave tests to the applicants before they were hired. The test questions went as follows:

- What is the morality of merchants?
- If customers were insolent to you, what would you do?
- Should foreign and Chinese customers be served equally or not?
- What are the differences between domestic goods companies and ordinary companies?
- What are domestic goods?
- What are foreign goods?
- What is the relationship between employees and the company?

The company also composed a ‘Chinese Nationals Pledge’, which included the following ten articles:

- 1 Love our country and be patriotic.
- 2 Love and be loyal to our company.
- 3 Help and cooperate with colleagues.
- 4 Be natural and sincere with customers.
- 5 Make investigations and studies about domestic goods.
- 6 Obey the rules of the company.
- 7 Bear hardships and be conscientious at work.
- 8 Be efficient and considerate when dealing with business.
- 9 Be righteous and modest.
- 10 Be honest and upright.

Obviously, these articles were aimed at educating and training employees in the fine traditional moral principles of China so that they would become useful personnel with high standards of honesty, righteousness, fidelity, and so on.³

During that period, the awareness of information, the concept of efficiency and creativity of Western business injected vigor and vitality into Chinese business culture and brought it up to date.

There were problems of passiveness and conservatism in Chinese traditional business. Le Guo, head of Yongan Corporation, once drew attention to the extreme inadequacy of traditional Chinese businesses, with their lack of creativity, efficiency and attention to relevant information. He appealed for a break with tradition in order to learn from the advanced Western business techniques and to catch up with the countries of Europe and the USA. His progressive ideas reflected the viewpoint of many leaders of Chinese commercial enterprises and were applied to their management activities. Thus, the Chinese business ideology characterized by the spirit of the period came into being.

At that time, more and more Chinese entrepreneurs had come to realize the importance of information, without which they felt they could learn nothing about market demand, customer needs or the competitiveness of business trade. In addition, if they could not adapt their policies to market changes and surrounding conditions in time, they would fail in commercial competition. Therefore, many alert businessmen became aware of the importance of information and made management decisions accordingly.

The leaders of Baoyuantong Corporation often said that doing business without first acquiring relevant market information is like a blind man riding a blind horse. The company established a well-organized department of information, which, besides the director, employed 'men running around the streets', whose job was to collect information about current market conditions, make predictive analyses to estimate prices, sale, demand and supply of all kinds of commodities and promptly inform all other branches. Current market information about important centers of manufacturing and distribution such as Shanghai, Tianjin, Nanjing and Kunming was conveyed daily by telephone or ciphered telegram and business letters were exchanged twice weekly. Quotations of major commodities, merchandise inventories, commission statements about unmarketable goods, advice notices and sheets of questionnaires were also exchanged between branches two or three times a week. The department of general management made decisions after comprehensive analysis of market information collected from different places.

Traditional Chinese businesses did not pay attention to efficiency and commercial behavior was characterized by long cycles, slow pace and inefficiency. From the 1920s to the 1950s, however, many commercial entrepreneurs, having acquired the concept of efficiency, took advantage of favorable opportunities and resolutely made decisions. What is more important is that they attached great importance to working efficiency. As a result, they benefited from being the first to make use of favorable opportunities.

Shanghai Yong'an Corporation emphasized that 'commodities should be circulated like a rolling wheel'. In order to improve purchasing efficiency and increase the speed of capital circulation, the firm hired as purchasing agents persons who were competent, efficient and familiar with both domestic and foreign markets. Le Guo and other business leaders often said 'commodities are the basis of business' and 'purchasing is the most crucial because commodities are the pillar of our firm'. They required management personnel at all levels to purchase marketable goods according to demand and in appropriate quantities to ensure quick circulation: 'Too many goods will result in slow circulation, and too few will hardly satisfy the demands of customers.... Unmarketable goods will bring about heavy losses.'⁴ The company also granted the commodity departments the power to purchase freely. Each department head was allowed to determine what kinds of goods and how many should be purchased. As a result, the initiative and enthusiasm of each commodity department were brought into full play, which greatly facilitated the efficient operation of purchasing.

One of the principles of Chinese traditional culture is to stick to old ways and this had a profound influence over business. Therefore, old-style merchants often clung to conventions and refused to make progress; in other words, they lacked creativity.

From the 1920s to the 1950s, however, some commercial enterprise leaders shouldered and accomplished the task of making changes. They realized that it would have been impossible to alter conditions if they had felt content with the present, desired no progress, dared not open up new ways and required no reforms. In this case, they would only have trailed along behind others and would finally have reached a dead end. They looked for beneficial experience from Western business and introduced numerous innovations: to the business system (for example, the establishment of limited liability companies); to organization and administration (for instance, the implementation of

department administration systems); to market development (for example, advertising); and to marketing methods (for instance, sales at separate counters).

The evolution and development of the Chinese business culture from the 1920s to the 1950s exercised a great influence over China's economy, politics and society. First, the briskness of business culture brought with it market expansion, which also meant expansion of production. The process of commercialization went hand in hand with the process of industrialization, which promoted the development of the Chinese social economy, and improved and enhanced people's lives in a cultural way. Second, the change in business culture smashed the old system of Chinese commercial management and administration, bringing about new patterns of management and administration which accorded with the demands of the time. These new patterns represented positive progress. They removed the ties of the old production relations and encouraged development of the new. Third, while the renewal of business culture carried forward and expanded China's worthy traditional culture, it also disseminated Western civilization. This helped the Chinese to absorb different concepts and ideas which enlightened the people, initiated new social behavior and speeded up the course of China's civilization.

NOTES

- 1 This sentence is quoted from Si-ma (1988). Si-ma Qian (145–86 BC) is the best-known Chinese historian and his *Historical Records* is a world-famous masterpiece.
- 2 All the quotations in this paragraph are taken from Shiming Hu (1990:82).
- 3 The material in this paragraph is extracted from China General Merchandise Bureau (1989:503–4).
- 4 Quotations in this paragraph are extracted from Economics Research Institute of the Shanghai Academy of Social Sciences (1981:34).

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THE 'NEW EDUCATION' AND CHINESE REVOLUTION IN THE 1920s

Q.Liu

In modern Chinese history, the May-Fourth era is undoubtedly a highly significant turning-point. When we speak of education altering the value system of society, creating new culture, cultivating a new generation and acting as a great motivating force to push forward social progress, the new education of the May-Fourth era is undoubtedly one of the best examples. Democracy was not only the ideological weapon, but also the ideal aim of revolution at that time. Based on the grounds of democracy, the new education was an advanced one which destroyed the old conventional system, reforming society and creating a fresh epoch. Therefore, it eventually and invisibly provided personnel and prepared public opinion for the Chinese revolution of the 1920s. Under the influence of the new culture and new education, many young students of the emerging generation in the May-Fourth era began to pursue liberty and equality, fought against the regime of warlords and the aggression of imperialism, and accordingly followed a career of social reform and revolution.

DEVELOPMENT OF THE NEW CULTURE MOVEMENT AND FORMATION OF NEW EDUCATION

To review the history of new education in the May-Fourth era, we must first trace back from the growth of the cultural movement in 1915 to the foundation of the Nanking National Government in 1927.

The new education in China, although affected by contemporary education movements in Europe, the USA and Japan, was even more significantly a domestic product influenced by China's new culture movement. It was, in fact, a part of Chinese New Culture. This kind of new education, neither an absolutely anti-traditional nor totally Westernized phenomenon, was filled with the idealistic color of democracy.

First, the new culture movement fiercely condemned feudalistic thought, rejecting both Confucian ethics and value philosophy, which had been the foundation of old education and old politics. Accordingly, it smashed all the obstacles to the birth of new education. It made the period of the control of Confucianism, which had guided Chinese education and the thought of young people, a part of the past, never to return. The criterion that equated virtue with humanity, justice, loyalty and piety to the old system was deemed as a degraded ethical concept, aiming a fatal blow to the control by Confucian thought. In order to guard against the return of monarchical government, the most important role of new education was to establish a democratic ideology. In the

editorial words of the first issue of *Youth Magazine* in 1915, Du-xiu Chen defined the New Youth by six criteria: free thinking and not slavish, progressive and not conservative, aggressive and not retreating, world-oriented and not self-locked in domestic concerns, practical and not boasting, rational-scientific and not fantastical-imaginative (Chen 1915). This was a clear summary and conclusion of the ideal individual personality of the new generation.

Second, the prevalence of new thought and the introduction of Western theory prepared favorable conditions for the birth of new education. The education reformers in the May-Fourth era thought the reform of China should follow the Western style, but most importantly, it should catch the true spirit of Western education (Chen 1917). This spirit incorporated respect for the development of children's individuality and emphasis on liberty and equality, thus embodying a general principle of modernization and democratization of education worldwide, and not merely copying the Western system. When the Chinese reformers willingly accepted Western culture, they condemned the defects in that society, which they learned from as a model at the same time. This was a common point between new culture, new education and the coming Chinese revolution. It influenced the development of new education and became more significant when John Dewey and Bertrand Russell, both world-renowned philosophers, were invited by educational reformers to come to China to give intellectuals and young people a broad introduction to the democratic ideology of liberty and equality. These two scholars advised Chinese reformers to make great efforts to guard against the shortcomings of Western culture. They did not wish to watch China repeat the errors of many Western countries and hoped that it would avoid the mistake Japan had made when it introduced Western education and culture. Russell (1971) hoped that the Chinese would introduce cultural benefits from the West without losing their own traditional merits, although he thought that the Japanese had totally accepted Western militarism and aggressiveness. They also asked China to make great efforts to create modern new systems of education and democracy, which would be particular to the Chinese.

Because Western-style democracy had lost its absolute beautiful color, the Chinese reformers studied the direction and methods of educational reform. Through comparison, reevaluation and investigation of differences between Eastern and Western, old and new, Chinese and foreign, they tried to create a new education. This new system was advocated by the educators of the May-Fourth era and aimed:

- to value human rights;
- to advocate keeping students and children as the major objectives;
- to cultivate them to form a perfect and sound personality as the center of their commitment and to establish the equality of the whole human being as their criterion for success;
- to break through the education of nationalism, militarism, colonialism, imperialism, money worship, inequality and entrepreneurship.

This was new education in the Chinese style, adaptable to a truly democratic society,¹ and in keeping with the goals of the Chinese revolution. Its intentions were to make China a country of independence, equality and liberty, as raised in the Manifesto of the Founding of the National Government of the Republic of China in 1925.

In the face of such great changes in thoughts, culture and politics, Yuanpei Cai started to reform Peking University in 1917. This was considered to be the rebirth of Chinese education. The principles of free thinking, receiving and accepting diversified thought not only made Peking University the center of new culture and the birthplace of new education, but also afforded a good environment for the spread of Marxism and the foundation of the Chinese Communist Party. The youth patriotic movement of the May-Fourth era, supported mainly by Peking University students, enhanced the new education to a high level. As a result, the conservative and reactionary forces accused Peking University of being an integrated hotbed of fallacy. Dai-ying Yun, later a famous communist, praised the results of the new education as practiced by Yuan-pei Cai, Du-Xiu Chen and Shi Hu at Peking University, which became one of the sources fomenting the May-Fourth movement.

The new education of the May-Fourth era was not a systematic reform under the direct leadership of the government but a movement initiated by educators at a low level who had worked in the system for a long period. Early in 1915, under the suggestion of En-fu Shen, Yan-pei Huang, Hen-yan Jin and others, educators throughout China organized and founded the National Federation of Education Associations. Many resolutions concerned with educational reform were passed at each year's symposium. From 1917, Yan-pei Huang developed professional education which introduced new factors to the Chinese system. In addition, students who had returned from studying abroad cooperated wholeheartedly with the domestic reformers and became major advocates and promoters of the new regime. The Society for the Promotion of New Education, founded in 1919, was an associated organization of enthusiastic democratic educational reformers. *The New Education*, first issued by the society in 1919, together with *New Youth*, *New Tide (The Renaissance)* and other periodicals which had already been greatly welcomed by the youth and students at that time, constituted a powerful front-line for the promotion of democracy. New education was advocated by magazines, newspapers and other media, and was developed through practice in colleges, secondary schools and within society.

INDIVIDUALITY, COMMONALISM AND EMERGENCE OF A NEW GENERATION

The fundamental sources of new education and revolution were sympathetic resonance and a general desire for democracy. Two watchwords, close to the basic ideology of democracy, were included in the foundation of new educational thought. The first was Individuality, which was closely connected with the liberal ideology of honoring the value of the individual. The second was Commonalism which was closely linked to the ideology of equality breaking down the differences between classes and between men and women, but also near Chinese utopianism. Democracy, constituted by these two basic ideologies, was the linking point between new education and Chinese revolution in the 1920s.

Individuality (*Ko-hsing chu-i*)

A direct influence on the pursuit of democracy and education was the recognition now given to individual value. The essence of democratic education is education 'of the pupil, by the pupil, for the pupil'. Meng-lin Jiang, the theorist of new education, stressed that the encouragement of individualism was the major reason why modern Western society progressed faster than China and achieved greater economic development. Jiang (1933) said, 'the way to strengthen a country is to strengthen its people, not just to strengthen its military forces'. Therefore the new education placed the focus on 'the development of individuality for a sound personality'. Accordingly, the characteristics of Chinese citizens would be reformed with attention given to cultivation of a predominant personality. All these were the origins of the watchword 'Individuality', which was different from Western individualism.²

This new emphasis on the development of individuality was actually formed against the background of a combination of Western individualism and the sense of superiority of the Chinese learned elite. The young people of the May-Fourth era believed they were the leading guides to social reform and mass movement, the sole salvation to China, the leading figure who 'looks like the sun'. Their ambition to be the social elite was strengthened by new education on the base of individuality, and realized by successive practice. The educators concluded that no matter what son of democracy they chose, political, international or any other kind, none of them could reject the two principles 'Honor personality and relieve thinking from bondage'. These were called the common characteristics of democracy. The students had their individualism liberated through three tenets of individuality within the new education:

- to change the life philosophy of the young and to mobilize their discontent with existing social conditions;
- to cultivate the skeptical and critical spirit of youth;
- to advocate a rebellious spirit unyielding to pressure from authoritarian powers.

Concerning the first principle, Meng-lin Jiang concluded that when the people were satisfied with the old tradition, old thinking, and old style of living, their life philosophy would consist of nothing more than keeping old cultural conventions and paralyzing their sensibilities. Jiang advised the young to be aware that existing conditions were rather unfair. He suggested (1919b) that the youth of the country should join together to overthrow old conventions and ways of thinking, and then liberate their own sensibilities and thought processes. Shi Hu (1918) pointed out that the worst crime of society is 'the trampling on personal liberty'. He further pointed out that successful education should make students more clearly aware of all the defects existing in society. If educated students still felt satisfied with existing social reality, their education would have been deceptive and useless.³ Therefore, advocating an awareness of the ideology of individuality actually incited the dissatisfaction of the young with society and government, and finally produced the effect of destroying the old system. Meng-lin Jiang afterwards recalled that, at that time, the students who fought against the old conventional thinking, including those who became communists in later years, were virtually the same

as the liberals under the influence of individuality at the initial stage. They had a common sensation of discontent with the reality of the existing society (Jiang 1967:92).

Second, in cultivating the skeptical and critical spirit of youth, the liberation of thinking was at the core of the liberation of individuality. Stressing 'the transvaluation of values', advocates of new culture and education were dismissive of all previous superior authority and old conventions from the past to the present time, both at home and abroad. 'Give a question mark to them, asking why?', Du-xiu Chen pointed out:

Unless it is by forced analogy, irrelevant comparison or superstitious belief, we should say there can be no saint who could be an everlasting teacher, nor a system which could be universally rational, nor an ideology which could cure all diseases in the world. We should stand against blind following.

(Chen 1920)

Meng-lin Jiang praised the skeptical spirit of students at that time as having the features of a psychological revolution. Jiang thought that doubt would shake up both the rigid ideology of China and the imported ideologies.⁴ He suggested that teachers should not prevent students from developing individuality in thinking, and should welcome any liberal criticism, giving them more chance to express themselves. More significantly, Jiang stressed that help should be given to students in investigating social problems: 'If you tell students to comment on or criticize a special case in history or some special words in a textbook, it would be better to have them comment on the reality of society.' It is certain that liberals in China during the May-Fourth era took the first pioneering steps toward advancing the spirit of political criticism in students through education. Dewey and Russell were deeply impressed by the skeptical and critical spirit of these May-Fourth era students. Dewey stated that it was the spirit of a new epoch and a spirit of science, not merely a Western spirit.⁵

Third, in order to advocate a rebellious spirit unyielding to pressure from authoritarian powers, May-Fourth era teachers were asked to value the individuality of students to the fullest extent and give them sufficient liberty within rational limits, according to their needs. Some primary schools even put to a vote by the children the daily teaching program, including how many hours the music course should be. A few overheated students asked to ban all school examinations as a matter of individual liberty, and to reject all teachers' instruction for sake of their personal equality.

This was a period of transition in China. Among government officers, warlords, principals of schools, teachers and patriarchs, there were still many feudal conservatives who suppressed liberal individuality, rejected any criticism from students (men—women), interfered in their love affairs, and even forbade any change of hair and dress style. Fierce conflicts took place between students and the old powers of the family, school and society. Under such conditions, Meng-lin Jiang asked students to fight for their own rights. Shi Hu advocated students to rebel against the society of old convention and old morality. He also promoted the spirit of striving. All these ideas were to encourage students to develop a rebellious spirit. Shi Hu and Meng-lin Jiang even suggested that they could get rid of unqualified foreign language teachers from school.

Differing from the conventional qualified and good student, judged by absolute obedience, the good student of the new generation should be a qualified warrior. He would be positive in action, unyielding to oppressive powers, and a rebel against evil forces in society. Following their awakening liberal ideology, a rebellious spirit and revolutionary desire widely prevailed among the students. Hence, *The Pioneer*, the journal of Peking Socialist Youth Union, called upon all students to 'break down the blind following, slavish, lazy dependent habits, and to substitute for them a rebellious spirit in order to advance one's future career'.

While the new generation was gradually becoming aware of liberal ideology, Dewey's educational theory attributed more influence to the strong rebellious spirit of the young, rather than on gradual reform. Dewey called upon students to study social problems according to their personal or social needs. According to Hu (1920), Dewey said that true individualism, namely individuality, should be provided with two features: first, one's independent thought; second, that the individual should take full responsibility for the results of his belief in his thought. Dewey said that the individual was unyielding to oppressive force and not afraid of being thrown into prison or being killed; he stood only for the truth and did not care about personal gains and losses (Hu 1920). This completely met the psychological needs of the young who were searching for new things. Han-min Wu, one of the senior statesmen of Kuomintang, once said to Meng-lin Jiang, 'At present, there is much unrest in every school, agitated by Dewey's theory' (Jiang 1960:92). Even Mao Tse-tung, who was enthusiastically engaged in education, was not an exception, when, during his youth, he started to think about how to put Dewey's theory into practice. However, this practice was delayed until the 1960s, when it was unfortunately implemented during the proletarian cultural revolution.

Commonalism (*P'ing-min Chu-i*)

The commonalism in new education demanded the breaking down of inequalities between different classes and ranks, men and women. It advocated that workers are decent people, and that labor should be honored. The opportunity to be educated should be equal for everyone. Therefore, the commonalism in new education could also be interpreted as a popular education or education for equalizing society. It included the laudable ideal of building up a true democratic society. All these substantial claims were accepted in the political program passed by the First National Congress of Kuomintang in 1924. If it can be said that the major beneficiary of individuality was the young, then the major beneficiary of commonalism was the whole people. Those in education wished to eliminate the gap and contradictions between the rich and the poor in society through the education of commonalism. But the pursuits of equality gave the commonalism of new education a potential to criticize capitalism and to join with socialism toward influencing a new generation to join the revolution.

Second, educational reformers acknowledged that social progress could not be carried out completely by a minority in the intellectual class. The whole nation must be involved and only then could it be achieved. Meng-lin Jiang (1919d) pointed out that if democracy was to be established, the start should be made by social action, publicizing democratic knowledge. At that time in China, the rate of illiteracy was over 90 percent. If education was to be developed with the goal of achieving human rights, opportunities had to be

equalized, with the promotion of education as its basis. The objectives of education should be extended beyond students in school to those who receive none at all. Young students must take on the unavoidable task of publicizing education. Some started by engaging themselves in mass education and other social services, in order to fill the existing gaps between intellectuals and the common people. Individuality guided the students in the pursuit of liberty, while commonalism taught them how to work for the benefit of the people, social equality and social justice.

The Chinese revolution of the 1920s was called a national revolution, but actually the new generation were the pioneers and leading force. Many young activists, and the majority of leading members of peasant—worker mass movements, were not themselves peasants and workers. They were the young learned elite, undergraduates and pupils of middle schools, who had not come from peasants' and workers' families. The cooperation between student and peasant—worker was a new social phenomenon during the Chinese revolution. According to an interesting story, Ji-tao Dai, the theorist of the Kuomintang Party, could not but acknowledge that the majority of striving new members of Kuomintang were communists. The old party members were too corrupt and conservative.⁶ It goes without saying that the positive effects of education of the May-Fourth era in creating a new generation should not be neglected.

THE IDEAL PERSONALITY AND DEMOCRATIC TRAINING OF NEW EDUCATION

Education not only provides the effect of sustaining social stability while it conserves and inherits the culture, but also works to destroy the old system and reform society while it renovates and creates new culture. Yuan-pei Cai said:⁷

Education is a seeding business. Its effects can only be evaluated after ten years. It is not proper to keep only orthodox culture as its goal. It should work for further ideals.... Education should stimulate social progress and should not follow the society.

(Cai 1984:408)

The final goal, pursued by new education, was actually social rather than educational reform. In 1919, educators submitted that the objectives of education are 'cultivation of a sound personality, and development of a republican spirit'. They stressed that building up democracy required keeping pace with education in five respects: moral education, intellectual education, aesthetic education, physical education and collectivistic education. It was necessary not only to confirm the value of liberty and equality, but also to affirm the value of individual development. At the same time, it aimed to increase personal commitment to social obligations as well. Furthermore, it reflected perceptions of the future and maturity of the new Chinese education.

From the point of view of educational reformers in the May-Fourth era, democracy was not only a political and economic system, but also a global trend, a modern and current spirit and mode of social life. As such, it was the function of education to build up the awareness and ability of both the young and the people to participate in politics and

gain practical experience in democracy. They deemed that the revolution which overthrew the monarchy in 1911 did not lead to the establishment of democracy, because the revolutionaries knew only how to advocate some principle which existed before the revolution. They did nothing to train the people of a democratic republic to meet the necessary requirements (Guang-qi Wang 1920). The coming of the revolution was not directed by the planning of revolutionaries, but initiated by the wild and agitated sensations of the people. Therefore, after the founding of the new republic, people did not understand the republican system, nor its urgent needs. They were not provided with the knowledge and ability to practice democratic rights and obligations. Eventually, a handful of politicians and warlords seized the opportunity to throw the republic into turmoil. Educational reformers recognized that:

Any genuine republicanism can never be achieved until politics is initiated by the people. In order to get the people to initiate politics, we must have, as a prerequisite, an atmosphere where a genuine spirit of free thought and free criticism can be nurtured.

(Hu *et al.* 1920)

Only those people who had enough knowledge, qualified ability and free thinking, could effectively supervise the government. New education should make the student a citizen of a republic suitable for democracy. Shi Hu stressed that democratic training in school was, in essence, meant to nurture the kind of spirit which would accept comments from the opposition and allow free expression of ideas. But at the same time, he also insisted that any individual should have a commitment to social responsibility, and he rejected any negative individualism isolated from the reality of society. Dai-ying Yun pointed out that education was a powerful tool to reform society, so the educator must be a true social reformer. Furthermore, he stressed that in order to guard against the dictatorship and selfishness of a leader, to deprive the revolutionary government of one party's dictatorship and finally transform it into a democracy whereby it truly represented all the people, political education and education in citizenship based on democracy should proceed. This would form a supervisory power to the leader and government.⁸

Second, the educational reformers affirmed that the aim of new education should not be limited to individual development, but its more important goal should be social progress. Meng-lin Jiang stressed that education would help society by training productive individuals. This was not enough, however. Part of the individual's growth must consist of increased consciousness of his post in society, and willingness to serve it. In the developing democratic society, not only intellectual individuality is needed, cooperation in activity is required even more. Some revolutionaries further pointed out that no matter when it occurs, whether in pre-revolution society or in future democratic society, if any individual persists in his own opinion, no reform would be possible. Therefore, for the sake of getting collective objectives to reform China, individuality should be socially recreated. The individual should cultivate service to others, mutual assistance, cooperative and unified mind and habits, as are needed in collective social life. Dai-ying Yun (1924) fully agreed with Dewey's famous words, 'School is society, education is life.' Yun held that school should be similar to a country having legislative, judicial and administrative organization. Education should put autonomy into practice.

Let the student experience various collective living modes in the minicountry, upgrading his diversified administrative abilities and cultivating consciousness of the collective, and thus be nurtured into a person serving others and a leader of the country.

THE STUDENT MOVEMENT, STUDENT AUTONOMY AND THE CHINESE REVOLUTION

The activity of students in the May-Fourth era first came from personal discontent and revolt against the oppression by patriarchs, teachers and society, corrupted politics, and imperialist aggression. Both before and after the May-Fourth movement, progressive students did not trust any of the current parties and politicians. Throughout China they organized various sorts of communities and associated with progressive young people who were striving for the same target and adhered to an identical philosophy. They propagandized new thoughts, practiced new kinds of life style, and tried to test their abilities in social reform work. From isolation to group and social life was a great change in the life of students after the May-Fourth movement. Under the sincere advocacy and support from educators, student autonomy became an important part of school and university life. Subsequently, autonomy became one of the student activities actuated by revolutionaries.

The major advocates Yuan-pei Cai, Meng-lin Jiang, Shi Hu, Yan-pei Huang and Dewey clearly declared their support for the patriotic student initiative. The journal *New Education* commented that it was a bitter fight between students and a monster; it was a spirit worthy of praise in new education. Meng-lin Jiang and Shi Hu, liberals educated in the USA, perceived the troubles of the uncompromising debates and activity among the students. They advocated the nurturing of democratic practice and cultivation of the ability of students by means of student autonomy, and the reform of schools as a testing field for social reformers. They pointed out 'If students are to participate in social reform of the future, they should start from a reform movement aiming at school society' (Jiang 1919c). They hoped to found an organization to direct the student movement. They shifted the political target to one of gradual reform, with 'academic upgrading', 'social service', 'cultural creation', and 'social reform', and affirmed that 'only the life for academic, collective and social service' was the most lasting and effective student movement (Jiang and Hu 1920). But some newspapers and journals with specific political leanings, purposely interpreted Dewey's words 'school is society' to mean 'school is government, and students are the people', and said all the business of schools should be determined by students.

Therefore, the area of student autonomy expanded from the democratized self-administration of campus life to a fight against autocratic education, which was said to ban individuality, and thence to the demand for more democratization of the campus, even to organizing activity against the political system and warlords. Furthermore, the selection of principals, teachers and staff and other affairs of some schools were put to the student vote. Some teachers were even asked to obey students' orders. Any issue, from big ones like the politics of a country to small ones like price increases for additional teaching materials and changes of classroom table and chair arrangements, would cause students to demonstrate and boycott classes. Consequently some schools fell

into uncontrolled disorder. Shi Hu and others were obliged to think about how to limit the expansion of student autonomy and asked them not to act solely with destructive intent. They demanded strict examinations and administration, and the recovery of educational order and the academic environment in school.

In a positive sense, student autonomy actually helped the individuality of students and the collective for democratic social practice. The concept of a democratic nation, and the consciousness of the free will of citizens were further developed. Some students found their autonomy a good formal training toward instructing people's struggles. The student autonomous committee in one school developed into a local and even nationwide federation. Many student movements against the government and warlords gained the sympathy and support not only of educators and the people. Furthermore they were agitated and organized by the Kuomintang and Communist Party and finally linked to Chinese revolution in the 1920s. The declaration of the headquarters of the Fifth Session of the All-China Student Federation in 1922 pointed out, 'The student movement henceforth is a student movement under the united national movement, leading the student movement to the national revolution.' The resolutions such as 'Fight against Imperialism' and 'Help worker-peasants movement', which had been drafted directly by Daiying Yun, were passed by the Headquarters of the Seventh Session of the All-China Student Federation in 1925. The successive and continuous student movements became a feature of the Chinese revolution. The revolutionary parties had more enthusiasm than liberal educators for advocating free speaking, free thinking and the autonomy of students.

TRYING TO SOLVE THE 'CHICKEN OR EGG' DILEMMA: WHICH COMES FIRST?

The professional education movement, starting from 1917, was the earliest to be directly connected with national capitalists in the modern history of Chinese education. The movement was intended to give preoperative training for personal survival, service to society and for the increase of national production. Actually, professional education was not focused on economic development. Rather, it was a social reform movement with the target 'Let the unemployed get employed and let the employed contend with their employment.' It was to be a fundamental method of solving the problem of students' employment and the people's survival. Yan-pei Huang thought that it was the way to save the country and save society: 'Because if the people get rich, social turmoil would not occur, if the people have more knowledge, society will not fall into uncontrolled chaos, even in the turmoil' (Huang: 1919).

During the May-Fourth era, the theories of 'Saving the country by education' and 'Saving the country by industrialization' were affirmed by the public as the best methods of social reform. However, the learned elite and students were confused by a kind of ambivalence. They hoped that rapid economic growth would help to build the foundations for the independence of China and free it from poverty and backwardness. However, at the same time they did not wish the development of Chinese industry to be accompanied by the same social problems which existed in Western countries. Surprisingly identical questions—such as how to guard against Western capitalistic

defects and how to avoid the enlargement of the gap between rich and poor, and even how to pursue social equality—were unanimously raised by Chinese conservatives, liberals, nationalists, and members of the Kuomintang and Chinese Communist Party during the May-Fourth era. Bertrand Russell observed that there was a tendency among the learned elite to ‘wish to have China industrialized without having her capitalized’. He concluded optimistically that socialist thought had already gained general acceptance by the intellectuals and students (Russell 1971:249–50).

The theorists of new education insistently kept a kind of ambiguity about the proposition that ‘economic development is the most critical aim for educational reform’. Although they thought that ‘economic development is the indispensable factor for the independence, liberty and prosperity of China, and education is an important source for increasing national productivity’, they also held that the uncontrollable free competition of individual capitalism could not achieve the goals of liberty, equality and brotherhood. They proposed that ‘economic development and industrialization must be guided by the country’, and stressed that it would be necessary to build up ideological concepts about democracy first through education and then to develop the Chinese economy. This kind of proposition, in which by means of true democracy the social progress was balanced with economic development, was very influential with students. When the key members (including Yun Dai-ying and Mao Tse-tung) of the Association of Young China, in which over one hundred leading youths were gathered, accepted the inquiry for analytic investigation ‘In your whole life, what kind of career and what kind of study do you want to engage in?’, the answer was education rather than economic development.

The starting-point and final goal of the new cultural movement and new education in the May-Fourth era was political reform in China, although superficially they were suggested to be independent from politics. Later on, Shi Hu and Meng-lin Jiang discovered that they were not willing to talk about real politics. Yet the unstable political situation and the regime of warlords, accompanied by financial difficulties and savage oppression, constantly disturbed and blocked ideological, cultural and educational reform. They maintained that only good education could create good government and good politics. But they were also quietly aware that good education could be realized only under good government and good politics. Finally, they were obliged to confess that they had no way of solving the eternal ‘chicken or egg’ dilemma, namely, whether good education or good government and good politics should come first.

Gradually, students also discovered that merely to advocate democracy, science, liberty and equality, or to propagandize regarding saving the country by education and industry, could not in reality solve all the problems, such as national independence and prosperity, the people’s prosperity, and political democratization. ‘It was feasible in theory but difficult to put in practice.’ The democratic ideology of new education was feasible for solving social problems from the root. Even Dewey acknowledged: ‘It is such facts as these that lead many to assert that any genuine industrial development of China must wait upon the formation of a strong and stabilized government.’⁹ Russell clearly held that it was China’s most urgent business to end its internal separation and turmoil, to unite the country, to end foreign aggression, and then to get independence. Russell (1971:272) suggested the following three steps:

- build up a stable government;
- develop industry and its economy under Chinese administration;

- popularize education.

The order of implementation should follow the order of urgency. The proposition, stressed by Russell, of solving the real problems in China should start from political and social reform. This echoed the success of the Russian Bolshevik Revolution. It had an important influence on students and encouraged them to participate in the Chinese revolution against the warlords and imperialism.

After the idealistic wishes for gradual social reform had broken down, energetic activists among the students were compelled to choose revolution. With the failure of the political struggle under the watchwords 'striving for freedom' and 'hoping for good man's government', Meng-lin Jiang acknowledged that:

It is as ridiculous to ask the warlord government to give democracy as to ask a tiger not to eat people.... It is unnecessary for the intellectual class in educational circles to join any activity to maintain the existing system, but they can take part in reform and revolution, which are valuable for politics.

(Jiang 1924)

Yuan-pei Cai also shifted his position from advocating the isolation of education from the interference of government, political parties and church, to an open support for the Chinese revolutionary movement against imperialism. To solve problems of political power by revolutionary strategy is a Chinese convention. The Kuomintang in 1919 raised the banner 'Revolution' once again, cooperated with the Communist Party and then started the Chinese revolution of the 1920s. Both parties agreed that only revolution could resolve the fundamental social problem in China.

In the process of the Chinese revolution of the 1920s, Du-xiu Chen, who had previously proposed liberty and science at the center of education, changed his position to advocate 'gentle autocracy in politics, but strict control in education'. Both Sun Yat-sen and Jie-shi Jiang expressed their impression that the 'Chinese people had gotten too much freedom'. Following the development of the Chinese revolution, liberals such as Meng-lin Jiang and Shi Hu worshipped democracy as a new religion. At that time some of the Kuomintang and Communist Party, while appreciating the tenets of democracy, vigorously maintained the superiority of their own ideology and leaders due to political needs. Liberal individuality, suspicion, criticism and free thinking were obliged to contradict and conflict with the absolute obedience in activity required by the regulations of revolutionary parties. The needs of revolution forced the Kuomintang and Communist Parties to overemphasize the unity of ideology and collectivism. As a result, they asked party members unconditionally to sacrifice personal benefits, and to obey the regulations of the party and leader. At that time, liberty was degraded from an ideal to a revolutionary tool, used to agitate students to participate in the student movement and the national revolution. Then, true individual liberty lost its position in the revolution. Democracy in the economy, or equalitarianism, greatly expanded and became the power to unite all people in revolution. In a poor and backward agricultural country, most people longed for the mere right of survival, not individual liberty, with the result that Daiying Yun once praised the New Three-People Principle of Sun Yat-sen by saying that the target of the Chinese revolution of the 1920s was absolute equalitarianism.

A few members of the Communist Party such as Da-zhao Lu and Dai-ying Yun continuously kept their eyes on the future realization of complete democracy. They held that China should study the industrialized experience of Western countries to promote free competition in the market (including exercising national capitalism), to encourage foreign investment, to appoint foreign experts, and to transplant elements of Western culture in order to give the opposition freedom of expression and to carry out 'free government'. They believed that democracy and socialism were identical in spirit, and only a true democratic system could allow the free development of individuality and effective supervision of the government by the people, in order to guard against the corruption of bureaucratic and autocratic politics. They thought that the students, as guides of the people, not only had the enthusiasm, but also possessed the rational knowledge and intelligence necessary to lead them in revolution and the construction of more important careers after its successful outcome. This kind of rational knowledge and intelligence could only be formed by nurturing education and independent study.

THE DIVERSION OF NEW EDUCATION AND ITS INFLUENCE ON THE CHINESE REVOLUTION OF THE 1920s

After the May-Fourth movement, Shi Hu, Meng-lin Jiang, Yuan-pei Cai and other advocates of new education began to ask students to limit their movement, and advised them to study hard to get practical knowledge for serving society and saving the country and the people. Nevertheless, the central point of focus of Chinese intellectuals and students had been turned from the reform of ideological culture to practical political movements. The young intellectuals and students, enthusiastic for social reform and discontented with simple educational changes, turned to fresh practical action and new targets. Due to differences in thought and method, the new education developed in five ways.

First, the systematic reform in education was carried out, with the introduction of new teaching methods, including the American W.Kilpatrick's Project Method and H.Parkhurst's Dalton Plan, and the formation of the so-called 'New Education Movement'. As the detailed and substantial reform was made, the intention of building up the democratic ideology gradually faded away. The center of the movement was transferred from Peking University, which was known for its vigorous reform spirit, to Nanking Senior Normal School (Dong-nan University after 1923), which was prudent and conservative. However, the revolutionaries insisted that this kind of reform in teaching theory and method was valuable in practice, favorable for giving play to students' practical and realistic spirit, and for creating the people's will in a new epoch (Xiao 1924).

Second, there were organized and planned social movements to promote mass education for the young and middle-aged who could not study in school. Lecture groups at Peking University and the mass-education movement (namely, education to teach the masses Chinese characters) were organized by Yang-chu Yen and Xing-zhi Tao. When Dai-ying Yun gave instruction in the Chinese Socialist Youth Union, he asked young people to cooperate with the promoters of the mass-education movement, to go to the countryside to popularize education and propagandize revolutionary ideology. Mao Tse-

tung was engaged in the workers' movement at that time, and Dai-ying Yun advised him to learn from Xing-zhi Tao, and to care about the problems of the peasants.¹⁰

Third, a movement was created to gain back the right of education from foreign cultural aggression. Yuan-pei Cai proposed that education should not be controlled by religion and should be independent. At that time, the current ideological trends of nationalism and Communism formed the background against which this movement took place. Following the increase of ideological awareness in national independence, the target which the movement fought against most directly was missionary education in China supported by Westerners, and the colonial education enforced and administered by Japan in Northeast China. Schools run by foreigners in China were obliged to register and abide by the educational laws promulgated by the government. The movement to restore the right of education greatly fomented opposition to imperialism among students, educators and the people (Shu 1927).

Fourth, revolutionary education was developed wherein specialists of military and politics were trained. Representative institutions included: Hunan Self-Study University (August 1921-November 1923), founded by Mao Tsetung, Shanghai University (1922–7), administrated by both Kuomintang and the Communist Party; Huang-pu Military Academy, run by Kuomintang; and the Guangzhou Peasant Movement Lecturing Institute, administrated by the Communist Party. The Huangpu Military Academy made a particularly important contribution to the Chinese revolution of the 1920s. Many famous senior generals of both Kuomintang and the Communist Party later came from the Academy.

Fifth, a nationalist educational movement emerged in opposition to the new education, which emphasized that 'education is a responsibility and tool of a nation'. As such, it must be controlled and supervised by the nation. This movement insisted on ideological unity on the foundation of Chinese culture and nationality, as a means of encouraging patriotism and consciousness of the nation. It rejected those forms of education produced by imperialist cultural aggression and the imitation of Western educational style. Leaders of this movement thought that the new education of so-called democracy was an 'import' with 'non-nation' or 'anti-nation' characteristics. They blamed the 'Individuality' in the new education for bringing about turmoil. They thought that putting democracy in first place would destroy the unity of the country, and induce bloody revolution. Therefore, democracy could not be the common ideal connecting education. It might develop only with national benefit and orderly control as a prerequisite (Association of Young China 1925). 'The Awakened Lion School' with their watchword 'Fight against foreign powers and smash out the traitor at home' included some young intellectuals and students who had worshipped democracy and individual liberty. They were discontented with the void of a democracy advocating liberty and equality on paper. They rejected the Chinese revolution of the 1920s and foreign ideology, specially the prevailing Russian Bolshevism.

Finally, they became patriotic right-winged nationalists and cultural conservatives, and founded the China Youth Party. In the early years, the communists and nationalists shared the same attitude that the most severe foreign menace to Chinese orthodox culture was the influence on education. However, the communists thought that to love their mother-country was not equivalent to validating old Chinese culture as a whole and agreeing with the warlords' regime. After 1927, the leaders of the nationalist China

Youth Party, like the Communist Party, became the political opposition and were oppressed by the Kuomintang. Nevertheless, the tendencies of nationalism toward strengthening control over education and thinking, limiting the liberal development of democracy, and recovering the Chinese cultural tradition, were accepted by the Kuomintang, while the members of the Communist Party believed that they alone were the successors of democracy from the May-Fourth era, and continuously promoted revolution.

CONCLUSIONS

The new education of the May-Fourth era did not start from the position of advancing political and violent revolution. True democracy, as expressed by them, was identical to the ideal of the Chinese revolution of the 1920s. They both aimed at destroying the old system and order, and at creating a new ideal society. Therefore, the Chinese revolution in the 1920s inevitably made use of the successes and methods of new education, which advocated the development of individuality and liberal thinking, and advanced socialcritical spirit. Finally, Marxism was advanced, and many leading students became the pioneers of the Chinese revolution. Even the liberals, who had advocated the education enthusiastically, did not predict such results. It can be said that the liberals and Dewey unconsciously helped the development of the Chinese revolution.

After its introduction into the country, modern Western democracy was transformed by the reality of China. A deviation was produced. In the new education of the May-Fourth era and the Chinese revolution of the 1920s, many people were aware that China needed not merely political democracy but also economic democracy. The ideology of liberty became a weapon more than an ideal. The concept of equality, coinciding with the practical needs of China, became the aim of the revolution.

Democracy is a kind of social form. It cannot be achieved in a short period. It cannot be realized if the corresponding conditions of economics, politics, culture, law and adequate feasible measures are not sufficiently present. If democracy, as an ideology and criticizing weapon, was used uncontrollably, social problems would be fomented. The progress of history is the result and the effect of the combination of many factors, and it is evident that education is one of them.

(Translated by Tang-wei Liu)

NOTES

- 1 Yuan-pei Cai's 'The educational progress after 1900' and 'The problem of education of China after war', in Cai (1984).
- 2 Jiang (1919a). For Individuality in China, see Liu (1989).
- 3 Hu's 'Student and society', 19 February 1922, in Hu (1985:290).
- 4 From Meng-lin Jiang's 'Which grows, fungus or bamboo shoot', in Jiang (1933). This paper was originally published in 1919.
- 5 J.Dewey's speech on the occasion of a farewell banquet on 30 June 1921, in Hu (1985:118).
- 6 Ji-tao Dai's letter to Jie-shi Jiang (13 December 1924). Quoted in Jian-min Wang (1974:111).
- 7 Cai's 'The educational process after 1900', in Cai (1984 II: 408).

- 8 See Dai-ying Yun's 'Educational reform and social reform' (1921), 'Upon reading *Nationalism's Education*' (1924) and other papers, in Yun (1983).
 9 J. Dewey's 'Industrial China' (p. 40), in Keenan (1977:77).
 10 Zhou En-lai's 'Learning from Mao Tse-tung', in Zhou (1980:333).

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Part III
IDEALS, CONFLICTS AND
'STRATEGY' IN EAST
ASIA

CONDITIONS OF ECONOMIC DEVELOPMENT IN KOREA IN THE FIRST HALF OF THE TWENTIETH CENTURY

S.Kwak and H.Lee

INTRODUCTION

When Japan launched its economic reforms towards industrialization in the 1860s and aggressively traded with advanced Western countries including England and the USA, the other East Asian countries were still mired in their traditional primitive economic systems. The Japanese reform, well in advance of others in Asia, has pushed Japan into becoming a strong country with rapid economic development. The fast growth of the Japanese economy in the late nineteenth century was the primary force allowing Japan to exercise its power on other countries in the East Asian region. The influence of Japan on Korea at the onset of the twentieth century was significant enough to change its fate. While a country undergoing successful change exerts critical influence on those without reform, the relationships between the countries in East Asia were only in one direction. Japan was aggressive, colonizing, and rapacious. This one-way influence of Japan on others continued through the first half of the twentieth century and has been an important factor in the economic development of the countries in East Asia. Specifically, Korea was the country on which Japan executed her force more than any other country in the period.

The purpose of this chapter is to analyze the conditions of economic development in Korea in the first half of the twentieth century, and to point out what the international relationships should have been in terms of current economic analysis. Our analysis can be a valuable reference for future international economic relationships, especially among the countries in the Asian region.

INTERNATIONAL RELATIONS AROUND THE KOREAN PENINSULA

When Japan built her power and exercised it on other countries at the end of the nineteenth century, Korea was unaware that the danger of aggression was near. Korea was in the position of a little fish, with big and powerful sharks moving to catch it. When one of these sharks had repelled the others, Korea was caught in its mouth. When the wars between Japan and China, and Japan and Russia ended with Japan as the victor, the

country had total power over the Korean Peninsula. The USA and the European countries stepped aside before the wars broke out among the East Asian countries.

During the first half of the twentieth century, Japan used Korea as a bridge to extend its power to the continent of China. Japan also maximized its economic benefits by taking anything of value from Korea. Any relations between countries in East Asia during this period were directed by the Japanese for their own purposes. Therefore Japan was successful in pursuing its national strategy until World War II. There were no normal relationships between Korea and any other countries. As a colony of Japan, Korea did not have the right to engage in regular diplomatic activities and was thus controlled solely for Japan's national strategy of aggression towards mainland China and other countries, including the USA in the 1940s.

The control exerted by Japan prevented any normal economic relationships between Korea and other countries. Japan had a one-way economic relationship with Korea and the utilization of human and nonhuman resources was designed for the purpose of Japanese national strategy. Any economic relationships between Korea and Japan were focused on Japanese policy. However, Korea did have some secondary benefits from the economic relationship; these were economic leftovers. The most serious issue related to North Korea; the extremely unfortunate result of this relationship was the creation of a socialist country in the northern part of the peninsula.

This type of relationship on the Korean Peninsula up until 1945 was one of the important conditions leading to economic development. In the following section, we will see what conditions were like under the old relationship, conditions very different from those today.

DOMESTIC CONDITIONS FOR ECONOMIC DEVELOPMENT

Social environment

Korea was an extremely closed country until Japan shook it with military force and economic aggression. The main philosophy underlying the national tradition in government policy and the action of people had been based on Confucianism. The upper-class people considered themselves to be more serious Confucians, and that the philosophy was the best for human beings for all purposes. They competitively respected Confucianism, but were stubborn in applying the system to national policy and personal activities. This way of thinking reflects the following of the old Chinese system, which Korea respected. There had been a one-way reliance of Korea on China. Korea was closed under the Chinese system until Japan pushed Chinese influence from the Korean peninsula at the end of the nineteenth century.

The Confucianism of traditional Korea was far removed from modern economic activities. This philosophy was not appropriate to the market system. The fact that Korea had adopted Confucian thought indicates that it did not see the opportunities for economic development by opening to countries other than China. Korea did not have a social environment receptive to changes outside Korea and China. In the middle of the eighteenth century Catholics from Europe reached Korea, but the government thoroughly wiped out all underground activities (Kwang 1979).

In the latter part of the nineteenth century some Western countries including the USA, England and France came to Korea for commercial relations (trade), but the government rejected these advances and closed the country even more tightly until Japan opened it by force. Korea had been thoroughly cast in the old system and was completely unaware of the outside world.

Even though the dynasties and government under Japanese control ended in 1945, the ordinary social environment still had not changed enough for there to be effective economic development. The old way remained attractive to most people even until the 1960s, and they were passive instead of active with respect to the market system.

Institutional arrangements

National traditions and social environment should be the most important basis for a country's institutions. This was the case in Korea. All institutions were traditional with old-fashioned characteristics until the colonial government reformed them. It took time for the people to realize that the reformed and newly established institutions would be more effective for economic development. In spite of the gradual establishment of the institutions, they were very important to this development. Therefore one of the most important changes for Korean economic development in the first half of the twentieth century would be—disregarding their political purpose—the establishment and rearrangement of institutions.

Government organization was changed significantly. Before the Japanese invasion, the Korean government had been designed and operated in terms of traditional society. Its role was simply to control the people and it basically ignored efficiency in economic activities. The Japanese colonial government, on the other hand, was designed in order to run the country for the benefit of Japan. Therefore, one of its roles was to secure the highest efficiency in economic activities, a purpose very different from the former Korean administration. Japanese suppression of the Korean people was reprehensible, but the government organization became modernized in comparison with the previous one, and formed the basis of the modern Korean system. There were attempts to modernize the government by the Korean people at the end of the nineteenth century, but these were foiled by the Japanese invasion and the old traditions.

Before colonization, the educational process had been traditional. The modern system was established by the colonial government in the early twentieth century. Elementary and secondary schools were set up, which helped the people to learn about and understand the modern outside world, even though opportunities for education were very limited. Japan designed its system in terms of militarism and colonization. The purpose and content of this education were not as Korea desired, but the changes made were important factors in the economic development of Korea.

The financial system was also established under a completely new model by the Japanese government. Banks and other financial institutions contributed to modernizing economic activities. Since the economic level was low and modern industries were not a major portion of the national economy, the financial institutions were not as popular as in Western countries. The common people still engaged in private transactions, without using them (Bae 1980).

The colonial government was relatively efficient in managing and utilizing land, with the establishment of related institutions. Agriculture was the most important and largest industry in Korea in the first half of the twentieth century. In order to maximize production, the colonial government tried to establish various institutions related to agriculture. However, concentration on farming is not a strategic policy for progress according to modern economic theory, as proven by recent Korean development.

Although the institutions which were established at the beginning of the twentieth century played an important role in Korea's economic development by helping to modernize industries and various economic activities, they were not as effective as those designed for Korea by the people themselves.

Resources

In comparison with large countries, Korea has no abundant natural resources. The land area is 220,000 sq. km, with less than 30 percent available for agriculture and industry. Even though food consumption was low at that period, the land area available for supplying agricultural products to the Korean people was quite small. Moreover, about 50 percent of the total rice produced went to Japan, so in the spring about half the population suffered from a food shortage.

There were various mineral resources, but most of them were economically poor. Economies of scale could not be applied, and production costs were high. The geological conditions for hydro-electric power were relatively good, but the high costs of building dams and affiliated facilities were disadvantageous.

Since the major industry was agriculture, there was abundant labor available for use in manufacturing and the disguised unemployment rate was high. The quality of labor was relatively good, and productivity improved steadily. During World War II Japan used Korean laborers. It has been proven in South Korea in recent years that the Korean people are well qualified for high economic growth.¹

Korea possessed some energy resources, such as coal and lumber, but critical requirements for modern industry, such as oil, did not exist at all. In terms of both quantity and quality, Korea was a resource-poor country.

Market

In a modern economy the market is very important. The relationship of the development of markets to economic growth may be circular, like the case of the chicken and the egg. Until the beginning of the twentieth century, the products and finance market were traditional, primitive and underdeveloped in Korea. As Table 7.1 shows, there were some modern markets, but the share was small. There were several reasons why markets did not develop during that period. The major industry was agriculture, and modern markets were not allowed to participate in most transactions for agricultural products. The colonial government controlled the products, and there was little room for market transactions in massive volume. There were very limited exports of these market transactions, and only a limited number of people engaged in them (Moon 1941).

The finance market was almost completely in the hands of the government. The Korean people did not have the opportunity to establish any level of financial institutions

	1935			1940		
	Production	Consumption	Value added	Production	Consumption	Value added
Agriculture	61.4	42.4	62.5	52.7	43.3	49.4
Fishery	3.6	2.5	4.2	4.6	2.4	5.2
Forests	6.8	6.7	7.5	4.7	4.6	5.8
Mining	1.6	1.6	4.7	3.5	2.9	9.0
Manufacture	26.5	46.8	21.1	34.4	46.6	30.6
Textile	3.2	9.4	1.0	4.2	6.5	3.7
Metal	1.1	5.0	0.7	1.4	5.0	1.1
Machine	0.9	5.2	0.4	2.7	8.0	2.1
Ceramic	1.2	1.9	1.0	2.0	2.4	1.2
Chemical	1.9	3.0	7.4	3.9	4.3	11.6
Woods	0.5	0.8	0.2	1.0	1.2	0.4
Prints	1.0	1.0	0.5	0.7	0.7	0.3
Food	11.5	12.4	5.9	11.3	10.2	5.3
Others	5.2	8.1	3.9	7.2	8.3	4.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Kim (1992)

Table 7.3 Korea, occupations by industry, 1918–43
(unit: 1,000 persons)

	Agriculture and forestry (A)	Fishery (B)	Mining and manufacture (B)	Commerce and transport	Government free	Others free	No occupation	Total (C)	A/C (%)	B/C (%)
1918	2,635	41	64	200	52	102	44	3,139	83.9	2.0
1920	2,720	37	67	208	63	63	34	3,191	85.2	2.1
1922	2,711	41	77	215	72	87	40	3,242	83.6	2.4
1924	2,718	43	80	224	82	112	49	3,309	82.1	2.4
1926	2,823	49	83	241	89	143	56	3,484	81.0	2.4
1928	2,781	54	80	247	93	173	62	3,489	79.7	2.3
1930	2,879	60	90	256	108	213	74	3,679	78.3	2.4
1932	2,864	50	80	229	127	341	81	3,772	75.9	2.1
1934	2,895	55	101	281	132	299	93	3,857	75.1	2.6
1936	2,953	62	122	299	133	344	100	4,012	73.6	3.0
1938	2,951	63	173	333	135	348	99	4,102	71.9	4.2
1940	2,963	68	213	349	142	393	103	4,232	70.0	5.0
1942	2,976	93	329	383	193	477	136	4,587	64.9	7.2
1943	3,051	90	354	346	207	490	142	4,680	65.3	7.6

Source: Colonial Government of Korea (1913–43)

over 60 percent of total consumption, while the manufacturing sector occupied 18 percent of production and 29 percent of final consumption. There have been rapid changes in the shares. In 1940 agriculture occupied 53 percent of total production and 43 percent of total

consumption respectively, while the manufacturing industry was 34 percent of total production and 47 percent of total consumption.

Since agriculture was the most important industry, land was an important factor. Distribution of wealth and income were very dependent on ownership of land. The utilization of the land was an important resource. Mobilization of the economy was dependent on agriculture to a great extent.

As Table 7.3 shows, 84 percent of Korean families were engaged in agriculture in 1920 and 65 percent in 1943, while only 2 percent of Korean families were engaged in manufacturing and the mining sector in 1920 and 7.6 percent in 1943.

There were high rates of capital formation as shown in Table 7.4, but the share was very small in comparison with consumption. In terms of the production of capital goods by domestic industries, capital was short and poor. This was probably one of the reasons why labor-intensive agriculture was the more favored industry at that time.

Korea did not have its own modern industrial technology. All such technology was brought in and transformed by Japan. Japanese technology was not easily transferred to Korea and technological improvement was slow and limited.

One of the most important factors for economic development is the presence of entrepreneurs. Their role is important, especially for industrialization in the market economy. In this respect Korea was very unfortunate. The people were bound by the philosophy of Confucianism until the twentieth century and when they realized the necessity for changes, Japan was in occupation. There were no opportunities for Korea to conceive, learn about and achieve modern entrepreneurship. Throughout the first half of

Table 7.4 Japan, Taiwan and Korea, growth rate of GNP (1911–38) and composition of GNP in 1935 (unit: %)

	<i>Japan</i>			<i>Taiwan</i>			<i>Korea</i>		
Private consumption	2.8	3.2	3.1	64.5	64.1	85.7			
Government consumption	5.1	4.1	6.5	15.7	5.6	7.3			
Capital formation									
Construction	3.1	6.7	5.8	19.1	9.3	6.4			
Producers' equipment	2.8	6.4	9.0		2.1	2.8			
Exports	6.7	6.5	10.6	25.3	40.5	22.5			
Imports (minus)	5.8	4.9	8.4	-24.2	-22.0	-24.7			
Total GNP	3.3	3.8	3.6	100.0	100.0	100.0			

Source: Mizoguchi (1975)

the twentieth century, there were few Korean entrepreneurs, with no one to establish and develop modern firms until the middle of the twentieth century. There were no entrepreneurs to perform capital formation, technology transformation acceptance, establishment of firms or to occupy major roles in the engine of development. Innovation by Korean entrepreneurs was negligible (Jo 1973; Kwon 1989; Kajimura 1977; Eckert 1991).

Infrastructure

Almost all the infrastructure for the activities of modern industry was gradually established throughout the period. In comparison with other underdeveloped countries, the Korean infrastructure was not in a bad condition at that time, and this was a favorable circumstance for economic development. The low cost of electricity was of a particular advantage to progress with respect to industrialization.

EXTERNAL CONDITIONS FOR ECONOMIC DEVELOPMENT

International trade

According to Table 7.4 Korea had rapid increases in trade during the period from 1911 to 1938. Exports increased by 10.6 percent per year, and imports increased by 8.4 percent during the period. These rates were higher than those for Japan and Taiwan. The rates of increase in trade were higher than the growth rate of real GNP which was 3.6 percent during the same period. Trade was 47 percent of the total GNP. With respect to the quantitative changes indicated in Table 7.4, we may say that Korea at that time was in a period of export-led economic growth (Ahn and Nakamura 1993:9–28).

The contents and structure of trade, however, were not desirable. The trade was mostly with Japan, and for its primary benefit rather than Korea. It is hard to say that the trade was on the basis of comparative advantages, but rather a matter of strategic supply and demand adjustment for Japan. Major items of export from Korea to Japan were rice and gold. These were not surpluses, but strategically necessary to Japan. Imports were for Japanese investment into Korea. Japan used Korea as an economic supplement for its own advancement. This was the typical way of utilizing colonies by the advanced countries during that period.

The rapid increase in trade was a factor in Korea's economic development, and it was at the same time more favorable to the Japanese economy. Japan was the first to gain from the trade, while Korean advantages were secondary, so trade was not as efficient to the economic development as could be desired.

Capital flow

Korea was in a vicious circle of poverty and did not possess savings for capital formation. Since Korea did not have the funds for investment, Japan brought in capital. Japanese capital inflow actually started when it set its strategy to invade Korea. Japan had a very natural system, for example, capital inflow→investment→production→profit. As a result the Koreans specialized in agriculture, while the Japanese concentrated on manufacturing and mining. In the manufacturing sector, the Koreans had labor-intensive, smallscale firms, while those of the Japanese were capital-intensive and large-scale. Table 7.5 shows that Japan had over fifteen times more capital than Korea, concentrated in heavy and chemical industries. Capital inflow is an important factor for industrial development, and Japanese capital played a major role in Korean industrialization in the middle of the

twentieth century. Unfortunately, the industrialization was concentrated in the northern area, and after the division of the peninsula the South was left with very few industries, except small-size, light ones. Actually, capital inflow was not effective in the actual modernization of Korea (Kim 1990; Kim 1992).

Technology transfer

It is difficult to show technology transfer from Japan to Korea in formal figures. We are simply able to say that, since Korea did not originally have modern industrial technology, almost all of it came from Japan at that time. There was no other way for technological transfers since Koreans did not have any opportunities to generate modern technology.

Table 7.5 Korea and Japan, capital endowment by industry, 1940 (unit: 1,000 yen)

<i>Nation sector</i>	<i>Korean</i>		<i>Japanese</i>	
	<i>Amount</i>	<i>Ratio (%)</i>	<i>Amount</i>	<i>Ratio (%)</i>
Printing	1,500	43	2,000	57
Metal	6,100	2	373,000	98
Machine	61,500	42	85,050	58
Chemical	1,000	0	276,250	100
Electricity and gas	—	0	553,030	100
Ceramic	—	0	53,845	100
Textile	14,000	15	76,600	85
Woods	5,500	10	47,000	90
Food	5,250	7	83,800	93
Others	7,000	8	83,500	92
Total	101,850	6	1,623,475	94

Source: Bank of Korea (1948)

During the colonial period Japan brought its technologies, and utilized them to its own advantage. Japan controlled the technology and in most cases used it for its own businesses. It was rare for Koreans to learn these modern technologies and use them to operate industries for their own benefit. When Japan retreated from Korea in 1945, most factories were not in normal operation for a certain period due to a shortage of engineers and technicians. The actual efficient transfer of technology to Korean people was very limited and the indirect impact of Japanese technology was insignificant.

The position of Korea

Korea was a very closed country until the world powers started to compete for it. Since it was severely closed, it faced a period of enormous change. In the competition for power, Japan became the winner and opened up Korea. Without the opportunity and ability to open itself, Korea was taken by aggression with the subsequent loss of power and severe limitations. This limited opening—to Japan alone for thirty-six years—was tragic, putting

Korea into a position inferior to the one it would have achieved had it been left to open by itself.

IMPLICATIONS

A very basic economic principle is that all countries are able to gain from trade with others. This is equally true in the East Asian region where relations with other countries have already been made and will continue in the future, especially within the region. The Korean experience in the first half of the twentieth century may be a good reference for those who seek improvement of economic relations in the future.

- 1 The Japanese influence on Korea was in a one-way direction, which is the root of the tragic division of the peninsula into South and North. People in the North are still suffering from poverty. If there had been independent decision-making and bi-directional influence, this situation would not have occurred. Mutual respect is a critical factor in international relations.
- 2 Korea underwent many changes during the period, and these were the basis for economic development. There were probably more changes during the first half of the twentieth century than there had previously been over several hundred years. Changes in the factors of economic development accelerated the actual changes in the economy. The interaction of these domestic transitions with external conditions generated rapid growth and industrialization (Mizoguchi 1975; Mizoguchi and Umemura 1988).
- 3 The relation of Korea and Japan shows that a one-way exchange brings primary benefits to the advanced countries and secondary benefits to the less developed countries. This type of relationship was responsible for the deformation of the industrial structure in Korea and the limitation of technological transfer to the Korean people. An independent economic policy is most important (Suh 1978: Ch. 9).
- 4 The external factors which existed in Korea became very weak or disappeared when the colonial period was over. When colonization ended, the country had to start again to a great extent. An independent and continuous relationship is therefore critical.
- 5 The conditions for economic development are usually exaggerated. An important factor for growth is that it comes more from the mind than from material. Will and motivation are important under the conditions of an appropriate policy and system. Beneath colonial rule, the growth of the voluntary will of the people was hindered by the oppression of occupying governments and foreign capital.

NOTE

- 1 See Byong-Jick Ahn's papers in Ahn *et al.* (1989) and Ahn and Nakamura (1993).

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ECONOMIC REFORM PLANS IN THE JAPANESE WARTIME ECONOMY

The case of Shintaro Ryu and Kei Shibata

K. Yagi

INTELLECTUALS FACING WAR

The outbreak of the Sino-Japanese War in mid-1937 (the ‘China Incident’)¹ profoundly affected the attitudes of Japanese intellectuals towards politics. Most of them came to maturity during the liberal period of ‘Taisho Democracy’ (1912–25), and to a greater or lesser extent had been influenced by Marxism during the first decade of the Showa era (1926–35). In the years leading up to 1937 they certainly experienced increasing pressure because of political terrorism and coup attempts instigated by an alliance of ultranationalist groups and uncontrolled military officers. Further, the expulsion of Marxian economists as well as liberal scholars from the universities had already begun.

However, most intellectuals felt themselves estranged from the established order and shared sympathy with the ultranationalists for the deprived. To their view the established parties in the Diet were no more than representatives of the mighty business concerns (*Zaibatsu*), just as they thought that purportedly cooperative international relations only served to disguise the world hegemony of ‘haves’ (Great Britain and the USA) over the ‘have-nots’. They naturally sympathized with the ‘New China’ which had not only adopted Dr Sun Yat-sen’s Three Principles of Democracy but had also endeavored to restore its national integrity. Nonetheless, with rare exceptions,² Japanese intellectuals failed to show an unambiguous attitude to Japan’s vested interests on the Asian continent, to say nothing of its overseas territories. Moreover, many intellectuals were influenced by several Japanese China-watchers who hastily concluded that the Chinese did not have the ability to either establish a modern state by themselves, or to maintain its independence under the threat from the Western powers and the Soviet Union. In other words, they were mentally predisposed to accepting so-called ‘progressive’ blandishments emanating from groups close to the military.

While the ‘Manchurian Incident’ had been planned and executed by the Kwantung Army without prior permission of military headquarters in Tokyo, it culminated in the establishment of the puppet state of Manchukuo. Although this military action shocked intellectuals, ordinary Japanese had long since been attached to this area in view of the fact that the Russo-Japanese War of 1904–5 had been fought there. Additionally, the establishment of Manchukuo provided large-scale employment opportunities for Japanese intellectuals and even for those who had been involved in procommunist activities. As the fighting ebbed away in a few months and Manchukuo gradually took shape, the anxiety of intellectuals was somewhat abated. The military wanted to establish Manchukuo as a

great industrial base for supplying provisions for Japan's next war. Economic bureaucrats saw Manchukuo as a material base requisite to the survival of the Japanese economy in the face of an increasing tendency towards the formation of trade bloc economies. It was hoped that both China and Manchukuo would join the 'Cooperative Community of East Asia' whose leading nation would be, as a matter of course, Japan.

Accordingly, Manchukuo was created as an artificial state where experiments in every modern method of administration (planning, controlling, and propaganda by mass media) were conducted. In the economic sphere, a new industrial system was developed in which huge semi-public companies worked under the planning and the control systems of the state and the military. The construction of the Manchurian industrial base had not been completed prior to the fighting at the Marco Polo Bridge near Peking (Beijing) which led to the China Incident. Even so, many of the bureaucrats who had been stationed in Manchukuo profited from this earlier experience, in as much as they were able to apply lessons learned in Manchukuo to the process of establishing a war mobilization system in their home economy.³

By 1937 Japanese intellectuals found themselves caught in a dilemma between their convictions and national loyalty. Needless to say, commitment to the war was a necessary condition for any possibility of exerting influence over the public in matters pertaining to the very destiny of the nation. By keeping silent one might save one's personal conscience, but to do so was tantamount to harboring a *laissez-faire* attitude towards the national fate. In addition, community control at the grassroots level made it virtually impossible for intellectuals to hide their personal convictions. Again, they were affected by the display of community patriotic fervor at the time of massive military inductions.

According to Kiyoshi Miki (1897–1945),⁴ a leading philosopher, 'fortunately or unfortunately, matters have come to a head. In what direction to push them is the problem'. He appealed to intellectuals to abandon their studies and to become men of action. He joined the Showa Kenkyukai (Showa Research Association),⁵ which was duly recognized as the think tank of Prince Fumimaro Konoe.⁶ He also assumed a responsible post in the Association by becoming the head of its cultural section. At about the same time, in the philosophical sphere, Miki formulated a doctrine of the 'logic of form' which was designed to overcome the traditional dualism between idealism and materialism. Miki further believed that his method of resolving philosophical dilemmas could also be applied to Japan's practical dilemmas, whether domestic or international. He argued that the Western principle of *Gesellschaft* (association on the basis of instrumental interest) and the 'Asiatic' principle of *Gemeinschaft* (association on the basis of communal ties) were antithetical principles that required synthesis in the form of 'Cooperativism' (*Kyodo-shugi*). Therefore, Miki concluded that by virtue of joining such a cooperative order Asian nations could circumvent 'the false and destructive dichotomy of communism vs. liberalism'.

In a lecture of 1938 (Sakai 1992:161ff.) as well as in Booklet No. 1 of the Showa Research Association, *The Fundamental Principles of the New Japan* (1939), Miki asked whether the China Incident could have any 'epoch-making significance in world history'. He answered his own question under two headings: 'The unification of East Asia' and 'The elimination of capitalism'.⁷ Although nowadays one tends to look askance at any Japanese intellectual who dares utter a phrase such as 'the unification of East Asia', Miki actually intended to reject fanatical Japanese nationalism. For he believed the new order

in East Asia had to be grounded on a more universal principle whereby the individual character of each component nation was promoted and the nationalist fanaticism was avoided. Moreover, he insisted genuine guarantees must be instituted in order that supposed Asian 'cooperation' would not actually become a mask behind which was hidden the kind of imperialism once foisted upon Asia by the Western powers. Following regnant views of imperialism, Miki regarded capitalism as the economic basis for imperialism. Thus, he concluded that the establishment of a peaceful, cooperative order in Asia presupposed the domestic reform of Asia's leading nation, Japan, to the extent of eliminating the egoistic nature of capitalism. Consequently, if systematic domestic reform was successful, the war might give birth to an ideal Asian order which in turn would have a decisive impact on world history, one that had hitherto been Eurocentric.

SHINTARO RYU ON REORGANIZATION OF THE JAPANESE ECONOMY

At about the same time that Miki became a leading member of the Showa Research Association, Shintaro Ryu (1900–67) became the new head of its Economic Policy Section. His predecessor, Kamekichi Takahashi, had advocated the reform of capitalism along the lines of New Deal policy in the USA, but was reluctant to eliminate the profit-oriented engine of the capitalist economy.⁸ Compared with the self-made economist Takahashi who had grown up working at the liberal weekly economic journal, *Toyo-Keizai-Shimpo*, Ryu's background was in Marxian economics. After leaving Tokyo University of Commerce in 1926, Ryu joined the Ohara Institute of Social Research, and became known as one of the leading investigators of the problem of inflation. However, a few years prior to the participation in the Showa Research Association, Ryu had to move to the editorial board of the *Asahi Shimbun* (newspaper) because of budget reductions at the Ohara Institute. As such, he changed from the detached stance of a Marxian critic to that of a realistic journalist who attentively looked for more favorable policy alternatives from a national point of view. Nevertheless, he still continued to criticize the capitalist economic order.⁹ While keeping his *Asahi-Shimbun* position, Ryu assumed responsibility at the Showa Research Association for devising a policy that would lead to the 'Overcoming of Capitalism'. The collaboration of Miki and Ryu was shown as Booklet No. 3 of the Showa Research Association, *Economic Ethics of Cooperativism* (1940), which Miki wrote immediately after hearing Ryu's views in this connection.

A year after the outbreak of the Sino-Japanese War the Japanese government began to stress the urgent need to develop a sustainable wartime economy under the slogan of 'Long-term construction'. Inspired by the idea of 'total war', the military pressed the Diet to approve the National Mobilization Law, while the government organized a mass campaign called the 'National Spiritual Mobilization Movement'. But nowhere was there to be found a systematic concept of a wartime economy applied to Japan. Ryu's main task in the Showa Research Association was to fill this blank as the chief of its section for the 'Tentative Plan of the Reorganization of the Japanese Economy'.

Ryu quested for the reorganization that would make Japan's wartime economy compatible with the required accumulation of productive capital. Being familiar with the Marxian reproduction scheme, he recognized clearly that the only way out of the crisis of

reduced reproduction was to build up heavy industry to a high level as the basis in supplying weapons as well as capital goods. But this implies that it would be concomitantly necessary to reduce the nation's general level of consumption. In order to maintain national consensus under the stress of the difficult period of reorganization, profit inflation at the expense of the masses should be carefully avoided. Inflation would also make it difficult for Japan to balance the increasing imports of raw materials and production equipment. To keep competitive on the world market the export industry needed a further replacement of its outmoded equipment.

Ryu maintained that the problem of the wartime economy was not only one of properly organizing price control and distribution systems, but also of increasing productivity and rationally reducing production costs. Accordingly, Ryu emphasized the need to develop a system of 'control from inside' whereby the producers themselves would actively participate in rationalizing their own production process. At the core of this proposal, was the disclosure of corporate accounting, which would enable the control of profits and production costs. Together with limiting profits and eliminating monopoly control of technology, this general disclosure would change the character of Japanese firms from being 'profit-oriented' to 'production-oriented', even though the basic ownership pattern would remain intact. The greater proportion of profits would be retained by firms in order to reinvest in new productive capital. The joint use of improved technologies in each industry would enhance quality and productivity. Further, Ryu's proposal for control in production involved the coordination of production capacity and real production volumes in national planning, the rationalization of work organization, and the conservation and development of the work force.

New moving forces will naturally result from the subsequent extension of the control of the business. This is because the original purpose of economic activity will become transparent in tandem with the elimination of the liberal attributes of a capitalist economy by virtue of control over profits. That is to say, 'production' will be manifested in its pure form. The national and social 'function' of business management will take the pure form of productive activity. A new institutional structure emerges in which 'production' becomes the principle and 'function' becomes the basis for industrial activity, albeit still within the framework of a capitalist economy. Accordingly, in spite of the control element, this kind of capitalist economy is unfettered, because what we would now have would merely be a new institutional setting. In this setting, entrepreneurial activity would be able to develop adequately without coercion. In this sense, one can even say that this form of control is actually a system of 'autonomous control'. However, in another sense, the terms 'autonomous' and 'control' both seem inappropriate, because this institutional setting is in itself a homeostatic system.

(Ryu 1969:638; author's translation)

Ryu's proposal for reorganizing the Japanese economy inspired several 'new bureaucrats' who were searching for ideas conducive to implementing a controlled economy. They integrated such ideas as the separation of ownership and management, profit control, and

public status of management into the concept of the New Economic Order which was devised under the auspices of the Cabinet Planning Board. However, in alliance with the traditional right, conservative business interests resisted this policy.¹⁰ The Showa Research Association was accused of covert procommunist activity. If Asahi-Shimbun had not sent Ryu to Europe in late 1940, he would have been arrested in April 1941 together with several allegedly 'red' bureaucrats on the Cabinet Planning Board.

'COOPERATIVISM' AND 'COMMUNAL TOTALITARIANISM'

The task of Ryu and Miki was to formulate an historical justification for the controlled economy which had been introduced pragmatically from the necessity of supplying the war. They maintained as follows:

It would be incorrect to think that the former liberal economic order will be reconstituted after the termination of the war in China. *Au fond* it was historically necessary for the older economic order to evolve into the new economic system due to the former's internal contradictions. One should think that even the China Incident is based on this necessity and is going to promote this transformation.

(Showa Kenkyukai 1941b: 119; author's translation)

Thus, unless a controlled economy were to be taken as a temporary expedient, it would need 'a basic principle that would guide controllers towards proper ends and indicate the means whereby these ends could be achieved'. Such a regulating principle would manifest 'the internal structure of the controlled economy'. As has been mentioned already, Miki (and Ryu) used the term 'cooperative economy' to refer to the controlled economy they envisaged. This type of economy 'stands for totality and is guided by the principle of public benefit'.

Miki's 'Cooperativism' demanded exposure of the 'internal unity of business and ethics'. Lest economic control degenerates into a merely external coercion of business, an ethics which works as 'an internal element of the economy' or one which in itself belongs to the 'logic of the economy', would have to be developed. Its seemingly Utopian character notwithstanding, he thought a system characterized by this unity was not only possible but also objectively necessary. For he believed it could come about as a consequence of a rational reorganization of the economy on the principle of 'production orientation'. In accordance with the transformation of the nature of the firm from being 'profit-oriented' to 'production-oriented', the consciousness of workers would have to be improved in that they would have a definite awareness of their 'function' in the social production system. Thus, according to Miki (and Ryu) the elimination of the dominance of the profit motives over the 'production principle' was the precondition for the rational reorganization of an economy which would make the efficient production (logic) and the social fairness (ethics) compatible. This line of thinking was further succeeded by the 'wartime productivity theory' among labor economists.¹¹

Another able economist, Kei Shibata (1902–86), used the term of 'Communal Totalitarianism' (*Kyodoteki-Zentai-shugi*) to designate a similar concept of economic

reform. Shibata studied economics at Kyoto Imperial University (Kyoto University after 1947) where he was first influenced by the Marxian economics of Hajime Kawakami. Later he encountered Walrasian general equilibrium theory under the tutelage of Yasuma Takata, a rival of Kawakami's. When J.A. Schumpeter visited Kyoto in 1931, he came to praise Shibata, who made the most of his stay in Kyoto by discussing theoretical matters with this prominent scholar. Shibata's mathematical examination of Marx's theory in the *Kyoto University Economic Review* (1933) stimulated the Polish socialist economist, Oskar Lange, to write his famous article on the relationship between modern economic theory and Marxian economics (1935). At the time of the outbreak of the war in China, Shibata found himself on a tour as one of the last researchers abroad that Japan's Ministry of Education sent to Europe and the USA prior to World War II. Lange mistakenly took Shibata for a socialist and invited him to join the university of refugees which was to be established in New York. Shibata, who was a patriot and not a cosmopolitan scholar, did not take this proposal seriously. However, on his way back to Japan to remain the loyal citizen of the nation who became criticized as the 'aggressor' by most of the Western nations, Shibata had to ponder over the cause of the war as well as over the policy to save his nation.

According to his autobiography, Shibata hit on the idea that 'monopolization in a capitalist economy' was at the root of the world crisis and concluded that 'the only way to save Japan lies in eliminating the system of monopolistic capitalism which engendered war profiteering and instead establishing an economic order in which every Japanese would be free to participate in dealing with the difficulties of the nation' (1987:78ff.). At the end of 1939 Shibata wrote the draft of *Outlines of a Reform Plan for the Japanese Economy* (1940a). He urged his Reform Plan onto Konoe who at that time was expected to embark on the nationwide New Order Movement. The fundamental idea behind this Plan was that capitalist firms were to be restructured as 'semipublic corporations composed of persons as providers of the productive services'. The owners of capital would be deprived of the power to place managers. Managers would not be evaluated in accordance with their capacity to generate profits for the owners, but rather for their ability to provide industrial support to the nation. In Kyoto, Shibata organized the Shin-Taisei Kenkyukai (Workshop for the New Order) but its influence on business circles in Osaka was blocked by the liberal politician, Ichizo Kobayashi. After two years of activity, this workshop was dissolved in the summer of 1942 due to the arrest of its administrative members. Shibata's New Order Movement had been suspected of a disguised socialist/communist movement by the highly sensitive Tokubetsu-Koto-Keisatsu (Special Higher Police).

According to Shibata's Plan, each industry would set up control organs to supervise constituent firms. The control organs would be vested with the power to hire and fire managerial personnel upon the recommendation of the supervisory boards for individual firms. Owners of capital would be remunerated by interest payments, but were not to be allowed to exert any influence over management. Profits were to be allocated to workers as a whole, including management personnel, provided such allocations were approved by a National Board of Audit. While the firms of each industry would be controlled horizontally by industry-wide control organs, it would also be the case that there would be coordination organs constituted at the local level. Additionally, a reorganized central government would establish a Unified Ministry of the Economy.

Shibata supplemented his economic reform plan by drawing up a plan of reform for the political sphere. He advocated 'a total, organic unification of the government and the nation' (Shibata 1940b: 75). This unified structure would go beyond any system of representative democracy. Compared with Ryu's stress on the initiative of businessmen, Shibata favored bureaucratic leadership. Perhaps this difference in perspective can be attributed to the rapidly changing political climate between 1938 when Ryu became politically engaged and late 1939 when Shibata became active. On the other hand, it might reveal Shibata's naivety in not recognizing the evil consequences of a bureaucrat-driven Fascism.

In demanding 'an organic unification of the state and the nation', Shibata did not recommend a party-driven type of totalitarianism such as Nazi Germany or Soviet Russia. He maintained that Japan already had a solid basis for spontaneous unification and advocated the mutation of bureaucrats and the government which had thus far governed people from above. This vision of political reform corresponded to the internal structure of Shibata's 'Communal Totalitarianism'. 'Communal totality' was neither the 'ensemble of atomized individuals' nor the collectivistic 'totality' that would deny individuality. It was the 'totality' which would give life to the 'plurality' of distinct individuals constituting the whole (Shibata 1942:12). There would be, however, a hierarchical relationship operative between 'center and periphery'. Individuals standing on the periphery would follow the lead of the center which would represent the 'totality' of the communal existence of plural individuals (Shibata 1943a: 93). Apparently guided by a metaphysical vision taken from the Kyoto School of Philosophy, Shibata was striving to produce the principle of organization which had to replace the individualistic one based on the private property system. Nonetheless, it is also possible to interpret the hierarchical structure in Shibata's 'communal totality' as an extrapolation to Japan of the *Führung* principle of Fascism.

THE BASIS FOR THE SUPERIORITY OF 'COMMUNAL TOTALITARIANISM'

According to Shibata (1943a: 274), the economic aim of Communal Totalitarianism was 'to maximize the production of real income for society as a whole', in contrast to capitalism whose aim was 'to maximize the benefit accruing to a particular class'. In this type of economy, the individualistic utilitarianism of a capitalist economy would be replaced by a conscious synthesis of totalitarianism and individualism. Shibata devoted his wartime research to establishing the superiority of 'Communal Totalitarianism' to the capitalist economy.

Though Shibata was not successful in his campaign for the New Economic Order, he still conducted highly productive research during the war years.¹² Besides the *Outlines of Reform Plan*, he published four books in this period. In the first of this series, *Fundamental Theory of Capitalism* (1941a),¹³ Shibata rebutted Marx's arguments for the law of the falling rate of profit and derived this tendency from the basis of the monopolization of capital. Shibata criticized Keynes, too, to be blind to this basic cause of the instability of modern capitalism. In his second book, *The New Logic of Economy* (1942), and in the third, *Principles of Economics* (1943a), Shibata argued that an active

intervention in determining factor prices (interest, rent and wages) would result in a larger net social product than was the case in a capitalist market economy.

If the elasticity of the supply of some productive factors (e.g. service of real capital) is zero and that of other factors (e.g. labor) is greater than zero, the supply of the latter should be increased by setting its factor-price higher than its marginal productivity with the fund acquired by setting the factor-price of the former under its marginal productivity. It is clear that as long as the marginal productivity of the latter (in this case, labor) is not zero, the net produce as a whole would be thus increased.... Insofar as differences exist between elasticities of the supply of productive factors,... a similar result would be obtained.

(Shibata 1943a: 273; author's translation)¹⁴

The Japanese economy then suffered from an absolute shortage of capital, while it kept a large reserve of labor in the sector of agriculture and small business. This condition would reflect in the contrast of high level of remuneration to capital and in a miserably low standard of wages. On the basis of Shibata's theory one might recommend the policy of limiting the profit (or interest) accruing to capital owners while utilizing potential labor resources by setting the wage level higher than its market rate. However, the low elasticity of capital supply, the precondition of the application of Shibata's theory in this case, would be guaranteed only by an introduction of effective control over capital which could prevent capital exodus or its influx to the speculative markets. Further, facing the overall reduction of consumption under the pressure of the war, raising of the real wage would be impossible. Still with respect to the intersectoral movement of working forces from agriculture and small business to the modern mechanized sector, it would seem that relatively high wages earned in the latter sector would stimulate production.

Shibata demonstrated the possibility of the efficient economy of Communal Totalitarianism, but was unable to show how its optimality could be achieved. Nevertheless, it is clear that he produced one of the best models for a controlled economy, and one that is still worthy of close examination. Realizing the static nature of his argument, Shibata next endeavored to construct a dynamic foundation for Communal Totalitarianism. In these years, several Japanese economists began to use the economic calculation debate of O.Lange, L.Mises and F.A.Hayek in their discussions on economic planning. To Shibata, who was thoroughly acquainted with Schumpeter's theory of innovation, the static nature of this debate was apparent. Dynamic efficiency in productivity could only stem from the combination of vigorous entrepreneurship in tandem with the work force. Sustaining the dynamic efficiency of Communal Totalitarianism depended on combining wartime enthusiasm with the rationally grounded activities of production and innovation. However, Shibata's inquiries were interrupted by his induction into the military in the summer of 1944. Although his new stress on the problem of dynamics was manifest in his fourth book, *Criticism of New Economic Theories* (1943b), this was actually no more than a collection of critiques of several contemporary Japanese economists.¹⁵

‘ECONOMIC MAN’ AND THE ‘PRINCIPLES OF PRODUCTION ORIENTATION’

In this closing section, I shall attempt to answer the question as to the nature of the legacy passed on to modern Japanese thought by the economic reform plans provided by Ryu and Shibata.

First, the idea of ‘economic man’ first concretely appeared in Japanese economics when economists dealt with the problem of the ethical element in production. The ‘egoism’ of the economic man had been the ‘original sin of economies’ which had annoyed such Japanese economists as Hajime Kawakami.¹⁶ Both Ryu and Shibata denied the validity of the concept of egoistic economic man and correspondingly demanded the unification of economics and ethics. In contrast to Kawakami who quested for pure altruism, both economists looked towards an ideal economic man who would fulfill the task of development of productive forces as well as productive accumulation, not the economic man who would seek monopoly profits, intermediary exploitation, or speculative gains. It was not coincidental that the academic interest on the so-called ‘Adam Smith problem’ was aroused in the midst of wartime controlled economy.¹⁷

In the postwar writings of both Ryu and Shibata, the categorical distinction between ethical economic man and egoistic economic man disappears. Ryu recommended in his widely read *On Ways of Thinking* (1950) to the younger generation of Japanese the sensible British way of thinking which would not separate thought and praxis (Ryu 1968).¹⁸ This naturally contained a reevaluation of the Smithian concept of economic man upon which rational economic society would have to be based. Writing just two months after Japan’s surrender,¹⁹ Shibata admitted that the Japanese had disregarded the peculiarly Western idea of ‘public morality’, which was a consequence of British and American liberal individualism. In denigrating this individualism and materialism, wartime Japan had forgotten the need for ‘public morality’ which guarantees mutual fairness on the part of citizens. In wartime Japan, ‘prevalent favoritism and the benefits of privilege issued from selfish actions that were carefully hidden from view’. On the surface where only what was ‘public’ was allowed to appear, those deeds which covered their selfish aspect under the guise of the ‘public’ dominated boldly without hesitations. It was upon reflections such as these that the idea of ‘modern economic man’ was developed by postwar Japanese social scientists.²⁰

Second, from a contemporary point of view, attention should be directed to the significance of the reform plans promulgated by Ryu and Shibata. It is commonly recognized that the ‘New Order of Firms’ in the wartime economy meant the separation of ownership from management. Furthermore, it has been argued that such a change in the corporate structure has been one of the most positive legacies of the wartime economy to the postwar economic development of Japan.²¹ In his discussion on Ryu’s *Reorganization in the Chuo-Koron* (Ryu *et al.* 1940), Seiichi Tobata interpreted Ryu’s concept of the function of production leaders by reference to Schumpeter’s analysis of entrepreneurship. Tobata went on to argue that the task of the economic reform was nothing more than ‘the greatest possible purification of the element of entrepreneurship’ by reducing its capitalist element. However, in the opposing camp were those who held the position of the ‘new bureaucrats’ who advocated the state control of private firms. The reorganization of firms as public corporations or the idea of ‘state control of private

ownership” represented this position. Needless to say, the real wartime economy did not follow the path of free entrepreneurship, but rather that of increasing bureaucratic control.

Ryu’s idea of profit control and Shibata’s concept of the ‘active determination of factor-prices’ corresponded to the debate concerning the enforcement of article eleven (the limitation of dividend) of the National Mobilization Law in November 1938. Aided by the Ministry of Commerce and Industry and using both overt and covert means, business interests rolled back the penetration of progressive ideas of ‘Economic New Order’ around the circle of ‘Cabinet Planning Board’ in the implementation of wartime-controlled economy. Surely, the Japanese wartime economy could not eliminate the profit engine of private enterprise (Okazaki 1994). However, the control of funding under the mobilization system was constructed without serious opposition and became the basis for the controlled financial market system of postwar Japan. The style and idea of economic control under the wartime economy was handed to the policy-makers of the period of economic recovery after 1945.

The separation of ownership and management as well as intervention in the determination of the factor prices were introduced as elements of wartime economic mobilization. But they have also been basic features of the postwar Japanese economy. The ‘production ethics’ that had been imposed on both managers and workers of the wartime munitions industry were also carried over by both sides in industrial relations in response to the demands of the production promotion in the postwar economic recovery period. Industrial and financial policy focused also on the mobilization of resources for production promotion. In other words, both theory and praxis of economic reforms under the wartime economy served as preparation for the ‘production-oriented’ structure of the economic system of postwar Japan.²²

Last but not least, I would like to suggest that there is a discrepancy between wartime and postwar economic thought, which is the disappearance of the Asian dimension in Japanese economic thought. The reorientation of Japanese intellectuals in the face of defeat resulted in a reassessment of modern economic culture in the West. But this reorientation did not manifest itself in a reassessment of the independent Asian nations which Japan had invaded and dominated during its imperialistic phase. It would seem probable that this attitude stems from a combination of a resurgence of Eurocentrism and a peculiar view of the Sino-Japanese War that the true enemies of Japan were Great Britain and the USA (and eventually also the Soviet Union) who steadfastly supported China. At present, however, the Asian dimension is once again on the agenda. For, the continued growth of Asian economies in the last two decades has brought the construction of cooperative economic order and the coordination of economic institutions in this area to the fore as one of the crucial issues for the world economy.

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NOTES

- 1 In Japan the war which broke out in 1937 and continued to 1945 has no official name and accordingly simply called the 'China Incident'. This is because the Japanese government did not declare war on China in order to maintain trade relations with the USA.
- 2 One of these exceptions was Tanzan Ishibashi's '*Sho-Nihon-shugi*' (Small Japanism). Ishibashi was the chief editor of the liberal economic weekly, *Toyo-Keizai-Shimpo*. See Nolte (1985).
- 3 For the intellectual climate of Manchukuo and its repercussions to mainland Japan, see Yamamuro (1993) and Kobayashi *et al.* (1995).
- 4 At the beginning of his study of philosophy, Miki was under the influence of the Kyoto School whose major figure was Kitaro Nishida. In his period of study in Germany (1922–5), Miki studied neo-Kantian philosophy but also encountered phenomenological hermeneutics of the early period of M.Heidegger. At the end of the 1920s, Miki's humanistic interpretation of Marxism was highly influential among the young. However, somewhat later Miki was criticized by Marxists as being a 'petit-bourgeois philosopher'. In the late 1930s Miki tried to build his philosophical synthesis in the 'philosophy of action' while participating actively in the Showa Kenkyukai. He was arrested in 1945 on the charge of aiding and abetting a runaway communist and died in prison, before the release of political prisoners by the Allied Powers.
- 5 Showa Kenkyukai started first as a private circle around Konoe's close friend, Ryunosuke Goto, in the fall of 1933. After several reorganizations this Kenkyukai developed into an impressive 'think tank'. It brought together around two hundred intellectuals in a dozen of its research sections. It ceased operations in 1940 when Konoe decided to transform the New Order Movement to the Taisei-Yokusan-kai (Imperial Rule Assistance Association) in 1940. In Japanese, see Showa-Dojinkai (1968) and Sakai (1992). Fletcher III (1971) is an excellent study on the intellectuals gathered in this research association.
- 6 Fumimaro Konoe (1891–1945) was the only politician in 1935–45 period who could consistently maintain his position as a national leader in view of the unceasing power struggles within the ruling structure of Japan. Essentially this was because his lineage was that of the highest nobility and he retained the favor of almost all centers of powers. In his first term as Prime Minister from June 1937 until January 1939 Konoe and his cabinet could not settle the military collision of July 1937 and gave way to total war by taking a high-handed attitude to Chiang Kai-shek's government in Nanking. Less than one year after his resignation, Konoe once again became the focus of attention as the expected savior of the nation by means of his New Order Movement. In his second term as Prime Minister, beginning in July 1940, he concluded a treaty of alliance with Germany and Italy, and established the wartime fascist state on the bedrock of a mass organization, the Taisei-Yokusan-kai (Imperial Rule Assistance Association). Konoe's third term as Prime Minister began in June 1941. He altered the diplomatic policy to avoid war against the USA, but resigned in October since he could not prevent the army from adopting the so-called 'southward policy'. Towards the end of the Pacific War, he advocated an early cease-fire as a potential opponent of General Hideki Tojo's cabinet. He committed suicide after learning that he would be indicted on war crime charges.

- 7 'The world-historical significance of this Incident should be twofold: Its temporal significance would lie in the overcoming of capitalism; its spatial significance would lie in the unification of East Asia!' (Showa Kenkyukai 1941 a: 5; author's translation).
- 8 Matsuura (1995) argues that Takahashi supported the position on economic policy maintained by Shigeaki Ikeda, the head of the Mitsui concern who served as the Minister of Finance in Konoe's first cabinet. Matsuura goes on to argue that Ikeda's policy reflected the willingness of big business to adapt to the conditions of a controlled wartime economy. Finally, according to Matsuura, Ryu opposed this policy from a leftist perspective.
- 9 In his *Economic Crisis of Showa* Yukio Cho interprets Ryu's transformation from Marxian critics to the policy designer of the nation rather sympathetically as being akin to going through 'a mental purgatory which is not to be reduced to the inevitable surrender to the militaristic pressure to journalism' (Cho 1994:300; author's translation), that is a process through which Ryu purified from the Marxian partisanship and acquired the style of national thinker. However, W.M.Fletcher's judgement is very cool in that he regarded Ryu as seeking prestige and influence since his move to the Asahi Newspaper Company (Fletcher III 1971:71).
- 10 Apart from the attack of the fanatical right, conservative business circles made the most of Yamamoto's anti-interventionist criticism on Ryu (Yamamoto 1941). As for the debates around the Economic New Order, see Nakamura and Hara (1973).
- 11 Kazuo Okouchi and Yasoji Kazahaya, both studied labor policies within the Showa Kenkyukai and advocated rationalizing labor relations and improving working conditions as the prerequisite of the production promotion pressed by the war. See Takabatake (1960).
- 12 The starting-point of Shibata's quest for the foundation of efficient 'Communal Totalitarianism' was his examination of Böhm-Bawerk's strictly negative answer to the question of whether social power can influence the market. See Negishi (1995).
- 13 This was published in both English (Shibata 1941a) and Japanese (Shibata 1941b).
- 14 Shibata (1943c) tried to explain the difference between the optimum point of a capitalist economy and the new reformed economy also by using equations. He formulated an economy where active intervention in the factor price determination to maximize the net produce was performed. It is noteworthy that the net produce here consisted of consumption goods, and his stationary model was a one-sided productivity model with only floating capital.
- 15 Having been stimulated by Leontief's input—output analysis, Shibata intended later to explore the reproductive structure of the Japanese economy. The burning of the collection of statistical materials severely discouraged Shibata.
- 16 See Bernstein (1976).
- 17 Okouchi (1943). See also Uchida (1948).
- 18 Ryu was impressed by the gradualism of the postwar Labor's government in the UK. After coming back to Japan Ryu served as the chief editorial writer of the *Asahi* newspaper until 1962.
- 19 Shibata (1945). In March of the next year he resigned from Kyoto University together with most of his fellow professors of the Faculty of Economics. Shibata was further enlisted in the purge list of the General Headquarter of the Allied Occupation in May 1946 and had to stay out of the academic world until 1952.
- 20 For example, H.Otsuka's studies of the origin of modern capitalism (1948) and Y.Uchida's study of Adam Smith (1953) contain this kind of productive (ethical) 'economic man' at the core.
- 21 Okazaki (1993); Kobayashi *et al.* (1995); Noguchi (1995).
- 22 The extensive mobilization of the wartime economy could not sustain itself under peace conditions. The transformation of the extensive mobilization to the intensive mobilization was necessary to start the postwar economic growth of Japan. See also my sketch on this problem in Yagi (1995).

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‘STRATEGIC’ CONCEPTS UNDERLYING THE SO-CALLED HIROTA FOREIGN POLICY, 1933–7

K. W. Radtke

In this chapter I should like to focus on Japan’s prewar foreign policies, culminating in the ‘Hirota Foreign Policy’ which provided the starting-point for all-out war against China in 1937.¹ Like the Soviet Union which before the 1930s was often credited with the ability to pursue long-term strategies, it looked as if prewar Japan planned from the Meiji period to build an East Asian empire, suggesting a Japanese ability actively to determine its own fate. Japan’s neighbors, in particular China—often awarded epithets such as ‘dirty and stinking’—seemed to be passive, apathetic, and doomed to remain a sickly giant on clay feet. I will refrain from discussing Hirota’s role in domestic politics and the formation of the ‘Hirota Cabinet’, which deserves careful scrutiny as a valuable key to an understanding of contemporary Japanese politics (see *Hirota naikaku [The Hirota Cabinet]* 1936). Hirota’s contemporaries were usually unimpressed by his qualities as a politician, if not outright cynical about his lack of backbone. When his cabinet fell, Hirota’s foreign policy was judged a failure by the former Ambassador to China, Kawagoe (*Asahi*, 20 January 1937).

ANALYTICAL FRAMEWORK AND BACKGROUND

The modernization of prewar Japan caused an enormous wave of energy. Prewar Japan looked like the most active country in Asia, a perfect example of successful modernization—had it not been for the unhappy historical ‘accident’ of the ‘Dark Valley’ during the 1930s, when Japan was apparently hijacked by right-wing militarists. Japan was a country that actively tried to plan and determine its own destiny, in both areas of domestic development and foreign policy.

Searching for early Japanese aggressive designs, one may point to grand programmes such as the spurious ‘Tanaka Memorial’, or the concepts of Kanji Ishiwara that took shape around the time of the occupation of China’s Northeast, and claim that even if Japan’s exertions ended in failure because of the intervention of non-Asian powers, in particular the USA, at least Japan had tried, first among Asian nations, to build an independent Asia under the guidance of a strong and actively modernizing Japan.

I am afraid, however, that this caricature of Japan’s virtues does not stand up to scrutiny. Japan’s prewar policies in fact prevented the rise of a strong and independent Asia earlier in the twentieth century, a development which is only now beginning to take shape. The political and economic integration of powerful independent Asian countries

into the global system has been the major historical task for Asia since the nineteenth century. Japan's strategy ignored fundamental lessons which judo might have provided. The temptation to rush headlong into China had an effect like a fish trap, which makes the struggling fish appear very strong and energetic, but in effect rapidly limits its genuine freedom of action. Last hopes for an escape from the trap vanished when in July 1941 Japan embarked on the invasion of Southeast Asia, in another attempt to force an end to the China war.

Throughout this period Japan appeared to be able to take strategic initiatives; every step further into Asia robbed it of freedom to manoeuvre. It is an intriguing question whether the outbreak of full-scale hostilities in 1937 was partly due to schemes initiated by the Soviet-led communist movement, which saw appeasement between Japan, Great Britain and China as a deadly danger not only to the communists in China, but also as a direct threat to the Soviet Union. There is reason to argue, as Chiang Kaishek did in 1941, that Japan's decision to go south was in good measure a consequence of a conscious Soviet strategy to foster war between the 'imperialist' powers Japan and the USA (Furuya 1981:684-5).

The decisions made by Japan during 1935 in effect forecast the unsolvable dilemma into which it had manoeuvred itself. Its economy was still too weak to challenge the position of Great Britain and the USA in China. When regional and global economic resources, including market access, are scarce, countries are more easily willing to resort to force in order to safeguard their (economic) security. Japan attempted to use coercive diplomacy to conquer an economic hinterland (China) by preventing China's unification (i.e. preventing North China from being economically and politically linked to the Nanking government). In doing so Japan not only ruined all chances for stable economic development for China, it also got bogged down in a protracted war that it could not win. Choices made by Japan during Hirota's term as Foreign Minister (1933-6) and Prime Minister (1936-7) resulted in the Sino-Japanese War. This, in turn, was the basic cause that led to the Japanese war against the USA.

Much has been made of the scattered incoherence of Japanese prewar politics, and competition between various cliques, as a vital reason for Japan's aggressive policies. Without denying its importance, incoherence is only one factor, and it is important to acknowledge the role played by some larger historical movements. The outward-looking stance of the Meiji state was to a considerable extent due to the fact that the 'land-oriented' dominating cliques of the Tokugawa period were replaced by Kyushu clans, which changed Japan's basic outlook into that of an expansionist maritime power (Radtke 1992). This was one basic trend. Attempts to legitimize Japanese expansion differed according to the political requirements of the day. Japan's entry into World War I on the side of the allies gave rise to fears among some Dutch politicians that it might make use of the opportunity to avail itself not only of German colonies in the Pacific (including China), but Dutch colonies as well.² During the 1920s, and the 1930s in particular, expansionist policies were accompanied by the demand for a fair repartition of colonies. Japanese factionalism within the military, and in society in general, exerted a strong influence on the actual course of events. Military actions on the Asian continent also thoroughly influenced developments back at home. By 1940-1 the war against China had levied a heavy toll on Japan, exacerbating severe tensions in Japanese society. Japan was

reluctant to withdraw from China not only because of external strategic reasons. Anything that looked like ‘defeat’ would have severely threatened its internal stability.

Looking for reasons that pushed Japan towards war, one will also need to take into account organizational, institutional characteristics such as Japanese-style factionalism, and ideological questions, such as the existence of ‘fascism’ in Japan. The use of terms such as ‘Imperial (*kōdō*) Faction’ or ‘Control (*tōsei*) Faction’ conceals more than it reveals. As is often the case in Japanese history, the link between convictions and membership in any, formal or informal, organization was tenuous, fluid, and shifting. I am personally not convinced that such domestic divisions were in fact the prime cause of Japan’s expansionism, nor do I believe that army—naval rivalry should be regarded as the major reason.

Another assumption of this chapter concerns the consequences of overlapping functional divisions between institutions for the interpretation of Japanese historical documents. In a typical US organization, public relations (PR) tasks are carried out by a specific section; although we may encounter a PR section in a Japanese company, the goals pursued in the context of such activities may be widely distributed, ‘scattered’ among different sections, without apparent need to streamline these activities formally and organizationally. This increases competition and conflict between and within smaller units of complex organizations, but conflicts of opinion among sections are not necessarily the outcome of this organizational structure. This blurring of institutional and functional boundaries implies that written documents issuing from the Foreign Ministry or other ministries also reflect ‘institutional identity’ in a way different from that of similar European institutions. Not infrequently, some of these institutional actors were considered to be morally better than others, usually ascribing some kind of ‘civilian, democratic’ credentials to the Foreign Ministry, totalitarian motives to the armed forces, where the ‘navy’ has often been regarded as a ‘moderate’ force attempting to restrain an ‘aggressive army’.

The specific Japanese blurring of institutional and functional boundaries also requires us to base value judgements not on the actions of institutions as if they possessed a clearly definable identity, but on the actions of individuals within and between organizations. Lack of unified decision-making (*ichigenka*) in Japanese foreign policy was thus not merely a consequence of insubordination by some extremists, but must to some extent be ascribed to characteristics of Japanese organization, which in turn were also supported by certain features of the Meiji constitution. Western writers in particular have focused on Japan’s inability to formulate a unified China policy between 1915 and 1936, seen as a consequence of irreconcilable conflicts between fairly independent actors, the army, the navy and the Foreign Ministry (as well as some other institutions), and the ever-shifting alliances of factions within these institutions.

I should like to add a comment on the interpretation of written documents. Caught by the tempting power of historical sources, historians are naturally inclined to emphasize the autonomous character of the actions related by documents that happen to be available, and were chosen as reference. This applies in particular to the study of East Asian history, where limitations of linguistic ability have often afforded non-Asian historians the (impermissible) freedom to disregard sources not available in translation. Historians of twentieth-century East Asian history face a huge challenge, since they would normally be required to use sources in Chinese, Japanese, English, and preferably in Russian and

Korean as well. Since documents in languages as different as these belong to different contextual traditions, their interpretation requires different approaches. There is a huge asymmetry between the character and structure of Japanese and Chinese historical sources, which may be one of the reasons why relatively few scholars juxtapose sources from both traditions equally in dealing with one and the same topic. In the Japanese culture of communication the obvious and commonly accepted points of view require much less explicit statement and restatement than is normally the case in the European or American context.³

The formulation of Hirota's China policy was also encumbered by the fact that there was a multitude of Chinese counterparts to be dealt with, varying from local warlords and even minor figures with considerable independence from the 'Central' (Nanking) government, and the various power groups of the Chinese main party assembled in the Kuomintang (KMT), which in turn was often seen as the political extension of the Chekiang financiers.

'Japanese fascism' has also often been regarded as the main cause of Japanese policies of aggression. It is doubtful whether 'fascism' is a suitable historical concept when applied to Japan. I do not believe that basic antonyms such as 'democracy' and 'dictatorship' are suitable paradigms to describe the poles between which prewar Japan moved.⁴

In an impromptu interview given in 1940, Foreign Minister Matsuoka commented on fascism in Japan as follows:

Three. In the battle between democracy and totalitarianism the latter adversary will without question win and will control the world.

Four. Matsuoka said that he saw the present war coming six years ago. He began preaching a single party system for Japan but was a voice crying in the wilderness and people thought him crazy. Now the political parties in Japan are clamoring to have Konoye establish a single system. Not months but years will be needed to weld Japan into a totalitarian state, but Japanese totalitarianism will be unlike the European brand. It is contrary to the Japanese character to be coerced into adopting an idea. Concentration camps would be futile. The people would fight back. Fascism will develop in Japan through the people's will. It will come out of love for the Emperor but the people cannot be forced. It is because of the special system in Japan with the Emperor at the head that the Japanese state is better adapted than any other state to unify the nation in Fascism. The public demand for a single party system shows that the time is ripe (end of summary of Matsuoka's remarks).

Five. It is clear from the circumstances of the interview that it was impromptu and not planned and that this revealing of Matsuoka's mind and philosophy is significant.

(Grew 1944)⁵

One may also refer to Hiranuma who tried to maintain the essence of the Meiji constitution, and was opposed to Nazism and Communism which he thought would lead to a centrally controlled state along Western lines (Sasaki 1977:61). The point Matsuoka

and Hiranuma were making is that neither the Meiji constitution, nor Japanese politics during the 1930s can adequately be subsumed with reference to Western antonymic political concepts.

BRIEF SURVEY OF JAPAN'S PRE-1937 POLICIES TOWARDS CHINA

Japanese policies towards Asia during the second half of the nineteenth century focused on an 'active defence' against the threat of colonization by non-Asian powers, in the course of which Japan defeated China in 1895 and put a stop to the Russian challenge during the Russo-Japanese War of 1904–5. The final annexation of Taiwan in 1895, and the annexation of Korea in 1910 had a significance that went far beyond the occupation of foreign territory. The annexation of Korea in particular has been a vital factor pushing Japan towards an aggressive China policy, with far reaching consequences. Japan's ruthless oppression of Korea also led to the uprising of 1919 which in turn inspired the Chinese May-Fourth movement.

Around that time, the Imperial Defence Guidelines (*Teikoku kokubō hōshin*) were revised in June 1918; in the navy and elsewhere there was a growing awareness that China was a possible area for conflict with the USA. Such perceptions did not necessarily imply a conscious challenge, even when by 1923 the USA was mentioned as the foremost hypothetical enemy in the revised Defence Guidelines. In my view, policy towards the Great Powers was mainly geared towards deterrence, designed to give Japan a free hand towards its Asian neighbours.

The occupation of China was subsequently sometimes rationalized as a first step towards a future Japanese war against Russia, the Soviet Union and/or the Communist threat.⁶ There is little to suggest that following the build-up of Soviet military power during the 1930s Japan was ever in a position directly to challenge the Soviet Union militarily, even before Japan's armed forces became immobilized on the Chinese subcontinent. Nomura (1993:77) has argued that all Japanese politics leading up to World War II originate in the Manchurian Incident. One should also take into account that the Manchurian Incident was not merely the outcome of the rape of China by a small fanaticized radical clique in Japan's Kwantung Army, but that the origin of the Incident was deeply rooted in Japan's expansionism before 1931, as demonstrated by Shigemitsu's memorandum of December 1931.⁷ Kanji Ishiwara may have conceptualized the Incident he promoted as a first step leading up to the eventual final battle with the USA, but few others in Japan perceived it that way. The attack on Southeast Asia about a decade later was not the action of a confident world power embarking on a global conquest. The nearly unanimous approval in Japan of the invasion of China's Northeast was due to hopes of achieving much more immediate and tangible objectives. Japan's foreign policy after 1931 was based on the belief that with the right mixture of pressure on the League of Nations, by appearing to make concessions to the colonial powers at the same time as uttering threats, by using the carrot and stick method towards Chiang Kaishek, Japan would be able to force a bilateral settlement on China which would allow Japan to consolidate its 'acquisitions'. Just as Japanese policy towards Great Britain and the USA was designed to reduce their support for the Central Chinese Government under

Chiang Kaishek, Japan's policies towards the Soviet Union were also aimed at reducing its influence on Nanking, and Soviet support for the Chinese communists. The negotiations on the sale of the Manchurian Railways to Japan in the mid-1950s, in which Hirota played a great role, reduced the authority of the Soviet Union in Chinese eyes. Later Japanese moves, such as the conclusion of a neutrality pact in 1941, were also aimed at weakening Chinese communist reliance on the Soviet Union. Japanese objectives in China were not clearly defined as part of a wider, global strategy, and policy was usually limited to tactical moves aimed at preventing the rise of a strong central government in China able to thwart Japanese ambitions. At the same time most Japanese also wished to avoid becoming embroiled in a 'protracted war', a guerilla war on Chinese soil. The issue of such a 'protracted war' was a hotly debated item, in Japan as well as in China.

Japanese contemporary politicians and army leaders tried to conceal their inability to swallow China by claiming that foreign assistance to China was the basic reason for its continuing ability to resist Japan. Japanese aggression against the US Pacific Fleet, the subsequent war in the Pacific, and Japan's defeat in August 1945 sealed by the US nuclear attack tend to turn our attention away from the fact that Japan never even reached the intermediate aim of defeating China. Japanese armies occupied 'points and lines' on the Chinese mainland, but the occupation was anything but a success. Japan also failed in its aim to dominate China through the establishment of Japanese-inspired puppet regimes, attempted during 1935-6, and subsequent attempts to create a rival government headed by Jingwei Wang in 1939-41 fared not much better.

A turning-point of Japan's foreign policy in the 1930s was the so-called crisis of 1935-6, when existing arms control agreements were due to expire. The most important factor determining Japan's foreign policy during that period was the need to protect its hold on Manchuria, and not the issue of preparing for war against the Great Powers as such.⁸ Although some contemporary Japanese like Toshio Shiratori argued that Japanese foreign policies should primarily focus on the threat from Red Russia, such views did not become dominant. It was generally believed that voluntary withdrawal from China would leave Japan's international position dangerously exposed. Japan was trapped. Japanese liberals, and politicians like Kōki Hirota may have differed on the methods to strengthen Japan's hold on conquered territories, but virtually nobody considered withdrawal of Japanese forces from the Asian mainland seriously. This was not merely due to army intimidation. The use of military pressure on China was a vital ingredient of Japanese foreign policy.

ASSUMPTIONS UNDERLYING THE 'HIROTA FOREIGN POLICY'

Below I will outline several themes which influenced Japanese foreign policymaking during the period 1933-7. It is difficult, if not impossible, to define Japanese foreign policy in terms of the policy of one single politician, or to postulate that a group of 'civilian' politicians and bureaucrats such as Mamoru Shigemitsu, Morishima, Hachirō Arita, and officials stationed in China such as Ariyoshi and Suma, pulled together to pursue a common concept for Japanese foreign policy. Shigemitsu has often been

considered one of the main pillars of Hirota's foreign policy. My reading of contemporary documents has led me to believe that Shigemitsu was perhaps even much more outspoken than Hirota in advocating the use of 'appropriate' military pressure on China, in a Japanese version of 'coercive diplomacy', but that Hirota basically concurred with Shigemitsu.

'Asia is different'

The main regions of East Asia—Korea, Northeast China (Manchuria), Inner and Outer Mongolia, North China, Central China and South China—were seen as areas that differed intrinsically and structurally from each other. In the Japanese view, there was to be a clear hierarchy among the status of territories in East Asia; it began with the core, Japan (*naichi*), and extended to the 'outer territories' (*gaichi*) in a sequence of territories/countries with varying degrees of dependence on Japan, such as Taiwan (fully annexed), Korea (annexed), Manchukuo, Northern China, China proper (i.e. the area under Nanking's control), and other regions such as Southwest China.

This order was not a mere theoretical idea, but was reflected in the status of Korea, Taiwan and Manchuria as 'customs inland', and also embodied in the nationality laws concerning Taiwan. Japan did not wish to grant any neighboring areas mentioned above the status of independent foreign countries. At the same time Japan tried to avoid being held responsible under international law for those areas, with the exception of Taiwan and Korea which had been formally annexed.

This was the reason why Hirota usually commented on the question of China's unification in such terms that Japan would be seen as neither supporting nor objecting to activities leading to the unification or the splitting up of North China. In fact, however, Hirota consistently applied 'coercive diplomacy', benefiting from the actions of the Japanese military in China, in order to put pressure on the Nanking government.

The international order in East Asia supported by Japan differed from the way Europe had become organized into 'proper' nation states. This was one of the reasons for arguing that Asia was different, and that international law should not mechanically be applied to political entities in the region. It was thus assumed that relations between countries could not be described in contractual terms as binding nations of equal status. Relations among Japan and other political entities were first and foremost governed by hierarchical concepts. 'Hierarchy' is one of the essential basic values in Confucianism, and an hierarchical order as such was unlikely to be regarded as 'unethical'. It was an important task of Japan's foreign policy to make Asian neighbors accept this relational order, before Japan entered into any specific negotiations. Japanese China policy aimed to establish an hierarchical order also within China, where local leaders (warlords) would continue to govern chunks of China, dependent on Japan rather than on the Nanking government. The presence of such 'independent governments' would undermine any pretence by Nanking that it was entitled to treatment as an independent country according to (Western) international law. There was a certain logic to Japanese policy, but hardly a thought was given to the question of whether Japan was in a position to maintain such a 'Japanese-style international order' in East Asia. This, in fact was one of the main criticisms made by Hayao Tada in his famous 'Statement' on 24 September 1935, best known as an expression of Japanese aggressive intentions. The Statement can also be

read as an indictment of Japanese foreign policy, which—as Tada criticized—had always focused on manipulating more or less corrupt Chinese officials, instead of attempting to create a modern, ‘depersonalized’ international order in the Far East. In any case, Japanese policies questioned the viability of universal international norms based on an acceptance of a system of equal independent states in Asia. Even before the turn of the twentieth century, Japan considered itself a privileged, enlightened country, as evidenced in an essay by the then Foreign Minister Shūzō Aoki.⁹ The Lansing—Ishii Agreement was not so much a collection of platitudes; it indicated that both negotiating partners worked on the basis of different premises. The equality of nations had been an important idea raised at the Versailles peace conference. The Washington Treaties (1921–2) and the Nine-Power Treaty, as interpreted by most Japanese, rather confirmed the distinction between those countries able to formulate and agree on international norms—the ‘Great Powers’—and those countries and areas that were basically passive objects, such as ‘China’. The Stimson declaration of 1932 was not only ineffectual; it was not even able to achieve consensus over what constituted Chinese territory. Such uncertainties were useful to Japan’s foreign policy which in effect denied China the status of independent statehood.

In his speech before the Diet in April 1934 Hirota made a sort of reply to the President’s speech before Congress, mentioning no names, but criticizing ‘foreign statesmen’ who lay down the law about foreign countries without knowing the facts. The pertinent remarks of Hirota were: ‘It is to be regretted that there are abroad statesmen of repute who seem determined to impose upon others their private convictions as to how the world should be ordered.’ The USA realized at an early stage that conflict over China was a possibility, and that it would be difficult to subdue Japan unless the US navy was in a significantly superior position. Japan was not likely to accept the right of another power, not even the USA, to impose limits on Japan’s policies towards China and Asia.

The existence of special foreign interests meant that China’s international status could not be determined by any one country singlehandedly. The lack of economic and political unity in China convinced many Japanese that denying China the status of an equal independent nation state was hardly likely to upset politicians in the major capitals, as long as those interests were not fundamentally threatened.

THE STYLE OF JAPANESE DIPLOMACY

It should not be surprising, therefore, that the creation of an hierarchical order on the Asian mainland under Japanese leadership was central to foreign policy, but there was no consistent strategy for pursuing this aim. The implementation of Japanese hegemony depended on the preparedness of local Chinese leaders to acknowledge Japanese superiority, ‘if conditions were right’. Japan did not strive for the establishment of an abstractly formulated system of international relations. Since policies varied with each leader to be manipulated, Japanese tactics were often reactive ones, lacking in coherent vision. The emphasis on maintaining an hierarchical order went hand in hand with the use of terms such as ‘cooperation’ (*teikei*) or ‘coexistence for prosperity’ (*kyōson kyōei*), in spite of their literal meanings suggesting ‘equality’. Chinese diplomats strove to obtain Japanese recognition of political equality for China, the abolition of extraterritoriality,

and the abolition of 'leased territories'. Japan, however, understood such moves as Chinese attempts to undermine Japan's 'right' to occupy a hegemonic position in Asia. Numerous Japanese sources blamed 'provocative' Chinese policies, such as Foreign Minister Zhengting Wang's 'Revolutionary diplomacy' (*geming waijiao*), as a major reason for the establishment of Manchukuo, warning repeatedly that Chinese demands for political equality might force Japan to 'create a second Manchukuo'. Manchukuo was not merely created for strategic and economic benefits. Its establishment proved that Japan was the leader whose overall authority had to be accepted by China; only when this was recognized would Japan be prepared seriously to negotiate on other issues.

Japan had to rely on military power and symbols of strength to enforce its hierarchical order. One of the difficulties was, however, that despite the success of Japanese modernization, the strength of the Japanese economy was still limited, compared to that of other industrialized powers (Beasley 1987:132–3).

Japan would have done well to concentrate on the build-up of economic potential, rather than spending a large part of its GDP on the armed forces. Policy debates in Japan in the 1930s focused on the search for a proper balance between economic development and the perceived need quickly to strengthen its armed forces. Mostly this was not a principled debate on the choice between 'civilian', democratically inspired priorities, as opposed to 'militarist demands'. In a speech entitled 'The Economic Prognoses of Business Circles for 1935 and Capitalism' given in January 1935, Tanzan Ishibashi preferred to approach the question 'business-like': 'I regard the state as one enterprise' (*Ishibashi Tanzan Zenshū*, vol. 9, 366). It was assumed that the growth of the Japanese economy after 1932 relied heavily on exports, and increasing barriers against cheap Japanese exports were therefore perceived as a strategic threat to economic security. It was concern about economics, and the need to expand trade and economic activities which by the mid-1930s supported calls for Japan's 'southern advance'. The navy was cautious not to provoke the USA, but, as Miwa has pointed out, many in the navy, too, were bent on undermining the 'Washington system'. This led some to advocate collaboration with the Soviet Union on that point; and, in turn, explains why the navy on the whole opposed the Japanese—German anti-Comintern agreement of November 1936 (Miwa and Tobe 1993:144). The Japanese search for suitable allies was not always dominated by 'ideological' considerations along Western lines; allies could very well be 'ideological enemies'. The conflict in East Asia between Japan and the colonial powers, including the USA, was not merely a conflict between rivals for economic, military and political power. It was also a contest between rivals who had different ideas about the very texture and nature of international relations, and whose policy-making was deeply influenced by such differences. The differences between the nature of the 'Asian' system envisaged by Japan and a 'Western'-oriented system did not coincide with the fault lines of Western-style ideological dichotomies.

HIROTA PERCEIVED THROUGH AMERICAN EYES

The American Ambassador to Tokyo, Joseph Grew, repeatedly met Hirota, and recorded his personal appreciation of the man's character in his reminiscences (Grew 1944). It is difficult even under the best of circumstances to separate 'private' and 'public' views of

eminent Western politicians, yet even more difficult in the case of Japanese and Chinese politics. Grew gave in to the temptation and attempted to assess Hirota 'as an individual', as he would in an American context:

For me there are no finer people in the world than the best type of Japanese. I am rather inclined to place Hirota among them; if he could have his way unhampered by the military I believe that he would steer the country into safer and saner channels.... But the military and the extremists know little and care little about Japan's relations with other countries, and it is the desire of people like Shiratori, Amō, and other Government officials to enhance their own prestige at home and to safeguard their future careers by standing in well with the military that brings about much of the trouble.

(Grew 1944:136)

There is now sufficient documentary evidence indicating that Amō's (Amāu's) statements did in fact very closely reflect Hirota's thinking.

One of my diplomatic colleagues told me that ever since last March when a meeting had been held, attended by General Araki, Yoshizawa, Hirota, *et al.*, the idea of reviving the Pan-Asiatic movement, or Great Asiatic Association, was being pushed in Japan. He believes that Hirota, in spite of his policy of improving relations with foreign countries, is a staunch supporter of the movement and that he is in sympathy with Japan's expansionist ambitions. But my colleague had no precise evidence to support this theory.

(Grew 1944:100)

An American diplomat like Ambassador Grew would attempt to interpret the utterances of Japanese leaders in terms of 'Western-style' conceptualizations. Japanese leaders were thus categorized as 'extremists' and 'moderates', preferably also associated with particular abstract ideologies, and a political map would be drawn that was often far removed from the context within which Japanese politicians operated. In September 1933 Grew wrote:

Received by Hirota, the new Minister for Foreign Affairs...in the course of our short talk he said that the corner-stone of his policy would be the development of better relations with the United States and that this, in fact, was the primary reason why he had accepted the appointment which had come to him as a complete surprise. I am convinced from his manner that he meant it.

Whether or not Hirota approved the issuance of the statement is unessential, for the statement accurately expresses the policy which Japan would like to pursue. While there has been criticism of the phraseology, the substance of the statement seems to have the unqualified approval of

practically all Japanese, and Hirota, in the present state of public opinion, could not repudiate the statement and remain in office.

(Grew 1944:94, 121)

The quotations seem to be self-explanatory; when policy represented by Hirota in his public capacity as a member of the Japanese cabinet seemed to conflict with his assessment of Hirota, particularly in the early phase of his acquaintance, Grew attempted to reconcile the apparent contradiction by assuming a division between the minister's 'private' opinions, as understood by Grew, and the 'public' role forced upon Hirota. He does not touch upon the question whether the separation of 'private' and 'public' spheres in Japan differs from his own, American, tradition.

EVENTS IN NORTH CHINA BETWEEN 1934 AND EARLY 1937

Japan lacked the ability to acquire significant control over China by economic means alone. If Japan wished to exercise a hegemonic role, it had little choice but to attempt forcing China into a dependent relationship by other means. This also required the reduction of British political and economic influence in China. These were issues which had been significant factors in the tariff negotiations during the 1920s, issues that also played a role in Japanese attempts to establish an 'independent' North China. They formed the background to smuggling operations in North China supported by Japan (1934–6), and attempts to prevent China from conducting a currency reform (November 1935) carried out with British aid, reforms that succeeded nevertheless (Cho 1986:288). The means employed by Japanese politicians may have differed, depending on time and place, but most were agreed on the need to prevent Chinese economic and political unification.

Domestic events in China in 1934, such as Chiang Kaishek's preoccupation with the campaign to suppress communists, the political influence of Wang Zhaoming, and developments in Japan such as the preoccupation of the Kwantung Army with its immediate tasks meant that there was new room to explore the possibilities of diplomatic negotiations between Japan and China. In response China initiated an opening towards Japan at the meeting of the Fifth Congress of the KMT in December 1934, followed by an article in the Chinese journal *Waijiao pinglun* [*Diplomatic Review*] which was taken to have been inspired by Chiang Kaishek himself, and which indicated China's willingness to negotiate with Japan on condition that Japan could not expect formal recognition of Manchuria. It is possible that Nanking's concessions were perceived as inherent Chinese weakness, thus in fact precipitating pressure which Japan brought to bear on China in 1935. This formed the background to the Dairen Conference in January, in which Japanese military representatives in China committed themselves to a hard-line position on North China.

Chiang Kaishek approached Ariyoshi and Suzuki, and Hirota responded when he delivered a speech in parliament on 22 January 1935. Hirota indicated that 1935 was going to be the critical year, since it would make or break Japan's authority to set norms in the Far East. Subsequently a series of talks took place between Chinese and Japanese representatives. When China stressed the need for Japanese recognition of China as an

independent and equal country, the Japanese remained vague and non-committal. They pointed out, however, that the issue of Chinese demands for Japanese recognition of Chinese independence and equality had been one of the main factors that had provoked Japan into the occupation of China's Northeast, an unintended consequence of Zhengting Wang's 'revolutionary diplomacy'.

It was not only extremists like Doihara and Isogai who doubted the sincerity of Chiang Kaishek's diplomatic opening to Japan, but Hirota also entertained such doubts.¹⁰ He was keenly aware of the weakness of the Chinese economy which constrained China's freedom of action, but he also realized that the Japanese economy was not sufficiently strong to ensure China's dependence on Japan. In that sense, the analysis of the Chinese situation by the Kwantung Army compiled after Doihara's inspection trip in March 1935 was not all that different from Hirota's assumptions. I should like now to discuss several themes which ran through Japanese policy during the Hirota era.

'HIROTA'S FOREIGN POLICY': IDEALISM, OR MACHIAVELLIAN PURSUIT OF POWER?

An understanding of Hirota's foreign policy and his approach towards the making of such policy, requires a distinction between the goals, the means, and the underlying values. Most misleading has been a tendency to confuse Hirota's apparently 'conciliatory' approach with the underlying goals of his policy, sometimes characterized as 'policy of reconciliation' (*wakyō gaikō*). My research does not support the idea that Hirota regarded 'reconciliation' as a value in itself. The Asian mainland was the major area of interest to Japan; policies of deterrence and reconciliation to the 'Great Powers' were tactical means to facilitate Japan's 'free hand' in Asia.

The importance of 'Hirota's Three Principles'

Hirota's foreign policy is commonly associated with the so-called 'Three Principles', which formed the Japanese reply to a set of Chinese demands put forward in June 1935, in which China had reiterated calls for the recognition of full Chinese equality. The Japanese reply consisted of a summing up of three points, conveyed to the Chinese at the beginning of September. Although these Three Principles carry Hirota's name, the document was in fact the outcome of—as usual—complex and difficult negotiations between various groups and individuals within the army, the navy, and the foreign ministry. The 'principles' made public in January 1936 concerned:

- 1 the cessation of anti-Japanese activities;
- 2 the recognition of Manchukuo;
- 3 a joint defense against communism.

As such these 'principles' were basically not negotiable, since any modification would have required upsetting the precarious and difficult balance which the various Japanese actors had achieved. The Japanese pattern of policy formulation put Japan in an extremely awkward position in international negotiations. Demands that could basically

not become the subject of bilateral discussions in a give-and-take process are usually not a good starting-point for negotiations.

Sino-Japanese negotiations were further complicated by the fact that, over the following months, Japan issued differing versions of the Three Principles. Even in Japan there were doubts about their usefulness as a basis for negotiations. Ambassador Ariyoshi commented on 26 November 1935 concerning Hirota's demand for the limited 'creation of faits accomplis' in North China, and have Zheyuan Song issue a statement of local independence (*jichi*). Ariyoshi argued that such a demand itself would frustrate negotiations on the basis of Hirota's Three Principles, but Hirota was unimpressed. He argued that 'local self-government' and his Three Principles were totally separate matters. As reflected in the records of the Saionji-Harada Memoirs (Chapter 188), the first principle was at times taken to mean that China should forgo relying on England and America, leaning towards Japan instead.

The biggest public row, however, arose when Hirota, in his parliamentary speech on foreign policy in January 1936, claimed that the Chinese leader Chiang Kaishek had already accepted the Japanese demand for recognition of *Manshūkoku* (Manchukuo). A document of 20 October 1935, kept in the Japanese Foreign Affairs Archives, quotes the Chinese ambassador Zuobin Jiang on the basis of Jiang's personal notes borrowed by the Japanese side for the purpose of compiling this document.¹¹ From this document it appears that Jiang had made his principled objections concerning Manchukuo quite clear, and that the Japanese side acted in ill faith when it continued to pretend that China had accepted recognition of Manchuria. Concerning the shifting content of the Three Principles, Chapter 188 of the Saionji-Harada Memoirs of 28 November 1935 demonstrates the close link between the Japanese attempt to link its policy of forcing recognition of Manchuria and its North China policy.¹²

At this point, the Japanese press already pointed out that the 'new' foreign policy by Hirota had so far failed to achieve the aspired results (*Asahi*, 24 and 25 December 1935). Japanese diplomatic and public credibility in the negotiations were suffering. Towards the end of January 1936 Ambassador Ariyoshi cabled that he doubted whether the imposition of the Three Principles could be achieved without applying force, and that the application of force would in turn disrupt the basis for further negotiations.

Other Japanese documents pretended as well that China had already acknowledged acceptance of the Three Principles. The 'Private draft' by Morishima for the instructions to Arita on assuming his new appointment as Ambassador to China repeated that 'Chiang Kaishek had admitted the unconditional acceptance of the Three Principles to Ariyoshi'.¹³ One may speculate about the reasons for clinging to the Three Principles; the most obvious seems to be that to retract would undermine Japanese 'authority' even more.

On 26 February 1936 units of the Japanese Army in Tokyo attempted a putsch; one of the victims was the Minister of Finance, Korekiyo Takahashi. Although the putsch was suppressed this event was another serious blow to Japanese parliamentary politics. The 26 February Incident had removed the momentum in the ongoing talks between Japan and China. When Ambassador Grew met Hirota on 13 March, he reported Hirota's comments on Japan's policy after the Incident in the following way:

13 March 1936

At three o'clock Mr. Hirota received me in the Prime Minister's official residence.... He said at the start that the policy which he has been following as Minister for Foreign Affairs would continue unchanged.

I asked Hirota if he would define the term 'positive diplomacy' which was now being aired in the press as the programme of the new government. Hirota said that this term applied only to China and Soviet Russia and it simply meant a general speeding-up of the policy already followed.... He said, however, that a Soviet-Japanese war would be stupid.

With regard to China, Hirota said that the three points already enunciated would form the basis for future Sino-Japanese negotiations and that these points had already been accepted by the Chinese Government in principle. At my request he defined these points as follows:

a. A stop must be put to anti-Japanese activities and propaganda in China.

b. It is understood that *de jure* recognition of Manchukuo by China at present would be difficult and it is not demanded, but what is desired is recognition of the existence of Manchukuo and regularization of such factual relations as customs, communications, transit, et cetera.

c. Sino-Japanese co-operation is desired to combat the spread of Communism.

I told Hirota that it would be helpful if he could authorize me to reassure my Government that the pursuance of Japan's policy in China would not interfere with foreign rights and interests, including the principle of the Open Door. The Prime Minister said that there would be no tampering with the principle of the Open Door by Japan and that, so far as he could see, the only possible way in which foreign rights and interests might be indirectly affected by Japan's policy would be through the possible relinquishment by Japan of her extra-territorial rights some time in the future.

(Grew 1944:161-2)

In an interview with foreign journalists on 25 March, however, Hirota defined his 'autonomous foreign policy' (*jishu gaikō*) much more widely and encompassing, namely as not being limited to China and Soviet Russia (*Hirota naikaku*: 164).

It was not only changing circumstances that required adjustment of Japanese policies, in particular a reassessment of the usefulness of the Three Principles as a central issue in negotiations. When the new Foreign Minister Arita gave an interview on 25 April it appeared that his talks in China with Chiang Kaishek and Zhang Qun had not entered into specifics; in other words, there had been no serious talks or negotiations on the basis of the Three Principles at all (*Hirota naikaku*: 211). Although Arita in his new role as Foreign Minister in the Hirota cabinet upheld the continued importance of the Three Principles, by June 1936 he deemphasized their role (*Hirota naikaku*: 225; *Asahi* 31 May

1935, evening edition, 6 May 1935). At a certain stage, the anti-communist clause was even dropped from the Three Principles.

In reaction to Japanese moves in areas close to the borders of Outer Mongolia and the Soviet Union, the Soviet Union through Bogomolov issued a strong warning on the implications of the Three Principles in a document transmitted to Hirota by Ambassador Ariyoshi on 31 January 1936. Subsequently tensions were also rising because of reports on an alleged Sino-Soviet Mutual Aid Pact said to have been concluded on 6 March 1936. Japan was clearly in need to strengthen its deterrence *vis-à-vis* the Soviet Union. Looking for support elsewhere, Japan emphasized its anti-Communist credentials in talks with diplomats from the USA and Great Britain, but was keenly aware that in the event of an outbreak of open hostilities, these powers would not side with Japan. Shigeharu Matsumoto (1977:83) reported an exclusive interview with Chiang Kaishek, in which Chiang argued that China and Japan ought to join their military power to confront the Soviet Union in joint defense. Isogai suspected Chiang of pro-Soviet sympathies. In the face of such uncertainties, the Anti-Comintern Pact with Germany seemed logical, if the effect of such a pact could be limited to acting as a deterrent against Soviet pressure. Japan severely underestimated the negative effect of the pact on the anti-communist, but equally anti-fascist, allied powers.

‘East Asia is different’

In keeping with the general line of Japanese foreign policy, Hirota instructed his diplomats to prevent East Asian issues from entering the agenda of international conferences,¹⁴ and worked to strengthen Japanese leadership in East Asia. In March 1934 Hirota sent a document to Japanese ambassadors in which he stated that ‘one should not apply international law and customs to China’, and that China was different ‘from the ideas that Europeans and Americans had about it’.¹⁵ Leith-Ross was quoted by the *Asahi* on 11 September 1935 to the effect that Shigemitsu and Hirota had pointed out the lack of unification of the Chinese economy, which was different from the state of the economy in European nation states, adding that the Chinese had an attitude to the use of paper currency which differed from (advanced) nations. The Chinese had indeed good reasons for not putting their trust in it, and preferred to keep their savings in precious metals such as gold and silver. In fact, Hirota and other Japanese had been at pains to prevent the economic and political unification of China, and when Leith-Ross had earlier argued in favor of internationally supported currency reforms as a means to achieve China’s economic unification, this must have been one of the major causes for Hirota’s negative reaction to all offers by Leith-Ross to become involved in the reforms.¹⁶ One of the Japanese concerns was that Japan would not be able to dominate China and the Chinese market in open economic competition. The markets of East Asia were judged vital during the mid-1930s, when the Great Powers and their colonies and dependencies started putting up barriers to the flood of cheap Japanese imports. At stake were not simply commercial considerations: then as now, economic security was immediately linked to national security and survival.

Although Leith-Ross had speculated that he might draw Japan into the negotiations on currency reforms in his talk with Hirota on 10 September 1935 by promising the prospect of Chinese (and international) recognition of Manchuria in return for Japanese guarantees

for the territorial integrity of China, this approach ignored basic Japanese thinking on the expansion of its hegemonic role in North China and East Asia in general. A few days later Britain extended to China a loan of £10 million, an important ingredient of the proposed currency reforms.¹⁷ On 24 September 1935 Hayao Tada made his statement, which in many ways not only restated Hirota's concepts on China and East Asia in plain language, but also severely criticized the lack of vision in Japanese policy, which according to Tada merely focused on manipulating local corrupt Chinese power holders, instead of building new structures in East Asia. Japan aimed to become a hegemonic power; but in order to implement this vision it relied on an array of incoherent tactical moves, unable to develop a consistent grand strategy.

Subsequent autonomous actions by local Japanese forces in China were not merely an expression of insubordination, they were also caused by apprehension that Hirota's policy was not achieving the set goal of controlling increasing parts of China. On 5 November 1935 Shigemitsu argued that just as the USA had claimed particular circumstances for having South America in its Monroe Doctrine excluded from international discussions, Japan was justified to see East Asia, with its distinct characteristics, excluded from the international agenda. The methods differed, but the armed forces and diplomats agreed that Japan should have a free hand on the Asian mainland.

Japan's policies toward the Great Powers as a derivative of Japan's China policy

In the record of his meeting with Hirota in September 1933, Grew quoted Hirota as saying 'that the corner-stone of his policy would be the development of better relations with the United States and that this, in fact, was the primary reason why he had accepted the appointment which had come to him as a complete surprise' (Grew 1944:94). This should not be interpreted in the sense that Japanese policy towards East Asia was a derivative of Japanese policy towards the USA (and Great Britain as well). Japan assumed that it would have a 'free hand' in East Asia as long as the USA would not feel forced to interfere directly. He assumed that the Western powers would not risk a war over Japan's China policy. Hirota was very explicit on the need to keep the USA, Russia and China divided. The Japanese Minister to China, Akira Ariyoshi argued that moves made by foreign powers, either jointly or individually to promote close relations with China, could undermine Japan's special position in East Asia, and such moves should therefore be opposed by Japan. This assertion of Japan's special position had been described by some of its public men as a 'Monroe Doctrine'. The most extreme statement of Japan's hegemonic claims was made by the 'official spokesman' of the Japanese Foreign Office, Eiji Amō, on 17 April 1934.

It is now generally assumed that the Amō statement was in fact a true reflection of Hirota's ideas. It was not basic hostility to the Western powers as such, pushed along by Japanese ultranationalist ideology, but rational calculation which caused Japanese opposition to the cotton—wheat loans extended by the USA in 1933. Any action that supported China's unification, and thereby undermined Japanese 'authority' versus China, was sure to encounter Japanese opposition.

Domestic politics had a major impact on talk about 'the crisis of 1935-6', a crisis triggered by the expiry of treaties on arms control with the Western powers. It was generally estimated as follows:

The Japanese Army will reach the zenith of its combat efficiency in 1935 and that if war is intended, the spring of 1935 will be the most likely moment for attack...because they (the Japanese generals) realize that time is constantly telling in favor of the Russian forces.

(Grew 1944:116)

This awareness was one of the main reasons why Japanese policies towards the Asian continent were guided by the need to consolidate Japan's economic and military position. Apart from some extremists, Asia policy was not conceived as a first step in the preparation for an offensive war against the Soviet Union. Actions by the Japanese military in Inner Mongolia and North China in 1935 were primarily meant to deter the Soviet Union from interference.

It was against this background that Hirota in February 1935 'expressed the view that improved relations between Japan, China and the U.S.S.R. were the primary desiderata which would eventually lead to the solution of naval and other problems in Japan's relations with the principal Western powers.' In March 1935 Japan achieved one of its major objectives versus the Soviet Union, the completion of the sale of the Manchurian Railways by the Soviet Union to Japan. In addition to reducing the chance of future friction, Soviet acceptance of the deal indirectly helped Japan in its attempts to convince China that it had little to expect from foreign powers as a way to counterbalance Japan. An article in the *Asahi*, quoted in US embassy reports for March, stated:

Great Britain, perceiving an improvement in Sino-Japanese relations, had induced the United States to act conjointly in helping China out of its difficulties as a means of checking co-operation between Japan and China, which would be injurious to foreign interests in China.

(US Embassy, Tokyo, *Reports on Conditions*, March 1935)

US conceptualization of Hirota's foreign policy suffered from the fact that it was predicated on the assumption of a fundamental split in the Japanese government along the lines 'chauvinists' versus 'liberals':

Judging from the pronouncements made during March, it may be said that the chauvinists, who include most of the military and perhaps such Government officials as the Vice Minister for Foreign Affairs and the Foreign Office spokesman, are definitely opposed to international assistance to China. On the other hand, the liberal element appeared to be less unfavorably disposed toward a co-operative effort on the part of the interested Power to render financial assistance to China.

(US Embassy, Tokyo, *Monthly Report*, March 1935)

Rise of Soviet power in 1935 as major cause for 'internationalization' of Japan's China policy, and Pact with Germany (1936)

It was ironic in more than one way that Japanese policy, which was opposed to the inclusion of the 'Far East' on the international agenda, and had aimed to deter the Great Powers from interfering, finally decided to rely on Germany's apparent rise in strength as an additional deterrent against the Soviet Union. Ironically, since it was this move that more than anything else caused the internationalization of Far Eastern questions, which now became linked to the rise of fascism in Europe. In an interview on 25 April 1936 Arita had replied in the negative to the question whether the government was considering a German—Japanese alliance in response to the French—Soviet agreement (*Hirota, naikaku*: 211). The pact was concluded in November 1936, and marked the beginning of the 'internationalization' of Japan's foreign policy problems, which culminated in the preventive attack on the USA at Pearl Harbor—preventive in so far as war with the USA was by then deemed inevitable.

Ministry of Foreign Affairs and Armed Forces: fundamental conflict?

Although there was at times serious conflict between various branches of the armed forces and the foreign ministry, we should not assume that such conflicts entailed battles over fundamental 'Western' principles, such as a choice between 'democracy' or 'fascist totalitarianism'. Hirota had good, at times even close, connections with representatives of the armed forces, and to impute to him leadership of a supposedly civilian branch of government fighting against totalitarian encroachment seems quite unfounded. His reputedly good links with the military were an important factor earning Hirota the prime ministership in 1936. There was a serious danger, also expressed by Shigemitsu, that lasting involvement in China by the military could lead to a situation where, in the long run, 'the army intends to take control of diplomatic relations with China'.

JAPAN'S FAILURE TO BUILD A JAPANESE-STYLE INTERNATIONAL ORDER IN ASIA

In his talks with Grew, Hirota had tried to focus on 'Nanking' as an authority with only limited territorial authority, denying Nanking not only sovereignty over Manchuria, but also de facto control over North China. In June 1935 diplomatic representations were raised to the level of ambassador, but this proved no obstacle for Japan to continue its pressure on Nanking. Hirota emphasized that Japan was not prepared to undertake steps which would have placed any kind of formal responsibility for North China on Japan. Once China had been able to increase its push towards economic (and political) unification, it became clear to many that this success undermined the pro-Japanese factions in North China. At the beginning of 1935, Hirota had not really been optimistic about the chance to create a foothold in North China. Minister of Finance Takahashi voiced his doubts concerning the usefulness of investing in North China in September (*Asahi*, evening edition, 4 September 1935). He was probably aware that employing military pressure as a means to achieve economic preeminence in China was a doubtful enterprise, but he was apparently not prepared to forgo the use of military pressure.

Shigemitsu continued to use the threat of force in his talks with Ambassador Ding, consistent with Hirota's tactics of 'gradualism', which in plain text meant the gradual increase of military pressure on China. At the time of the 'crisis' for Hirota's China policy in November 1935, Hirota still stressed the separate character of North China in his discussions with the new ambassador Ding. Disowning actions by the *Kantōgun* (Kwantung Army) in public were convenient tactics. One of the means of putting pressure on Nanking were Japanese attempts to woo 'pro-Japanese' politicians. The most important attempt was the failed struggle to make Zheyuan Song a Japanese puppet during the winter of 1935–6. Throughout 1935, and continuing into 1936, Japan had also used 'smuggling' in North China as one of the means to undermine the economic position of the Nanking government.

Towards the end of 1935 the issue of Chinese unification, the major aim of the Nanking government, had reached a crisis point: China's successful currency reform, student demonstrations, political changes within the Nanking government, and the gradual collapse of the 'operations for North Chinese self-government' which had been predicted in the Tada statement, all pointed to the impending failure of Japan's China policy. Documents show that Hirota came down clearly on the side of those who wished to prevent Chinese unification.

WAS THERE A STRATEGIC CONCEPT UNDERLYING HIROTA FOREIGN POLICY?

Between July and September 1936 it seemed that Japan had finally succeeded in creating internal unanimity with the formulation of a 'new' China policy. It was hoped that this would avoid wasting Japanese energy on scattered minor issues in North China, reduce friction with China in general, at a time when the perceived threat from the Soviet Union required that Japan pay more attention to the international context of its Asian policy. This change of policies did not result in a genuine disengagement, since Japan was not prepared to risk endangering its 'position of authority' in China, by reducing its military engagement on Chinese soil. In this chapter I have mainly focused on Hirota's Three Principles and his foreign policy in 1935 and early 1936. It was during this period that Japan failed to gain acceptance as Asia's hegemonic power through a combination of peaceful means and military pressure. Hegemonic aspirations were, however, not accompanied by strategic visions. There were attempts in 1936 and early 1937 to rebuild Japanese foreign policy in a more coherent way, but these were insufficient to remedy the basic failures of the preceding period. By this time, Kanzo Uchimura's teachings of 1905 had already fallen into oblivion: 'The desire to Japanize the world will lead to Japan's destruction. The desire to globalize Japan will lead to Japan becoming a global power.'

NOTES

- 1 Due to limitations of space this chapter does not include full documentation which will be presented in my forthcoming book *Japan and China on the Road to War, 1933–7*.
- 2 'Southward expansion and the navy. Powers have entertained suspicion of Japan's ambitions in the South Seas for years', *The Japan Times*, Tokyo, Friday, 28 August 1936.

- 3 It may be tempting to tackle this problem by having historians from various countries cooperate in teamwork pattern. Although useful, teamwork cannot replace the creation of historical vision by an individual historian. The uncompromising essence of scientific work demands that reasoning and vision not be the result of collectivist bargaining to achieve a compromise formula, in order to satisfy all members of a research team.
- 4 For a contemporary analysis in terms of Japanese 'moderates' and 'extremists', see Ambassador Grew [cable addressed to] Secretary of State, Washington, 4, 2 p.m., 5 January, Strictly Confidential.
- 5 Cable addressed to Secretary of State, Washington, 606, 5 p.m., 21 July 1940, Strictly Confidential.
- 6 Before the establishment of the Abe cabinet the 'Main points of National Policy on the China Incident' [*Shina jihen kokusaku yōkō*] were drafted. It conceived of the Sino-Japanese war as a prelude to a Japanese—Soviet war, and placed the responsibility of the 'China Incident' squarely on communism.
- 7 I am here referring to the report by Shigemitsu, then consul in China, entitled 'Revolutionary Diplomacy' [*Kakumei gaikō*], December 1931 (Radtke 1992:436, note 7).
- 8 A different view is put forward by Tetsuya Sakai; he argues that a major function of the so-called crisis of 1935–6 lay in domestic politics, and talk of the crisis should not be automatically interpreted as expression of aggressive intentions against other countries (Sakai 1992:68).
- 9 Document dated 15 May 1890, kept in the Archives of the Ministry of Foreign Affairs (Radtke 1992:423).
- 10 US Embassy, Tokyo, *Report on Conditions in Japan During the Month of February, 1935*, If.
- 11 'A handwritten copy of a document dated 20 October 1935 (Minguo 24, 20 October) borrowed informally from Ambassador Jiang'.
- 12 See Sakai (1992) *Taishō demokurashī*, p. 58. Compare Shigemitsu's 'Oral Instructions' of 20 October 1934 (Foreign Affairs Archives, A.1.1.0.9.1), and a relevant document by the General Staff Headquarters of 6 February 1936 entitled 'On the Nanking Government's proposal of a Sino-Japanese Conference in Nanking [*Nankin seiken no nissshi nankin kaigi teian ni taisuru ken*]', still favoring the creation of five 'independent' provinces. A major function of North China was clearly its role in the protection of Japan's hold over *Manshū* (Manchuria). See also the report in *Asahi*, 22 December 1935, on the talks between Ambassador Ariyoshi with Chiang Kaishek and Zhang Qun.
- 13 Cable by Ariyoshi to Hirota of 31 January 1936 (secret, No. 70); The 'Morishima Draft', document of 12 February 1936; Ariyoshi's cable to Hirota of 23 December 1935 restated that Chiang had agreed to the Three Principles, and threatened Chiang not to interfere in North China.
- 14 Hirota's cable to Ambassador Saitō in Washington of 22 May 1934.
- 15 Hirota's cable to Ambassador Saitō in Washington of 19 March 1934 (No. 302).
- 16 Asia Bureau, 14 August 1935: 'Summary of our reaction to Leith-Ross', Asia Bureau, 18 September 1935, 'Draft of our Minister's reaction to the Second Talk with Ambassador Jiang Zuobin'.
- 17 Tsun-Hung Cho argues that the importance of British aid was less than is usually assumed; cf. *Zhongguo jindai bizhi gaige shi*, 288ff.

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FROM FRIEND TO FOE

Pre-World War II Japanese-American relations
within the Institute of Pacific Relations*P.F.Hooper*

When the Institute of Pacific Relations was formed in the mid-1920s, relations between its Japanese and American units were close. The Japanese and Americans had taken the lead in creating the organization, its initial focus was upon cultural and racial issues that were of great concern in each country, and the two groups thus shared a goodly amount of common purpose. However, reflecting the broader developments of the era, this sense of unity largely disappeared during the 1930s and, following the Pearl Harbor attack, the American unit declared its enthusiastic support of the Allied war effort. The Japanese unit, increasingly isolated by larger events, ceased meaningful participation in the Institute after the mid-1930s and concentrated its efforts upon studies supporting its nation's Asian policies. This chapter examines the development of Japanese—American tensions within the Institute during the 1930s and charts the evolution of relations between the two groups from friendliness to hostility. While its focus is upon the issues that drove an everdeepening wedge into this relationship, attention is also devoted to efforts to preserve the initial ties.

During the early 1920s, tensions generated by the racially charged Japanese—American disagreement over the latter's discriminatory immigration restrictions, the militant nationalism of China's revived revolution, and other regional disputes threatened to wreak havoc in the Pacific. Responding to this threat, in 1925 professional, civic, and academic leaders from throughout the area formed the Institute of Pacific Relations in the belief that influential community figures, momentarily putting aside their formal affiliations and meeting simply as concerned regional citizens, might prove more effective than government officials in generating mutual understanding and, through it, discovering ways of resolving these disputes. Most of the founders believed that regional diplomacy would be enhanced if informed popular opinion were paid greater heed and that the particular form of opinion they offered—one informed by their own varied practical experiences, tempered by organized research, and developed through a continuing series of private discussion conferences—would, by its very nature, be uniquely valuable. While they focused their energies on analysis rather than direct action, they also anticipated that governments would find ways of making use of their findings. The end result was the creation of an intricate mechanism—at once international but decentralized, unified but diverse, and engaged but non-governmental—for the practice of private diplomacy, or, to use their term, 'conference diplomacy'.¹ Although the Institute would eventually fail in its effort to preserve regional peace, it would build a thoroughly impressive record of fostering international participation (a total of fifteen national groups were formed), conferencing (thirteen major international conferences and scores of lesser gatherings were held), research (some 1,600 titles were published or sponsored), and related activities before it faded from the scene in the late 1950s.²

Despite the tensions surrounding the creation of the Institute, initial relationships within the organization were remarkably harmonious, and most of those associated with it appeared confident that the anticipated ends would be achieved. Asian participants, so long accustomed to paternal treatment by Westerners, appreciated being acknowledged as equals—as a leader of the Institute’s Japanese national council once put it, this ‘was the first occasion on which the Occident has approached the Orient with nothing to sell, nothing to preach and nothing to teach’ (Condliffe 1932:526)—and Ray Lyman Wilbur, the first chairman of the group’s American national council, spoke for most Western participants when he entitled an early article about the organization ‘An Adventure in Friendship’ (Wilbur 1927). As John B. Condliffe, the Institute’s first Research Secretary, later observed, the entire organization was inspired ‘by the possibility of building in the Pacific a new and greater civilization which will not shatter itself upon negative conflict but will build upon the elements of social strength which are present both in the scientific industrialism of the West and in the ancient philosophies of the East’ (Condliffe 1932:530).

Significantly, the same spirit of optimism, trust, and cooperation characterized the early relationship between the Institute’s Japanese and American national councils. Regardless of the general enmity aroused by the immigration issue, each group expressed the belief that the goodwill and decent character of the other would eventually open a satisfactory path through the political, cultural, and emotional thicket. Viscount Eiichi Shibusawa, a key Meiji era leader and early supporter of the Institute, spoke for many Japanese in observing that:

I have been an especial admirer of America and the spirit and leadership of American ideals and institutions. A succession of unfortunate events during the last few years has disappointed me in my estimate of America and has saddened, but I do not feel cast down or without hope that better understanding and juster relations can be established in the future between the two nations. The Institute of Pacific Relations impresses me as a timely and effective method of bringing about gradually a better understanding and a better relationship between the peoples of America and Japan. It is not a quick solution: in fact it will take a good many years to mature this process of the Institute, but it may be all the more fundamental because it is a slow and thorough process.

(Quoted in Wilbur 1927:594–5)

On a different occasion, he made the point even more forcefully:

[it is]...unbecoming to impute unfriendliness to the rash act of a lifelong friend. We owe too much to America, we honor her and love her too much to strike back in this way. The America that we know has not acted. It is another America, not the real America. We must be patient and give our friend time to reassert her best self and make right in her own time and her own way what seems to us to be an unjust and unreasonable act.

(Quoted in Davis to Wilbur 5/26/26)

J. Merle Davis, the Institute's first Secretary General, found widespread evidence of this fundamentally positive perspective during an extended visit to Japan in 1926. As he reported back to a colleague:

I was impressed with the faith in the goodwill and justice of the United States to which many of the Japanese leaders still cling. America was the source of their idealism, and to her they still feel that they owe their training, their point of view and much of their culture. The Japanese are pleased with the Institute of Pacific Relations because of its unbiased spirit of inquiry and frank examination of facts. It is a process in which they have become adept during the last seventy years, and they believe in it.

(Davis to Wilbur 5/26/26)

American Council leaders responded with their own optimistic views of Japan. In another report during his 1926 visit, Davis observed:

I can hardly over-state my satisfaction with the leadership of the Japanese Institute group. The Council is well balanced, with several of their greatest publicists, educators, religionists, business men and scientists included.... I am impressed with the open-mindedness and with the teachableness of the Japanese people. I am also impressed with their amazing self-control and their determination to succeed and their willingness to pay the price of success. These are the secrets of their amazing development of the last half century. One looks in vain for signs of self-satisfaction, of narrowness, of bigotry. They are not too proud to learn. They are not so small but that they acknowledge their faults and weakness. It is at this point, and not on the basis of economics, that I have misgivings for my own country, as I compare the spirit of the two nations. The Japanese have learned the mighty power of facts: they have been worshipping at the shrine of Truth for sixty years and they have developed a capacity for finding truth and applying it, and for seeing through sham and camouflage that can well make Western nations pause.

(Davis to Wilbur 5/11/26)

Speaking a year later at the Institute's 1927 conference, Ray Lyman Wilbur echoed Davis's observations:

There has been a steady increase in admiration of the great achievements of the Japanese people. Their rapid advance in what the American thinks of as progress in civilization and the high qualities shown in the face of disaster have made a profound impression. The patience and friendliness shown by the Japanese people in the delicate subject of immigration has enhanced the respect of America for Japan and brightened the prospects for a mutually satisfactory solution.

(IPR 1927:60-1)

Similar expressions of sentiment lace the record of American Council activities throughout the early years.³ Yet, despite the initial enthusiasm and goodwill, there were always concerns about whether the differences between Japan and the USA could be peacefully resolved. They qualify Viscount Shibusawa's otherwise understanding remarks, and Davis's reports, regardless of their almost passionately hopeful general tone, also address the potential for war between the two nations.⁴ Even a cursory survey of the popular press in both countries during these years demonstrates that such concerns were well-founded. Hence, it is sad but not shocking to find that Japanese—American relations in the Institute deteriorated more or less in tandem with the collapse of relations between the two nations. Symbolic of this unhappy process, some fifteen years after having expressed his great optimism about the prospects for East—West friendship, Wilbur was issuing a statement pledging the full resources of the American Council to the vigorous prosecution of the war against Japan (IPR 1943:8).⁵

While there may have been an element of inevitability in the coming war between Japan and the USA which in turn destined Japanese-American relations within the Institute to mirror the larger relationship, neither national council recognized it during the organization's formative years. Although both groups clearly understood the gravity of the issues separating them and that a violent outcome was possible, they were seriously devoted to a cooperative, good faith attempt to help shift events onto a different course more likely to produce a peaceful solution.

This sense of purpose and approach was manifest in the Institute's words and deeds of the period. Events at its 1929 Kyoto conference illustrate. Despite immense discomfiture over the decision to place the Manchurian issue on the agenda, the Japanese Council resisted strong domestic pressures to respond fervently or defensively—some had even suggested that it withdraw from the conference (Davis to Wilbur 1/7/30)⁶—and instead participated frankly and analytically in accord with the founding expectations (Davis to Wilbur 1/7/30; IPR 1929). Recognizing how difficult this was in the face of mounting nationalist sentiment and the fact that the conference was meeting in Kyoto and therefore subject to close local press scrutiny, delegates from the USA and elsewhere responded with an outpouring of goodwill for Japan, high praise for the Japanese delegates' courageous conduct, pledges of willingness to view issues from Japanese as well as their own national perspectives, and, perhaps of greatest significance, cooperation in barring all formal discussion of the Tanaka Memorial, the now widely known but apparently spurious document on Japan's supposed global ambitions that had just then come to light (Davis to Wilbur 1/7/30; IPR 1929)⁷ This, in turn, led to Japanese statements of confidence in the integrity of the other national councils—particularly the American Council—and expressions of conviction that their national policy would receive a fair examination by Institute participants.⁸ With very few exceptions, all major aspects of Japanese—American relations within the Institute—public statements, correspondence, and publications—were marked by similar expressions of hope and mutual respect during this period.

However, larger events of the late 1920s and early 1930s strained this relationship, particularly the onset of the global depression, tariff increases, rising Japanese nationalism and militarism, and the Manchurian Incident of September 1931. Events that followed in the wake of the Manchurian incursion—especially the Stimson Doctrine, the establishment of Manchukuo, the Lytton Commission report, and Japan's withdrawal

from the League—further aggravated matters. Nonetheless, the initial response to these events in most Institute quarters was surprisingly muted as officials and participants alike endeavored to nurture their ‘adventure in friendship’. For example, although the outbreak of hostilities in Manchuria came just two days before the scheduled opening of the group’s 1931 Hangchow conference and sparked violent Chinese protests that threatened to force the cancellation of the meeting, Edward C. Carter, then head of the American Council, initiated a frenzied round of negotiations that salvaged the gathering by moving it to the relative safety of the Shanghai International Settlement and persuading the Japanese to attend despite the very real threat of personal danger. The willingness of the Japanese Council, then under the leadership of Inazo Nitobe, to participate under these circumstances demonstrated a commitment to the Institute akin to that of Carter and his American colleagues (Hooper 1995:10).

The same spirit was evident in other events during these years. For instance, although the Japanese Council was consistently nervous about having the Manchurian issue on conference agendas and under increasing domestic criticism for participating in an organization that put ‘Japan on trial’ (as quoted from Anonymous 1931),⁹ it still undertook the formidable task of endeavoring to explain Japanese policies, believing that analysis within the dispassionate context of Institute meetings and publications would result in understanding. Nitobe led this effort, most notably with an American speaking tour in 1932–3 (during which he addressed a wide variety of audiences in addition to Institute members and even met with President Herbert Hoover), a great number of talks throughout Japan, and a conciliatory opening speech at the Institute’s 1933 Banff Conference.¹⁰ Aware of the difficulties of Nitobe’s task, the American Council acknowledged his labors with support and appreciation.¹¹

However, Japanese—American diplomatic relations were growing increasingly hostile, and no amount of goodwill could stop the related tensions from finding their way into Institute activities. Pressure from the American and other national councils for a more thorough exploration of the Manchurian issue continued, the tone of the conference round-table discussions regarding Japan grew steadily harsher, and general sympathy for China’s plight expanded.¹² Although efforts to understand the basis for Japanese policies continued (especially with regard to such matters as population pressure, food production, and resource and market security), by the mid-1930s most of the Institute’s other participants had grown skeptical of Japan’s intentions and appeared to believe there was little hope for any satisfactory resolution unless the Japanese liberals were somehow returned to power.¹³

This perspective is especially evident in *Pacific Affairs*, the IPR’s principal journal, following Owen Lattimore’s appointment as its editor early in 1934. While there was a balance of viewpoints in articles and reviews, the editorials—a new feature introduced by Lattimore—were frequently passionate. Although thoughtful and more even-handed than editorials in many contemporary newspapers, they displayed a decidedly negative view of Japanese activities in Manchuria and China proper. To illustrate, by the end of 1935, he was describing Manchukuo as a ‘puppet state’ and blaming the ‘Japanese invasion’ for the ‘destruction of [Chinese] national life’ (Anonymous 1935:468–73). During the following year, this tone escalated to warnings about Japanese imperial intentions throughout the entire Pacific:

Driven by the motor force of its own industrialization, Japan has expanded into Asia; but how exclusively will its political expansion be confined to China? Manchuria was not enough; North China is not enough; will the whole of China be enough? Failure to find a permanent, balanced economy of an imperial Japan and a colonial empire leaves unchecked the maladjustments within Japan which stimulate expansion. If continental expansion is not enough, it is more likely that rival claims to maritime expansion will be listened to than that expansion as a national policy will be given up. In the circumstances, it cannot be taken for granted that the growing Japanese navy will be used only in 'naval defense of a land position.' A serious attempt to use it as an instrument of maritime expansion, concurrent with continental expansion, moves ominously into the foreground as one of the possible developments in the Pacific region.

(Anonymous 1936:589)

Facing such external criticism and under consistently increasing domestic pressure either to respond in kind or sever its Institute connections, the Japanese Council moved away from Nitobe's earlier conciliatory stance. Small oversights, such as the failure of the Secretariat staff to correct a Japanese mailing address, resulted in unpleasant correspondence, and Japanese requests to keep the focus of the conferences on background analysis and away from current political issues grew both more frequent and tart.¹⁴ An event involving William L. Holland, then the Institute's Research Secretary, illustrates. Early in 1934, he moved his headquarters to Tokyo in an attempt to strengthen ties between the Secretariat and the Asian national councils. Despite apparently good working relations with his Japanese colleagues and considerable scholarly progress, a year later Japanese Council officials asked him to close the office and leave the country. Although never clear as to the exact circumstances, Holland felt that the government had pressured the Japanese Council to make the request and that it had complied as a matter of survival (Hooper 1995:16–18). Whatever the precise details, the incident dramatizes the rapid deterioration of relations in the mid-1930s.

Tensions within the Institute further increased in the wake of Japan's invasion of China proper during the summer of 1937 and such related events as the *Panay* incident, the sack of Nanking, and the declaration of the 'coprosperity sphere'. The Japanese Council, doubtless feeling the pressure of ever-mounting nationalist sentiment, protested even more strenuously that the Institute was inaccurately and unfairly portraying Japanese policies, while the American and other national councils grew increasingly persuaded that Japan was fundamentally to blame for Asia's growing havoc. Despite some effort by the Institute to maintain an objective stance,¹⁵ the general climate, both within and without the organization, became so hostile that the Japanese ceased participation in the conference program after the group's 1936 Yosemite gathering and concluded shortly thereafter that further participation of any sort was futile.¹⁶

Evidence of the Institute's growing belief in Japan's culpability is abundant in its correspondence, conference proceedings, and publications during the late 1930s. The most obvious examples appeared in *Pacific Affairs*. Although still analytical and never crudely anti-Japanese, articles and editorials too numerous readily to cite detailed Japan's

destruction of China and its harmful role in world affairs and, in the process, buttressed the popular view of Japan as an evil menace.¹⁷ Lattimore, and presumably his Institute superiors, saw this stance as entirely appropriate. For example, when a Canadian reader complained of an anti-Japanese bias in the journal, a responding editorial flatly rejected the charge, stating that the articles and editorials were ‘merely history’ based upon ‘facts that the whole world will have to face sooner or later’ (Anonymous 1938:495–8). While such a response may appear appropriate in retrospect, a subsequent observation by Holland regarding the Institute’s Inquiry project of the late 1930s indicates that the reader was not entirely mistaken.¹⁸ He noted that the prevailing view among nearly all non-Japanese Asian scholars of the era—including those associated with the Institute—had, in accord with the reasoning typified by *Pacific Affairs*, come to hold Japan primarily responsible for the course of events in Asia, and they were, in at least this limited sense, indeed anti-Japanese (Hooper 1995:309–10).¹⁹

It was the just-noted Inquiry project that brought matters to a head and caused the final rupture in Japan’s relations with the Institute. This undertaking began in 1937 when Carter, by then the Institute’s Secretary General, and the Secretariat decided that a study of the root causes of the Sino-Japanese conflict, similar to the earlier Lytton Commission study, would provide valuable background information for the treaty negotiations they anticipated would someday end the struggle. When the conflict evolved into the general Pacific war, the project was expanded to include a broader range of topics, but its essential purpose remained the same. Special funding was obtained from the Rockefeller Foundation, and numerous scholars were engaged to conduct the research. Some thirty book-length studies and a number of pamphlets resulted, among them such substantial titles as Miriam S.Farley’s *American Far Eastern Policy and the Sino-Japanese War*, G.E.Hubbard’s *British Far Eastern Policy*, Ian F.G.Milner’s *New Zealand’s Interests and Policies in the Far East*, Harriet L.Moore’s *Soviet Relations in the Far East 1931–1939*, E.Herbert Norman’s *Japan’s Emergence as a Modern State*, Jack Shepherd’s *Australia’s Interests and Policies in the Far East*, and George E.Taylor’s *The Struggle for North China* (IPR 1939:287–90; Hooper 1995:122–3).

Given the existing disputes between the Japanese Council and the rest of the Institute, it is not surprising to find that the Inquiry project further exacerbated tensions. Anticipating that most of the commissioned studies would hold Japan fundamentally responsible for the region’s troubles, the Japanese Council was extremely apprehensive about approving the project, although it did so in a preliminary manner.²⁰ Complicating circumstances, Carter had obtained funding for the project without consulting the other national councils and then placed it under the direct supervision of the Secretariat, actions contrary to the Institute’s established research procedures. Further, he had directed Holland to inform the Japanese Council about the project only in very general terms, doubtless because he feared the reaction (Hooper 1995:21–4, 112–13, 253–4). Such fears were certainly justified. Once the Japanese Council became fully aware of the project’s scope and arrangements, it withdrew its initial approval, issued a harsh informal condemnation, and lodged a formal protest at a Pacific Council meeting at Princeton University early in 1939.²¹ Failing to obtain what it felt were sufficient changes in the project,²² it declined to send a delegation to the Institute’s 1939 Virginia Beach conference (subsequently classified as simply a ‘study meeting’ to preclude the possibility of future Japanese legal challenges based upon constitutional grounds) and

ceased formal participation in all other activities. Although the Japanese Council continued to operate on an independent basis and even undertook its own version of the Inquiry project,²³ the group's activities came to a halt after Pearl Harbor, and it was formally disbanded by the government in 1943 (Hooper 1995:117).

With these developments, the Institute's original hope of helping chart a peaceful route through the tangle of competing Pacific interests and sentiments collapsed, and, for all practical purposes, the story of Japanese-American relations within the organization ended. However, for at least the sake of the record, there is a postscript that deserves mention. While it is evident that the American Council took the lead in shaping the Institute's critical view of Japan, it should be noted that this stance was by no means extreme within the context of American opinion during these years. In fact, certain critics of the Institute felt it was mild enough to be termed 'pro-Japanese'.²⁴ At the same time, neither were all those associated with the Institute as critical of Japan as Lattimore, Carter, and the others who shared their perspectives. Among the more prominent of those who exercised some influence within the organization but viewed Japan with greater understanding were people like American diplomat Joseph C. Grew and British scholar-diplomat George B. Sansom. Further, other American participants, especially those in the local branches on the west coast and in Hawaii, were inclined toward a still more sympathetic reading of Japanese intentions. Their statements to this effect are an interesting part of the era's record,²⁵ and the Hawaii group even went so far as to prepare a war's eve appeal to President Franklin Roosevelt urging substantial economic and military concessions to Japan as a means of defusing the conflict (Hooper 1975). Hence, clear as the split between the Japanese Council and the Institute's other national councils may have been, in at least the American case it was not based upon extreme viewpoints nor did it reflect a wholly unanimous organizational opinion.

The obvious conclusion to be drawn from this chapter of the Institute's history is that the organization failed to achieve its original goal of helping Japan and the USA to discover a way peacefully to resolve the issues that divided them in the years prior to World War II. Despite a sincere commitment to the task, strenuous efforts, and influential participants, it never found a means of stemming the negative flow of larger social, economic, and political forces. In retrospect, this is hardly surprising. Indeed, at least from the vantage point of the present (and with all the dangers of 'presentism'), it seems almost naive even to hope that a small, non-governmental organization pioneering private diplomacy in trans-Pacific relations might have accomplished such a monumental task. Considering these obstacles, it is reasonable to suggest that the Institute's accomplishments, regardless of the final outcome, should be viewed in terms of achievement rather than failure.

Looking beyond the obvious conclusions, the Institute's story, read as part of the era's larger historical record, offers certain insights about Japanese-American relations that should be considered in future research. Most basic, it helps illuminate the breadth and depth of the issues then dividing the two nations and demonstrates that they were far more complex than merely the immigration-related matters that attracted so much attention at the time of the Institute's formation. As evident even in the cordial statements that marked the Institute's commencement, issues involving national pride and notions about cultural superiority underlay the surface questions. For example, Viscount Shibusawa's pointed observation about immigration policies that did not reflect the 'real

America' was surely a none too subtle charge that the USA had insulted Japan on racial grounds and, by inference, sullied Japanese concepts of cultural pride and stature. J. Merle Davis's reference to the 'teachableness' of the Japanese, no matter how well-intended, betrayed a degree of paternalism that lends substance to Shibusawa's charge and demonstrates the sense of cultural superiority then common in the West. As tensions mounted during the 1930s, these underlying assumptions made resolution of the immediate differences that much more difficult and, in the less restrained hands of the popular media and government propagandists, produced the appalling racial and cultural views described in studies such as John W. Dower's *War Without Mercy* (1986).

In a related vein, the abiding conviction of Japanese Council leaders that they could persuasively explain Japan's actions in Manchuria and China proper if others would but listen is indicative of assumptions about national interests and international fairness that likewise lay beneath the surface of the era's relations. As a world power in the wake of the Meiji reforms, Japan perceived its interests in terms similar to those of the other great powers—including the necessity of colonies and spheres of interest akin to those of the West—and expected that its related actions would be understood and, to the extent possible given competing national interests, accepted. That the USA and the other powers never willingly did so conveyed a suggestion of Japanese inferiority that surely galled, threatened, and eventually contributed to the resort to hostilities.

Carrying this speculative point even further, these factors—deep Japanese—American racial and cultural tensions in conjunction with Japan's sense of unfairness over the West's reluctance to accord it a proper place in world affairs—help demonstrate how Japan, with some degree of reasonability, could come to view itself as more a victim than a perpetrator of the events leading up to and through World War II, and the Institute's experience provides an informative window to the process. At the same time, however, the Institute's experience also provides a similarly informative window on Japan's brutal implementation of its policies in Asia and the Pacific as well as the general failure of the nation's liberals (including those in the Japanese Council) effectively to acknowledge, let alone resist, what was happening. Greater attention to the Institute's record on both of these points should enhance future research. Indeed, given the very general parallel between these historical issues and such issues as a proper commemoration of the fiftieth anniversary of World War II's conclusion and Japan and America 'bashing', greater attention to the organization's record may prove useful in the analysis of even certain contemporary events.

The Institute's experience addresses still other matters of note in Japanese—American relations. One that has attracted some attention among Japanese scholars but is less discussed in American circles concerns the pivotal role of China in relations between Japan and the USA. Since at least the 1930s, scholars in Japan have suggested that the nature of Japanese—American bilateral relations depends in good part upon the nature of the larger triadic relationship and have offered examples ranging from the impact of the Manchurian incident to the reestablishment of relations with Beijing in 1972 as evidence. With respect to at least the former issue, the Institute's record indicates that indeed there is such a connection. While it is by no means clear that the Japanese—American immigration dispute would have been resolved even if other issues had not arisen to complicate circumstances, the experience of the Institute clearly suggests that there was virtually no hope of any kind of resolution once the China factor was added to the

equation in 1931.²⁶ Thus, a closer examination of Institute activities in this realm likewise promises additional insights and possibly even new perspectives.

On a very different but nonetheless significant topic, the Institute's story also provides an opportunity to study the relationship between formal diplomatic activities and the functions of international non-governmental organizations (INGOs). As Lawrence T. Woods persuasively demonstrates in *Asian—Pacific Diplomacy* (1993), INGOs often play significant roles on the edges of formal diplomacy by broaching tasks that governments cannot or will not undertake, something that the Institute did in its efforts to nurture a greater degree of Japanese—American understanding during the pre-war years. He argues that the Institute's achievements in this effort created the foundation for the major contemporary Pacific INGOs—especially the Pacific Trade and Development Conference (PAFTAD), the Pacific Basin Economic Council (PBEC), and the Pacific Economic Cooperation Council (PECC)—and charted the course for their own contributions to the growth of regional cooperation. This, obviously, is an important historical connection that all concerned with the contemporary movement should understand in an effort to build upon past achievements as well as avoid earlier mistakes.

In developing this connection, Woods further suggests that any significant measure of INGO success tends to invite a degree of governmental involvement—the emergence of the Asia-Pacific Economic Cooperation forum (APEC) and the ASEAN Regional Forum (ARF) are current examples—that in turn can jeopardize the efficacy of the original activity. Hypothetical as this concern may be at the moment, a better understanding of the Institute's record might demonstrate its applied significance. It is now well-established that at least the Japanese and British governments were secretly involved with the Institute, and further research may show that this was a factor in turning the organization away from its original analytical role and toward a more activist stance (however difficult it may be fully to demonstrate cause and effect in such matters) which in turn led it to political involvement, controversy, and eventual ruin. If so, this would be an insight of some consequence for current and future regional groups.

Finally and on a more positive note, although the Institute's founding hopes of assisting a Japanese—American reconciliation collapsed and the Japanese and American Councils evolved from early friends into wartime foes, this failure should not be taken as the organization's monument. Indeed, the broader range of Institute achievements is such that any final assessment must be essentially positive. Its research and publication program fostered much of the original core of modern scholarship on Asia and the Pacific. Its conceptualization of the Pacific as a single, interdependent region laid the foundation for much of the contemporary Pacific Community movement. Its success in bringing Asia and the Pacific to a vastly wider spectrum of world attention contributed significantly to the modern challenge to Eurocentrism. Myriad lesser achievements—the development of scholarly networks, the recognition of women as professional equals, the promotion of Asian language studies, and more—further embellish its record. No single failure can diminish the significance of these achievements.

NOTES

- 1 Valuable early summaries of the Institute's formation, based in large part upon direct involvement, are Davis (1926) and Condliffe (1932).

- 2 As Hawaiian leaders were prominent in the move to establish the Institute and because many of those involved perceived Hawaii's relatively harmonious multiethnic society as a microcosm of their hopes for the entire Pacific region, Honolulu was chosen as the site for the organization's first two meetings (1925 and 1927) and its initial international headquarters. Early activities attracted considerable favorable attention, and a federation of national councils including the major Pacific nations as well as most of the European nations with colonies in the Pacific was formed. A series of well-attended international conferences was initiated, what would become an immensely important research and publication program was established, financial support from a variety of sources was generated, and in less than a decade the Institute had gained enough prominence to justify moving its international headquarters to New York. Before it ran afoul of McCarthyism and was dissolved in the early 1960s, the Institute organized national councils in fifteen different nations, held thirteen international conferences and scores of lesser gatherings, and published or sponsored some 1,600 scholarly and popular books and pamphlets. In addition, its international headquarters published *Pacific Affairs*, the well-known scholarly journal, and many of its national councils sponsored their own academic periodicals. It was governed by an international body known as the Pacific Council, which consisted of a representative from each national council and oversaw major organizational functions such as conferences, research and finances through a series of committees. An international Secretariat consisting of operating officers (a secretary general, a research secretary, and varying associates) and staff was responsible for its regular administrative activities. For an overview, see Hooper (1992). For greater historical detail, see Hooper (1995:1–151). For details on the formation of the Institute's all-important Japanese national council, see Yamaoka (1994a, b).
- 3 Most of these examples can be found in *Pacific Affairs*. Although published by the Institute's Secretariat as an international journal, its staff was largely American and a substantial measure of its content reflects a generally American point of view. Much the same can be said of Secretariat activities.
- 4 For example, see Davis to Wilbur 5/26/26.
- 5 Some of his colleagues seemed actually relieved that the moment had finally arrived. For example, see Carter to Atherton 12/15/41.
- 6 In the same letter, Davis notes other instances of such pressures within the Japanese Council. Still other materials also document this problem. For example, see Takayanagi to Loomis 10/31/30. In addition, the Japanese press was critical of the Japanese Council, as illustrated by a *Japan Times* article claiming that Japan was about to be placed 'on trial'. See Anonymous (1931).
- 7 Both documents cite numerous such examples during the conference.
- 8 For one example, see the paraphrase of Inazo Nitobe in Atherton to Allen 5/12/32.
- 9 The Japanese Council regularly sought to have the issue removed from conference agendas even prior to the 1931 incursion. For example, see Takayanagi to Loomis 10/31/30.
- 10 For greater detail, see Uchikawa (1985:128–40). It should be noted that Shih Hu, the famed philosopher-official and then leader of the Chinese Council, delivered similarly conciliatory opening remarks at Banff but that he had intended to give a strongly anti-Japanese address and changed his plans only because of American persuasion. See Carpenter (1968:18). It should also be noted that Nitobe's efforts were frequently criticized in Japan for their anti-Japanese content and in the USA for their pro-Japanese bias. See Hooper (1995:15).
- 11 For example, see Atherton to Allen 6/12/32, and issues of *Pacific Affairs* throughout the period.
- 12 See IPR (1931, 1933, 1936). There was even a suggestion that the Institute organize its own Lytton Commission-like investigative group. See IPR (1931:265). In a sense, it later did so with its Inquiry project.
- 13 For an illustration of this perspective, see IPR (1936:185).

- 14 For example, see Ushiba to Secretariat 3/23/36 and Ushiba to Carter 6/26/36. The requests were reasonable in light of the Institute's constitution and initial approach.
- 15 Numerous Institute statements and publications of the period endeavored objectively to analyze Japanese activities, often noting how certain Western policies were responsible for driving Japan toward various extreme steps. For several examples from the late 1930s, see IPR (1939:1–20) and Jessup (1940). However, these arguments were frequently overshadowed by other Institute rhetoric about Japanese 'puppets', 'expansionism', 'conquest', 'aggression', 'facism', etc. For some of many examples of the latter, see the round-table discussion summaries from the 1936 and 1939 conferences.
- 16 Although apparently never formally stated in so many words, this conclusion is clearly evident in a confidential, private letter regarding the Inquiry project. See Takayanagi to Alsberg 12/9/38. It is even more evident in a lengthy assessment of the Institute bearing the imprint of the Ministry of Foreign Affairs and most likely prepared sometime in 1939 by a Japanese Council participant. See Japanese Ministry of Foreign Affairs (c. 1939). It should also be noted that following its withdrawal from the League, the Institute was one of the few major international forums in which Japan participated. Hence, by ending its relationship, Japan took a significant further step toward isolation.
- 17 For further discussion of the latter point, see Dower (1986:77–200).
- 18 It should be noted that not all publications with Institute connections could claim to be so objective. The principal example in this regard is *Amerasia*, a journal of opinion with very strong pro-Chinese and anti-Japanese views. Although never an Institute publication, its staff had close ties with the organization. This connection was well-known within the Japanese Council and the source of considerable suspicion. See Takayanagi to Alsberg 12/9/38.
- 19 His observation included Institute-related scholars.
- 20 At least Norman's study and another by Charles B. Fahs entitled *Government in Japan* were more friendly. For further discussion, see McGlynn (1959:285–8).
- 21 For detail about the initial approval, see Davis (1966:26–8). For further detail on the protests, see Hooper (1995:253–4) and Takayanagi to Alsberg 12/9/38.
- 22 The national councils were given a share of the funds for related research of their own and a scholarly review board was established, but the basic thrust was not changed. See Hooper (1995:112–13).
- 23 Like the regular Inquiry project, this undertaking dealt largely with contemporary Japanese policies and the conflict in Asia. See IPR (1939:288).
- 24 Journals such as *Amerasia* and *China Monthly* were much harsher in their anti-Japanese stance than the Institute, and it is probably accurate to suggest that the same was true of American public opinion generally. For further discussion, see Davis (1966:22–3 and 105–7).
- 25 For several random examples of statements, see Midkiff to Loomis 4/29/33 and Atherton to Loomis 8/15/36.
- 26 It should be noted that this connection is also recognized by many Chinese scholars, often with the emphasis upon the pivotal role of Japan in relations between China and the USA.

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Part IV
ECONOMIC THOUGHT
AND REFORMS IN
DEVELOPING CHINA

11

THE CONCEPT OF EQUAL
DISTRIBUTION OF WEALTH IN
CHINESE SOCIAL CHANGE SINCE 1919

J.Zhu

For nearly one hundred years, Chinese society has undergone unprecedented turbulence and change, and especially during the seventy years after 1919, changes in the political, economical and ideological spheres are more rapid and profound than before. The cause, process, losses and gains of these changes can be analyzed and probed in order to evaluate their historic and current significance from different viewpoints, angles or levels. In this chapter, I only make a survey and analysis of one important subject—the concept of equal wealth distribution which passes through this changing process from the perspective of the history of economic thought, so as to make an appropriate evaluation.

**THE CONCEPT OF EQUAL DISTRIBUTION OF WEALTH IN
CHINESE ECONOMIC THOUGHT**

Since class differences between poor and rich appeared in human society, the contradictions and struggles between the poor and the rich have become a main line passing through the history of human civilization. In order to seek schemes to solve the contradictions between the poor and the rich, the concept of equal wealth distribution has been a constant subject discussed in the history of economic thought for thousands of years.

As far as the pre-Qin period over 2,000 years ago, the great thinker Confucius put forward the thought of ‘not worrying about the meagerness, but worrying about the inequality’, and his disciples put forward a ‘Great Harmony’ society mode in which social wealth was shared by all, and parity was achieved between the poor and the rich in the classic work *Li Ji*. As a result these noble thoughts became the highest social ideal of the people who pursued equality and harmony in China’s traditional societies. While the thinker Mozi proposed to reconcile the contradictions on the basis of mutual love and benefit, philosopher Laozi put forward the concept of equal wealth distribution in the method of ‘decreasing the upper class and increasing the lower one’. Xing Xu, of the school of Nongjia, demanded that even kings should work and live as the peasants so as to enforce the absolute equality. In the Jin dynasty, Yuanming Tao conceived a peasant society in which there would be no poor or rich, no noble or lowly, everyone would work and be self-sufficient in all things. Xiabzhi Wang, the leader of the peasant uprising at the end of Tang dynasty, regarded the realization of equal wealth distribution as his own duty. In the Song dynasty, the peasant leader Xiaobo Wang took the slogan ‘Equality

between noble and lowly, parity between poor and rich' as the program of his uprising. The Song dynasty scholar Gou Li, the Taoist Zai Zhang, and Zongxi Huang, the scholar at the end of the Ming dynasty, all advocated the 'Nine Squares System' to carry out equal land possession. In the Qing dynasty, the Yan Yuan-Li Gong school proposed to distribute the land equally in accord with the agricultural population. For solving the problem of disparity between the poor and the rich, especially the antagonism between them centered on the disparity of land occupation, the thinkers of past ages put forward various proposals of equal wealth distribution. These traditional concepts have had a profound influence over the formation and development of modern China's ideas on equal wealth distribution as regards ideological sources and theoretical bases.

After 1919, the historic course of change in Chinese society can be roughly divided into three stages:

- the New Democratic Revolution period from the May-Fourth movement in 1919 to the founding of the People's Republic of China in 1949;
- the Socialist Planned Economy period from 1949 to 1978;
- the period in which the Reform and Open-door to Outside World Policy after 1978 led to the Socialist Market Economy.

During these three different historic periods, the development of the debate regarding equal wealth distribution possessed different characteristics.

NEW DEMOCRATIC REVOLUTION PERIOD (1919–49)

Following the Opium War (1839–42), under the aggression and oppression of the major powers, modern China was reduced to the status of a semi-colonial, semi-feudal society, and it underwent four important historic development stages during those eighty years before the May-Fourth movement: Taiping Heavenly Kingdom, Technically Westernized Movement, Reform Movement of 1898, and the Revolution of 1911. During these stages, the demands for getting rid of evil politics, rejuvenating national power and changing China's long-standing weakness and poverty were put forward in different forms and at different degrees. Among them, the most influential ones were Taiping Heavenly Kingdom and Revolution of 1911. Taiping Heavenly Kingdom put forward the proposal of 'land, food, clothing and money equally distributed, parity everywhere, enough food and clothing for everyone'. This slogan concentratedly embodied the concept of equal wealth distribution found in traditional agricultural petty procedures.

Different from this viewpoint, Dr Sun Yat-sen gave his proposal of 'equalization of land ownership and regulation of capital' in his People's Livelihood Doctrine. It was not the equalitarian concept of equal wealth distribution, but the concept of equal wealth distribution with modern significance.

Taking the May-Fourth movement in 1919 as a turning-point, Marxism spread into China. In 1921, the Chinese Communist Party was founded. Until the founding of the People's Republic of China, over several decades of armed revolutionary struggles, the Chinese Communist Party's interpretation of equal wealth distribution was formed in the military communist color.

The concept embodied in the People's Livelihood Doctrine of Dr Sun Yat-sen's and in the Chinese Communist Party's theory and practice during the revolutionary war period, constituted the two major systems of thought regarding equal wealth distribution in modern China during the whole New Democratic Period from 1919 to the end of the 1940s.

Sun Yat-sen's People's Livelihood Doctrine

The concept of equal wealth distribution according to Dr Sun Yat-sen's People's Livelihood Doctrine set out the following principles.

Target pattern: economic and social equality for all

When he investigated Western society during his stay in London, Dr Sun Yat-sen found that the wealthy European countries were facing social revolution because of the disparity between poor and rich. He therefore strove to seek a theoretical pattern which could avoid polarization and prevent social revolution after the success of political revolution.

From various contemporary socialist ideas, he drew on Henry George's theory, at the same time using historic experiences from China's ancient Nine-square System to the Heavenly Dynasty's Land System of Taiping Heavenly Kingdom. He formed his proposal, in which 'equalization of land ownership and regulation of capital' were the main content, as his basic theoretical concept for solving the polarization between poor and rich.

Dr Sun repeatedly pointed out that the People's Livelihood Doctrine was to make 'everyone equal economically and in livelihood' and 'the wealth rights of all, to be shared by all' so as to realize equal richness and great harmony. Dr Sun's doctrine mixed ancient and modern with Chinese and foreign thought regarding equal wealth distribution constituting the unique Chinese style of equal wealth distribution, namely equal riches and the social wealth shared by all.

Sometimes he called this target pattern socialism or communism. Of course, this was not Marxist socialism or communism, but one of Chinese style. If expressed as a concept more suitable to the Chinese tradition, it could be called 'the Great Harmony Doctrine'.

Systematic form of equal wealth distribution

Dr Sun proposed a free economy system under the guidance of state-owned economy, a multiple-form economic system with coexistent public and private sectors. He regarded the monopoly of land and large enterprises by a few people in the West under the free capitalist economic system, which created extreme disparity between rich and poor, as 'the evil fruits of civilization'. In order to avoid such evil fruits, he proposed that land and major enterprises be run by the state. But he did not oppose the existence and development of peasants' petty private economy and private small and medium enterprises. However, he demanded that the large enterprises controlling the national economic arteries be owned by the state, such as the railways, navigation, post and telecommunications, major industries, major mines, and commercial enterprises.

The economic system conceived by Dr Sun Yat-sen was different from either the Western free economic system or the Soviet Union's socialist planned economy. It is a multiple-form economic system guided by the publicly owned economic sector with coexistent public and private sectors. Dr Sun held that this was the most suitable system for China in its ambition to realize a society in which wealth was shared by all.

Principle and purpose of equal wealth distribution

In order to develop profitable production and to realize economic equality, an equitable distribution system is required which will aid the development of production. Such highly developed production provides the basis for equitable distribution.

Dr Sun Yat-sen held that in Western countries production was highly developed, and society was rich, but due to unequal distribution, there was an extreme disparity between rich and poor, so what worried the Western countries was not the poverty, but the disparity. On the other hand, in China, due to undeveloped production, the people were impoverished in general and there was disparity between rich and poor, but compared with the developed countries, all the Chinese people were poor, only in different degrees, so what worried China was poverty, not disparity. The first and foremost question for China was to develop production vigorously in order to provide more wealth, while at the same time, paying attention to taking measures to prevent unequitable distribution, in order to make China a rich and equal society.

Methods of equal wealth distribution

- 1 Equalization of land ownership and land to the tillers. There is another translation for 'equalization of land ownership', that is 'the socialistic control of land value'. With respect to urban land, its method is 'to fix the land price, collect the land tax according to it, so when land is bought, the income goes to the public if the land price rises'. In the rural areas, the policy of 'land to the tillers' was to be carried out, according to which the state purchases the land from the landlords, then gives it to the landless peasants or those with little land, or rents it to them for tillage.
- 2 Regulation of private capital and promotion of national capital. The regulation of private capital means: first, the regulation of the management limits of private enterprises so that the private sector can only own and run small, non-monopolized enterprises; second, to levy heavy income tax and inheritance tax on the capitalists; third, to formulate laws for protecting workers' benefits. The promotion of national capital means: natural resources of wealth and the monopolized enterprises are to be managed by the state, and their profits are to be shared by all people.
- 3 To develop industry. In order to realize the comprehensive modernization of the national economy, Dr Sun proposed 'the Industry Plan, putting forward the concrete plans for developing various departments of a national economy and the policies for carrying them out'.
- 4 Universal education. Dr Sun held that a country which was backward in culture and science could not become rich and strong, and the idea of equal wealth distribution could not exist. He proposed that the state should take on the responsibility for universal education.

Equal wealth distribution: Chinese Communist Party (1924–49)

The Revolutionary War Period lasted from 1924 until 1949. Before it achieved state power, the Chinese Communist Party (CCP) had been in arduous war circumstances for a quarter of a century. In order to guarantee support for the war, there existed a tendency of absolute equalitarianism in the agrarian reform policy and on the income distribution relations within the revolutionary ranks.

Land policy

In the revolutionary base areas in the early 1920s, the policy of ‘confiscating all land, equally distributing it to the whole people in the countryside’ was carried out. Later, it was changed to the new policy of ‘confiscating both public land and the landlord class land’.

Rationing system

The rationing system was the method of absolute equalitarianism on income distribution within the revolutionary ranks and the military communist distribution method. Over various periods, because of the different revolutionary situations and economic conditions, many kinds of distribution systems were carried out in the Red Base Areas and the Liberated Areas. In the army and within the Party and government organs, the rationing system was carried out. Some enterprises were in the rationing system, some in the mixed wage system (part rationing system, part wage system) and some in the wage system, but the primary method was the rationing system.

The content of the rationing system included: daily food (grain, cooking oil, vegetables, meat, salt, etc.), daily clothing (unlined and cotton padded garments, shoes, caps, towels, quilts, etc.) and pocket money. The ration standard varied according to different periods and different economic conditions. Even for personnel in the wage system, their wage standard and amounts were converted into amounts of goods, such as grain or cotton cloth. The wage grades were few and the difference between them was small. The general principle was roughly equal with a slight difference.

The rationing system was the product of long hard war circumstances. It suited the traditional concept of parity between poor and rich of the vast number of small producers. With the triumph of revolution all over China, by the end of 1940s the rationing system was gradually replaced by the wage system.

SOCIALIST PLANNED ECONOMY PERIOD (1949–78)

Since the founding of New China, the Party and government considered the prevention of polarization between poor and rich to be an important political and economic policy, and had been carrying it out through economic work in both rural and urban areas.

Rural areas

Target pattern of equal wealth distribution

On the basis of collectivization, the economic conditions and living standard of the peasants should be gradually brought to the same level. During the period of agrarian reform, the land was distributed equally to the rural population, so the land owned by each peasant was roughly the same. But the economic conditions between former middle peasants and the poor ones were still different. Many former poor peasants were still in that status, because their production materials were insufficient, and there were natural and man-made calamities. They sold or rented their allotted land, and the polarization spread.

To deal with this situation, the Party and government adopted the method of popularization of agricultural cooperatives and people's communes, organizing the peasants into a collective economy to make their household income levels and living standards roughly equal. During the period from the beginning of the 1950s to the end of the 1970s, the rural collective economy practiced the pattern of equal wealth distribution, on the basis of which economic conditions and living standards were forcibly brought to parity.

Principles of equal wealth distribution

Originally, the aim of rural collectivization was to get rich together; the Guiding Thought was 'Large in size and collective in nature'. However, the protagonists of the maxim were impatient to achieve its goal. The superiority of the larger collective organizations with a higher degree of public ownership was exaggerated to an absurd degree. So in rural areas all over China, small cooperatives were merged into big communes and 'poor transitions' were spread to make an artificial parity between poor and rich in the different peasant households, villages, and regions.

Method of equal wealth distribution

The government resorted to its strong administrative powers to merge small communes into larger ones, in spite of differences in original productivity and living standards. These new larger communes, the people's communes, were given the right to distribute income uniformly among the former small ones and their members. In this way, they unified distribution independently of the production expenses of each commune, thus pursuing equalitarianism. In order to realize public ownership on a larger scale and reduce disparity between poor and rich, production resources were reallocated and the property of the production brigade was transferred from one commune to another. The daily consumer goods supplied uniformly to the commune were then redistributed to commune members. This distribution style evidently embodied the traditional concept of equal wealth distribution in Chinese economic thought. Yet it was followed by disorder and poor performance.

Urban areas

Parity pattern of low wages, higher employment and low consumption

In 1956 the elimination of private industry and commerce by the Socialist Reform Movement had been completed with a high degree of centralized and unified planned economy, while the pattern of equal wealth distribution of low wages, more employment and low consumption was formed for city staff and workers.

In the early stages of the creation of New China, the method of 'three persons' food eaten by five' was carried out, in an effort to assist the unemployed. During the First Five-year Plan, unemployment was basically eliminated, but because of the lower level of productive forces, in order to guarantee universal employment and individual entitlement to rations, only low-wage policies could work. High employment and low wages were closely linked.

Low wages determined the total expenditure by staff and workers. Living expenses (food, clothing, shelter, transportation, etc.) absorbed 80 percent, development expenses (culture, education, health, etc.) 15 percent and enjoyment expenses (recreation, sports, tourism, etc.) 5 percent. But under the socialist system, the staff and workers' consumption level did not depend only on their wages income; the state also enhanced their material and cultural lives by setting up collective welfare facilities and a subsidy system. In essence, this was another distribution form of consumption expense which included canteens, kindergartens, nurseries, bathing facilities, living allowance for difficult families, transportation allowance to and from work, cultural palace, club and library.

Principles of equal wealth distribution

The parity pattern of low wages, high employment and low consumption caused universal overstaffing, inefficiency and low benefits. If the benefits were enhanced, then the producers' productive enthusiasm would be promoted with the consequence that equalitarianism would be opposed, and the principle of distribution according to work would be carried out, resulting in increased income difference between staff and workers. This inevitably contracted the equalitarian thought of equal wealth distribution, leading to constant criticism under the Guiding Thought 'Put politics in command' during the Great Leap Forward in the 1950s and the Great Cultural Revolution of the 1960s. The theory of 'politics in command' stressed the replacement of personal desire for material and economic interests with noble political sentiments and a selfless devoted spirit. Therefore distribution according to work, piece rate wage, bonus system and so on were for a time abolished.

Under the banner of 'Putting Politics in Command', a series of proposals had been adopted to oppose material incentives, narrow income difference, abolish the wages system, restore the rationing system and lay stress on production. High rates of accumulation and low rates of distribution were despised, thus conspicuously reflecting the equalitarian principles of equal wealth on distribution.

Method of equal wealth distribution

The 'Big-Pot Food' theory was adopted which meant that the economy was 'Big-Pot Food' in which everyone had a share. 'Big-Pot Food' was a concentrated reflection of the equalitarian method of equal wealth distribution under the planned economic system. It was expressed in two aspects:

- The enterprises ate the state's 'Big-Pot Food': under the planned economic system, all management of enterprises was carried out totally according to the command of the state's plan. Enterprises had no rights to manage independently, so they could not assume responsibility for losses or profits. The state was in charge of everything concerning enterprise, good or bad. This inevitably made the enterprises eat the 'Big-Pot Food' of the state.
- Staff and workers ate the enterprises' 'Big-Pot Food': the enterprises held full responsibility for their staff and workers, including employment, wages, welfare, shelter, health, pension, etc. Staff and workers depended on the enterprise for everything. No matter how they had worked, more or less, good or bad, they enjoyed the same treatment. This inevitably led to the situation of staff and workers eating the enterprises' 'Big-Pot Food'.

During the thirty years of planned economy, the fear that enlargement of income difference would bring about polarization, led to the adoption of the method of artificial equality, both in cities and countryside; the phenomenon of equalitarianism existed everywhere. As the general production level was low, equalitarianism on that basis could only be 'equally poor', not 'equally rich'.

REFORM AND OPEN DOOR POLICY LEADING TO SOCIALIST MARKET ECONOMY (1978-)

After the founding of New China, thirty highly centralized and unified planned economies once played an active role, but neglect of the theory of value and rejection of the market economy resulted in slow production development and improvement in living standards; the target of becoming rich together could not be realized smoothly.

Under the new historic conditions, in order to suit the demand of modernization constructions, after the Third Plenary Session of the Chinese Communist Party's Eleventh Congress, the Reform and Open Door to Outside World Policy was put forward, transforming the planned economic system to the market economic system, in order gradually to attain the target of creating more joint wealth on the basis of rapid economic development.

Target pattern of equal wealth distribution

The aim was now to achieve equal wealth distribution on the basis of getting rich together. The realization of the socialist object of creating joint wealth should be based on rapid production development and distribution in accord with effort. It could

effectively combine personal benefit closely with entity benefits and is the powerful weapon to promote production development and oppose equalitarianism during the socialist period.

Methods of equal wealth distribution

The central aims are to increase efficiency and profit, to smash the traditional economic relations of 'Big-Pot Food', and to emancipate and further develop production.

Common prosperity is to be achieved by the adoption of active measures to prevent polarization between poor and rich, and support of the poor to eliminate poverty. Since 1984, the government has carried out the work of supporting the poor, taking anti-poverty as a strategic policy. This method is basically different to that of the past which only supplied them with living subsidies. Regional economic development has been linked, through further production, more employment and increased income in order to strengthen the 'producing blood function' of the poor themselves, so as to shake off poverty and become rich.

The main content of this policy included the following measures. First, a special institute was set up to support the poor. Second, a special fund was established for the economic development in poor areas. Third, preferential treatment was given to poor areas in terms of materials, taxes, etc. Fourth, a poverty standard was defined. Poor areas were those where the yearly average income for the peasant was under 150 yuan (the standard of 1985). According to this standard, there were 328 poor counties stipulated by the state, and 371 stipulated by the provinces, giving a total number of 699.

During the fifteen years from 1980 to 1994, the state fund for supporting the poor reached over 10 billion yuan; with the inclusion of the coordinating fund covering various aspects, the total amount was 16.14 billion yuan. Under this scheme 9,876 rural enterprises in 1,410 counties were assisted by the fund. The population of poor dropped from 125 million people in 1985 to 80 million in 1992, and to 70 million in 1994. In 1994, the state stipulated the 'Eight—Seven Plan for Supporting the Poor', demanding that 80 million poor people should rid themselves of poverty and that the problem of having adequate food and clothing should be solved within seven years. The practice showed that China's anti-poverty policy was getting active results.

In the contemporary world following the Cold War, the contradictions between the rich developed countries and the poor underdeveloped countries, and the extreme disparity between poor and rich within a country, have become increasingly acute on an international level. In March 1995, the Congress of World Heads of UN Social Development held in Copenhagen showed that the worldwide polarization between poor and rich is increasing. A few rich developed countries control 80 percent of the world wealth, while in Africa half the population is beneath the poverty line. In developed countries, the gap between the poor and the rich is widening. Solving the problem of disparity of wealth has become an important challenge facing the whole world. The anti-poverty policy carried out by the Chinese government presents a beneficial method of solving the disparity between the poor and the rich within a country. It embodies China's socialist characteristics on the concept of equal wealth distribution.

DOES CONFUCIANISM MATTER?

The role of the Oriental tradition in economic development of East Asia

D.Peng

INTRODUCTION

The role of Confucianism in economic development has been a long-debated question. There seem to be three camps today. First, some contend that Confucianism is an obstacle to economic development, especially unfavorable to capitalist development in Asia. To support their contention, they cite the failure of China, the birthplace of Confucianism, to develop capitalism in the late nineteenth and earlier twentieth century. The most influential scholar in this camp is Max Weber. This opinion prevailed when most East Asian countries remained less developed. Second, others argue that Confucianism is favorable to economic growth, quoting the remarkable success of Japan and the Asian newly industrialized countries (NICs), all of which have a strong Confucian tradition. Such scholars include Roderick MacFarquhar, Thomas Metzger, Michio Morishima, S.Gordon Redding, Hung-chao Tai, and many others. This view began to gain currency after the success of the East Asian NICs became apparent. Since these two arguments contradict each other, still a third group maintain that Confucianism has no effect on economic development. They point out that the same Confucianism has been seen as a factor both hindering economic development and promoting it. Therefore, they suggest that any interpretation of the role of Confucianism in economic development is arbitrary (McCord 1991:28–9, 105–6). This group is perhaps the largest in the USA regarding East Asian issues. Still influenced by Max Weber's analysis on the negative role of Confucianism, it is hard for these people to accept the opposite interpretation of its role in economic development.

My argument is that Confucianism, as a social and cultural ethic, always works with other more fundamental factors such as the political or economic systems. It acts as a norm for people's behavior. It emphasizes authority, hierarchical order, and discipline and thus often serves as a tool for the ruling class. It enhances the ability of the government to control and mobilize the society. By itself, Confucianism does not have strong influence on economic development. Only when combined with other factors does Confucianism have an important impact. For example, when the government is seriously committed to economic development, Confucianism can facilitate this. In contrast, when the government carries out policies unfavorable to economic development, Confucianism can also make things worse because it increases the ability of the government to implement such policies. Therefore, Confucianism is a double-edged sword that can cut both ways.

This chapter attempts to show the two-sided nature of Confucianism and the role it has played in East Asian economic development. In analyzing the general features of Confucianism, this chapter goes beyond micro-factors like work ethic and frugality which

most scholars have used as the basis for the analysis of its role. Some macro-factors, such as the strong bureaucracy (government) and close government—business relations which are derived from the Confucian tradition, are also very important. Almost all the recent studies of Confucianism and economic development have focused on Japan and the East Asian NICs, while mainland China, the largest Confucian society and the origin of Confucianism, has received little attention since the communist revolution in 1949. It is noteworthy, however, that the economic development of mainland China after 1949 is also deeply influenced by the country's Confucian tradition. Post-1949 China is an excellent example of the double-sided nature of Confucianism. In Japan and East Asian NICs Confucianism was combined with capitalism to form Confucian capitalism, while in China (and also in North Korea and Vietnam), the Oriental tradition was mixed with communism to form Confucian communism. The success of the economic reform in China is also related to China's Confucian culture. Therefore, the development in mainland China since 1949 is chosen as the case study of this chapter. This research will supplement other approaches in exploring the relationship between the Oriental tradition and economic development.

The East Asian miracle has attracted great attention all over the world. Scholars have developed various explanations as to how the East Asian countries have achieved their success. One explanation is that the faithful implementation of market mechanism is largely responsible for the success of the East Asian newly industrialized countries. Another view emphasizes the critical role of government intervention, planning, and correct strategy. Still a third view holds that authoritarian rule has been important to economic development. In general, however, more and more people have realized that it is some combination of free market and effective governmental intervention that really helps.

If we agree with the last argument, then a crucial question has to be addressed: Many countries (in both the developed and developing worlds) have tried to combine the might of the free market with state intervention, though only a few of them have been successful in making the two work together. The most successful cases are found in East Asia. Why? Do these nations have any distinctive characteristics that contribute to their ability to unite market power with governmental might? The finding of this chapter is that the Oriental tradition, which is not only represented by Confucianism but also consisting of other elements such as Taoism and Legalism, has been one of the major factors in enhancing this ability. It forms the basis for the strong government and extensive government—business cooperation in East Asia.

One of the reasons for the controversy over the role of Confucianism is that most studies have tended to emphasize only one of the two sides (positive or negative) of Confucianism. This is a result of the fact that one side of Confucianism tends to manifest itself more than the other at different times of history, or in different places even at the same time.

This two-sidedness results from the nature of Confucianism itself. There are two major aspects of Confucianism that are different from religions and political doctrines. First, Confucianism is best considered as a technique rather than a normative belief, unlike communism or fascism which addresses a specific goal and explicitly speaks of right and wrong (Zeigler 1988:xv). Confucianism only stipulates some basic principles that should be universally observed, regardless of one's political or religious belief. This is because

Confucianism was a school of learning, and it has often functioned as an instrument for the ruling class. Second, for the same reason, Confucianism is absorptive rather than exclusive. Followers of Confucianism can also be believers of any religion or political doctrine. In its long history of evolution, Confucianism has absorbed many elements of various religions and doctrines, especially those of Buddhism, Taoism and Legalism. Therefore, Confucianism is a political culture and social tradition that serves as a norm of people's behavior. It can be used by anyone.

THE DEBATE

The debate on the role of Confucianism began more than seventy years ago with the famous hypotheses of Max Weber. Today, the opinion of most Western scholars about Confucianism and its role in economic development is still influenced by Weber's ideas, which assert that Confucianism was unfavorable to the development of capitalism (in China). However, the dominant view today has changed to a disbelief that Confucianism can be a major factor supporting the success of the East Asian miracle.

In his two classical works *The Religion of China: Confucianism and Taoism* and *The Protestant Ethic and the Spirit of Capitalism*, Weber contrasted the role of the Protestant religion in the rise of capitalism with that of Confucianism in the industrialization of China. He asserted that the Protestant ethic created a social culture favorable to the rise of capitalism. The Protestants considered profit acquisition as a way to save themselves from sin. This kind of religious ideology helped to overcome the tradition of self-sufficiency (satisfaction of needs) and paved the way for capitalist development (Weber 1958:63-4). In contrast, Weber stated that such an ethic apparently lacked in China. Chinese sociopolitical structure, shaped by Confucianism, was detrimental to the rise of capitalism. The archaic nature of the monetary system, the lack of freedom of cities, the persistence of the guilds, the largely arbitrary legal system, the conservative nature of the kinship system, and the absolute bureaucratic system all prevented the emergence of an entrepreneurial class (Weber 1951: Part I). Moreover, the Chinese exalted the 'cultured man' as the highest Confucian ideal. The Confucian tradition highly regarded self-sufficient landownership, and disdained commerce and monetary activities. There was little demand for people to work hard for profit (Weber 1951:159-61, 235-6). These also impeded capitalist development.

In considering Weber's analysis of Confucianism, we should remember that *The Religion of China* (1904) was written nearly a century ago. At that time, China and other East Asian Confucian societies fared poorly in their economic development. Confucianism was, indeed, one of the major factors that prevented the initial development of capitalism in East Asia. Many of the barriers that Weber pointed out did exist. Moreover, the emphasis on authority and obedience, the stress on formal education, and the priority of the collective over the individual, could be easily used by the government and conservatives to restrain the development of capitalism.

Having recognized the negative effects of Confucianism on the rise of capitalism in East Asia, some argue that it should not be related to the striking success of East Asia. A typical argument which denies that Confucianism has had anything to do with East Asia's economic success is that Confucianism has been interpreted as having both negative and

positive influences; it has been considered as both a hindrance to past development and a facilitator of recent high growth. A similar argument is that East Asian countries have very different performances, although they all have strong Confucian tradition.

These arguments miss two points. One is that Confucianism, in general, is not inherently favorable or unfavorable for economic development. When people debate the role of Confucianism, both sides tend to exaggerate its normative role. It is interpreted as either good or bad. My argument is that Confucianism does play a role in economic development, but the role is determined by other factors such as the political system and the mode of production. Another point is that Confucianism does not remain constant and has undergone a major transformation, especially in the past several decades. In retrospect, Confucianism has been shaped by social needs. Confucianism itself can change and as a result its role also changes. Therefore, we cannot assume that today's Confucianism is not significantly different from that of one hundred years ago, or even from that of two thousand years ago.

Traditionally, Confucianism served as a code of ethics and propriety, and was forged into compatibility with formal religions and political philosophies (Zeigler 1988:118). It is difficult to say whether many Confucian values are favorable or detrimental to economic development. Confucianism's respect for authority and its pacifist nature can be used to exploit the people, and to reduce their willingness and capacity to rebel against an abusive government. The influence of Confucianism can be unfavorable for economic development. However, the same tradition of obedience can help to carry out developmental reform if the government is seriously committed to economic development and implements rational policies. The emphasis on collective interests can be used as a pretext to deprive the people of their basic individual rights (the case in East Asian communist countries), while it can also be used to enhance the cooperative spirit of the workers and staff in an enterprise. Indeed Confucianism can work in both ways.

While Weber criticized the negative effects of Confucianism, he also pointed out that certain aspects of Chinese culture were favorable for the development of capitalism. His examples include the early abolition of feudalism, freedom of migration, free choice of occupations, and a high value on education (Weber 1951: Parts I, II). Yet Weber failed to foresee that Confucianism itself could change and could play an important role in the rapid development of East Asia.

CONFUCIANISM AND HIGH GROWTH IN EAST ASIA

As the East Asian economies have developed, the conception of the role of Confucianism in economic development has gradually changed. There was a tendency for Western scholars to switch from linking Confucianism with economic development in East Asia to dissociating the two, as the East Asian Confucian societies were doing well economically. They began to emphasize the technical aspects of the East Asian success, such as correct developmental strategies and high saving ratios. However, more and more people are recognizing the positive effects of Confucianism on economic development in East Asia.

There are plenty of studies which link Confucian elements to high growth in East Asia. Most of the studies have focused on micro-level factors concerned with individual

and group behavior, such as the affectionate relationship between business and labor, diligence in work, frugality in life, and emphasis on education. Recognizing that all these features are important Confucian elements which have influenced high growth in East Asia, this chapter emphasizes several macro-level factors which are concerned with the role of government in social and economic affairs. These macro-level factors are no less important than the micro-level ones although they have not received enough attention in discussions of Confucian influence in East Asia. Macro-level factors of Confucianism include strong and effective bureaucracy, relative obedience to authority and the paternalistic government—business relationship. These factors are particularly important in the sense that Confucianism mostly demonstrates its two-sidedness through them. In the case of the East Asian NICs which show high economic performance, the Confucian tradition has enhanced government intervention in economic process. These macro-factors can become major obstacles to economic development under ‘Confucian communism’, as will be illustrated in the later section.

One salient feature of the East Asian countries is their strong bureaucracies. Even in a colony like Hong Kong, the government is able to carry out its policies quite effectively, often without much obstruction. What is special about the government strength in East Asian countries is the ability of governments to implement their policies relatively free of local and sectoral interests. In East Asia, reform or structural adjustment policies can still be carried out even if they offend the existing benefits of certain groups. For example, when the governments of Taiwan and Korea wanted to develop capital-intensive industries in the early 1960s, they met little resistance from textile and other labor-intensive industries. This is not the case in most non-East Asian countries. In India, Brazil, Argentina, Mexico, and many other countries, resistance from major interest groups made the shift away from import substitution much more difficult. Therefore, though some Latin American countries (like Mexico) began discussing the export-led strategy even earlier than the East Asian NICs, none of them could successfully implement the strategy. Strong governments have played a crucial role in economic transformation in East Asia. In South Korea, for instance, the government is able to award efficient firms and punish or even close the inefficient. Shinjin used to be the largest automobile company in Korea. However, when it was found inefficient and unable effectively to face the oil crisis in the 1970s, it was transferred by the government to Daewoo Motors (Amsden 1989:15). This ability to discipline business is also crucial to the success of East Asian countries.

Why should East Asian governments be so strong? This may be traced back to the need for strong bureaucracy to maintain a water conservancy system in early East Asian history. Confucianism greatly enhanced this tradition by developing a series of disciplines and norms deeply rooted in people’s minds. People were told never to doubt the behavior of the government. According to the Confucian view, government officials were supposed to act as ‘parents’ of the people and should be highly respected. Bureaucrats were generally regarded as wise and competent. The examination system to select officials, which began in China nearly two thousand years ago, reinforced this belief. Only the most intelligent people could pass this kind of extremely competitive examination and become officials. Today, the (reformed) examination system not only identifies intelligent people for the government service, but also enhances the authority of the government. Moreover, in the long history of deep government involvement in social

affairs, a special relationship developed between the government and society. A broad network has been formed so that the government and society influence each other. While social notables can influence the government through 'connections', the government can also penetrate into the society through the network. While the influence is mutual, the government is usually in a more favorable position. The inherent trust in more government (in contrast with the West) and long-time respect for authority in East Asian societies formed a stronger position for the government in the government—society relationship.

The degree of submission to authority in East Asia is surprisingly high. The policies of the authority do not have to be 'correct', nor does the authority have to come from the people. China was ruled by alien minorities more than once and even the alien rulers found Confucianism a ready tool for their rule. When US forces were to occupy Japan, they expected much disobedience, having seen the fierce acts of the Japanese during the war. However, once they cleverly won the cooperation of the emperor and some Japanese officials, the Americans found the Japanese to be very submissive to their authority. The orders of the occupation authorities were readily implemented. The obedience of the people also made the reforms easy and effective. History has proven that people in East Asian countries were obedient to authority even if the orders from above were wrong (with hindsight). Unless their survival was threatened, many East Asian people were reluctant to rise against the government.

Another important characteristic of East Asian countries is the paternalistic government—business relationship. This is also derived from the traditional special relationship between the government and society as a whole. Today the government is presumed to provide guidance, protection, and mediation to business. Consequently, business often seeks assistance and information from the government. Disputes among firms are referred to government institutions for (unofficial) compromise and settlement. In turn, the government gets information and suggestions from firms. It is natural for East Asians that the government helps private business. Heavy subsidies, tax benefits and other incentives are given to efficient firms. The government provides all kinds of both formal and informal guidance to business, ranging from general economic plans to concrete advice. In the initial stage of industrialization, the firms in East Asia were less competitive than their counterparts in the West. Without strong government support, they could hardly survive, much less excel, in fierce international competition. Naturally, the cooperation of business has facilitated the implementation of governmental industrial policies. The unusually high mutual dependence of government and firms (with the balance favorable to the government side), which is rare in the USA, is very important to the success of East Asia. Yet this mutual dependence is not always favorable for economic development even in East Asia. In China, North Korea, and Vietnam, this relationship has made state-owned firms a large burden for the government budget and facilitated officials abusing their rights to gain personal benefits from firms. It is also the source of corruption. The rampant corruption in today's China is a clear demonstration of what can happen when strong bureaucracy is combined with both communist and market systems. The nature of the government is an important factor for either the success or failure of economic development.

Analyzing macro-level factors of Confucianism helps us understand the political perspective of East Asian development. While people have increasingly realized the

importance of government intervention in the successes of East Asian NICs, many people (particularly in the West) are thinking that it is not democracy, but the authoritarianism of the East Asian governments, that has helped these small dragons achieve their miracle. They notice that developing countries with democratic political systems have inferior economic performance in comparison to these authoritarian East Asian countries.

It is certainly correct to categorize most of the East Asian governments as authoritarian rather than democratic. However, it is doubtful that authoritarianism is a necessary condition for the success of the East Asian NICs. Most of the developing countries are authoritarian in their political systems, but only a few of them are economically successful. The most successful countries are in East Asia. While those East Asian countries have or had authoritarian political systems, they have all encouraged free economic enterprises. It is notable that all the countries which have both free enterprise and Confucianism are very successful economically. In addition, China's recent experience is showing a magical combination of Western-born capitalism and East Asian social tradition. To explore the role of the Confucian tradition in economic development, China is presented as a case study in the next two sections. By reviewing China's history since 1949, it is found that its economic performance has been closely related to the government's commitment to economic development. From 1949 to 1976, China was in a period of 'Confucian communism', in which many aspects of Confucian tradition were combined with Soviet-style communism. During this period, the communist regime had total control over every aspect of society. Even under the communist regime, the nation achieved very high economic growth when the government put a priority on economic development and its policy was rational. Yet under Confucian communism, the leaders often tended to place politics above economics and/or carried out an irrational economic policy, which led the country into disaster. In recent times, China is undergoing economic reform. The government has been seriously committed to economic development, and market mechanisms have been introduced into their economic system. China is developing a new model that allows Confucian tradition to work with capitalist elements to reform the socialist economy. As a result, China has become one of the fastest-growing economies in the world.

'CONFUCIAN COMMUNISM'

China is the origin of Confucianism. However, other than Max Weber's analysis of the negative role of Confucianism in retarding capitalist development, there has been little study of Confucianism and China's economic development. This is especially true with regard to communist China. Recent studies of the role of Confucianism in economic development almost all concentrate on societies outside the Chinese mainland. Most studies relating Confucianism to communist China examine only the political perspective. The lack of studies concerning the role of the Confucian tradition in the economic development of communist China was probably due to the relatively poor economic performance, and to the anti-Confucian propaganda of the communist regime during the Cultural Revolution. However, it can be found that the development of communist China has been greatly influenced by the country's Confucian tradition. Communist China is actually an excellent example of the two-sided role of

Confucianism. China has demonstrated divergent trends in economic performance since the establishment of the People's Republic of China in 1949. Without studying the role of the Confucian tradition, we cannot fully understand this great divergence.

After the Chinese communists came to power in 1949, they launched a series of reforms to change the country politically and economically. Needless to say, it was no easy task to reform a country as vast as China. Besides using Marxist ideology, the Chinese Communist Party (CCP) found the Confucian tradition an aid in completing the task of reform. Mao Zedong knew Confucianism well and made good use of it. Mao wanted to replace the Confucian tradition with communist ideology, shifting loyalty and respect for authority to the Party and Mao himself. Confucian self-cultivation became the basis for communist indoctrination. Traditional obedience conditioned people easily to follow the government's orders. The organizational capacity of the communist system enhanced the government's ability to mobilize the people. This combination of communism and Confucian tradition quickly developed into a 'Confucian communism', while the combination of capitalism and Confucianism was quietly developing into a 'Confucian capitalism' in the East Asian NICs. In contrast to communism in the Soviet Union and Eastern Europe, Confucian communism in China and North Korea, and to some extent in Vietnam, was characterized by much stronger personal cult and by more state control in every aspect of society. Therefore, the destiny of the whole nation depended heavily on what type of policy was being implemented by the government. It should be noted that the term, 'Confucian communism', is used simply to explain the communist system in a Confucian society during the Maoist period. It does not mean that Confucianists and communists saw eye to eye. In fact, traditional Confucianists and Maoists tend to dissociate themselves from each other. That is why the term is placed in quotation marks.

In the early period of its rule, the communist regime faced the urgent task of rebuilding the country's war-torn economy. CCP leaders understood that improving the living standard of the people was the best way to consolidate their newly established rule. In order to show that the communist system was superior to that of the Kuomintang, the CCP had to commit itself to economic development and the government adopted a pragmatic policy. Politically, until 1957, the CCP worked with almost all classes and intellectuals, with the exception of 'landlords' and 'big capitalists'. Confucius was generally respected in the early days of communist rule. Discipline, hard work, thrift, and education were emphasized. The combination of Confucian tradition and government commitment to economic development, coupled with a rational economic policy, had a dramatic effect. From 1952 to 1957, the annual growth rate of gross output value of China's agriculture and industry was 11 percent (17 percent for industry only), one of the highest in the world. The proportion of industry in the total of industry and agriculture increased from 47 percent to 57 percent in only five years (State Statistical Bureau of PRC 1990:52-3).

A major problem with Confucian communism, however, is that it can very easily be used to enhance arbitrary dictatorship. Both the paramount leader and the bureaucracy are likely to abuse their power. The situation is particularly dangerous when the leadership places greater emphasis on politics than on the economy. Mao soon found that communist totalitarian rule was not wholly favored by the intellectuals. Although they were generally satisfied with the progress under early communist rule, they urged that

communist rule be more democratic. Mao was angered and started the Anti-rightist Movement, which purged numerous Chinese intellectuals. This was the beginning of Mao's arbitrary campaigns, which resulted in great disasters for China. Immediately after the Anti-rightist Movement, Mao initiated the massive 'Great Leap Forward', in an attempt to collectivize the peasants and small private entrepreneurs in the cities and to boost production by using ideological incentives and China's vast human resources. Mao's economic strategy for the 'Great Leap Forward' was unrealistic from the beginning. His approach was based more on political and ideological assumption rather than realistic assessment of economic factors (Rodzinski 1988:59). Mao always tended to put politics before economics, especially after communist rule was consolidated. He believed that economics should be dominated by politics. As long as people had correct ideology as guidance, economic achievements would naturally follow. Mao knew very well that in China, where people are traditionally obedient, it was easy to manipulate them to fall in line with the leaders' intentions. In his speech of April 1958, he described the Chinese people as 'poor' and 'blank'. But being blank was actually good in Mao's view, because 'a clear sheet of paper has no blotches and so the newest and most beautiful' thing can be written on it (Rodzinski 1988:61-2).

In October 1957, the Great Leap Forward began. The pace of collectivization was greatly accelerated and people's communes were set up everywhere. At the height of the campaign, people in all walks of life, including peasants, teachers, students, and even housewives, enthusiastically built furnaces to make steel. The overambitious planning was not designed by the economists, who had been marginalized in the Anti-rightist Movement, but by politically motivated cadres. To meet the unrealistic demands from the leadership, the cadres concocted amazing production figures. But in fact, the net result of the Great Leap Forward was a serious economic dislocation and grave economic difficulties. What the great enthusiasm of the people won was pervasive famine and serious shortages of other supplies.

The mass mobilization of the Great Leap Forward was very much in the Chinese tradition, since the employment of 'millions of peasants with teaspoons' had been going on for over two millennia. Yet the 'Great Leap Forward' was unprecedented, and its consequences were also very grave. Had the Chinese been less obedient and less faithful in participating in the campaign, the disaster would have been smaller.

After the failure of the Great Leap Forward, Mao had to give up daily administrative power to more practical leaders like Liu Shaoqi, Deng Xiaoping, and Chen Yun. Liu, Deng and Chen were more interested in pragmatic economic factors than in political ideology. They adopted relatively moderate and realistic economic policies. For example, peasants were given more incentive to produce by being allowed to keep a small part of the land to grow their own products. The ever-present Chinese passion for hard work and frugality was allowed free reign. Between 1961 and 1966, China again achieved very good economic performance. The economy recovered and the people's living standard was significantly improved. From 1962 to 1966, the gross output value of agriculture and industry grew at an annual rate of 16 percent (19 percent for industry only) (State Statistical Bureau of PRC 1990:53).

The greatest setback occurred during the Cultural Revolution, which lasted a whole decade. In the middle 1960s, Mao's influence was reduced. He was respected but was kept further and further away from practical power. Mao was unhappy about this and in

1966 he launched an 'unprecedented Cultural Revolution'. This movement was regarded as an ideological struggle. Behind all the rhetoric was a power struggle started by Mao to regain power from Liu and Deng. Mao found that the Party and administration were tightly controlled by them and therefore he resorted to the army and the masses to rise against the 'capitalist headquarters'. Mao's status as the founding father of the People's Republic gave him great authority. People were indeed mobilized to an unprecedented degree. Again, it was easy to move people around in this country which historically viewed authority with respect. Had Mao made use of people's enthusiasm for pragmatic economic construction, China would have achieved great success. However, in Mao's time China's Confucian tradition was linked with communism, adding to the disasters experienced by the Chinese people. The whole nation was led into chaos. Despite his success in driving Liu and Deng away from power, Mao could never find a dependable and loyal successor. His opponents used his name to fight against his supporters. Even his most important ally, Lin Biao, betrayed him in 1971. Though Lin died in a crash when fleeing to the USSR, the credibility of the Cultural Revolution was shaken.

To defend his absolute rule and push the 'revolution' further, Mao launched a movement of 'criticizing Lin Biao and Confucius', which aimed not only at Lin, but also implicitly at the 'conservative' Zhou Enlai. It should be noted that Mao never liked Confucius, although he was adept at using the Chinese tradition. His dislike of Confucius may have had something to do with Mao's failure in seeking a career as a scholar in his youth. But more importantly, Mao was a revolutionary, and a revolutionary could hardly like Confucianism because of its conservative nature. One interesting aspect of Confucianism is that one does not have to like it in order to use it. While Mao and his radical followers made good use of many elements of the Chinese tradition, they disliked its many other features. The Confucian emphasis on order and stability, and its stress of moral standards were apparently obstacles to Mao's 'continuous revolution'. He wanted to be the sole authority. As a result, he fiercely destroyed the tradition that had enabled him to rule the country arbitrarily. This further isolated himself from the people.

Mao's continuous revolution was disastrous, leading the nation into bankruptcy by the time he died in September 1976. The Chinese people had totally devoted themselves to the revolution. However, their devotion only added to their own sufferings. Looking at recent world history, one can find few cases of internally caused domestic turbulence that parallel the Cultural Revolution in scale. This becomes even more striking if we consider the fact that the Cultural Revolution was not preceded by a war or an economic crisis, but by sound economic growth and an improving living standard. Perhaps such a tragedy is only possible in a Confucian communist country. In such a society, the macro-factors that helped East Asian NICs in their economic development became major barriers of development.

Once very enthusiastic people gradually found that they had been simply fooled by Mao's scheme to preserve his dynasty, they became tired of politics and desired change. Soon after Mao died, his wife and three other active supporters (the Gang of Four) were arrested. The tragic Cultural Revolution finally came to an end.

After Deng took power in 1978, he began to reform the nation. By that time, the negative aspects of communism had been fully exposed to the Chinese people. That is one of the major reasons why China was able to carry out the most extensive reform among all communist countries at the time. People no longer had a true belief in

communism. One of the bitter lessons the Chinese had learned from the Cultural Revolution and other Maoist campaigns was that socialism was actually inferior to capitalism; therefore, it was necessary to introduce a market mechanism into China's economy.

CHINA'S REFORM—A NEW MODEL

China's economic reform is the first successful broad economic reform in the communist world. Deng's regime has implemented a practical policy for economic development. While the government insists that socialism should be upheld in China, ideology no longer plays a dominant role. Confucian tradition has gradually gained more open respect and the government is actually encouraging the 'Chinese tradition'. Now China has seriously committed itself to economic development, and the result is dramatic.

The reform started first in the countryside. Chinese peasants are known for their diligence. The Chinese countryside may be said to be one of the areas in which Confucianism retains its strongest influences. Though Mao's land reform and 'Communization' greatly shocked the countryside, the peasants were almost forgotten in the 1960s and 1970s. They were basically passive in politics. Their land was collectivized and various restrictions were set on their production activities in order to 'cut the tails of capitalism'. The diligence of the peasants did not bring them benefits. Much of their hard work was wasted in the numerous 'Great Leap Forward'-style campaigns of irrigation works, water conservancy, and the opening of new land. As a result, the vast countryside was very backward and the peasants remained desperately poor. The reform's task was to remove the restrictions and to provide the peasants with incentives to increase efficiency and production. Deng established a 'responsibility system' to allow the peasants to grow anything they liked by contracting with the production team, as long as they fulfilled the quota specified in the contract. This family-based system worked well for China which traditionally places great emphasis on families. Other reforms which involve family bases are also very successful. The household industries which flourished after the reform began are an obvious example. China's traditional family system proves to be an important asset in its economic development. Agricultural reform achieved remarkable success within a short time. From the end of 1978 to 1984, grain output grew at 5 percent a year and China became a net exporter of grain for the first time since the 1950s. During the same period, agricultural value-added output (net output after subtracting intermediate inputs) increased by 7.7 percent per year (Anthony 1990:28-9). In China, the peasants have retained their hard-working spirit. The problem is eliminating restrictions, not getting peasants to work harder. Anywhere in the world, as long as the Chinese are allowed to work in a private system or in a similar environment (like the Chinese countryside after the reform), they will work very hard.

In general, the central element of Deng's economic reform effort has been the partial introduction of the market mechanism into the planned economy. State enterprises have been given more autonomy in production decisions and profits have been viewed as legitimate gain for the first time. Collective enterprises are encouraged as a preferred form of new firms because, unlike a state-owned enterprise, a collective has no state guarantee and the income and benefits of its workers are directly linked to the efficiency

of the firm. It should be noted that reform in urban areas has been much more difficult than in the countryside. Traditionally hard-working workers, especially those in the state-owned enterprises, have been 'spoiled' under the communist system and have lost much of their work ethic and discipline. This is one of the major obstacles to urban 'enterprise reform'. In fact, the inefficient state-owned industries remain a huge headache for the Chinese economy. However, the Chinese have their way of dealing with the problem. A bolder effort has been made to legitimize 'household enterprises' and, later, to allow private enterprises. All these measures have provided incentives to revive people's work ethics, which helped to increase productivity and production.

The most efficient are joint ventures and foreign-owned enterprises, which came into being as a result of the open door policy. Deng's open door policy may be the most significant single policy in the reform effort. One major reason why China fell behind the East Asian NICs is because Mao isolated the nation from the rest of the world. Various measures have been taken to encourage foreign investment. Special economic zones have been built in the coastal regions to attract foreign investors with favorable terms. Overseas Chinese and Taiwan—Hong Kong—Macao Chinese especially have been encouraged to invest in China, and they have become a reliable source of investment. Here the Confucian elements have helped externally. The Confucian culture pays great attention to one's 'home'. Although residing abroad, the overseas Chinese have strong attachment to their cultural home of China. From 1979 to 1993, China's yearly utilization of foreign capital increased more than eighty times, reaching over \$26 billion (*People's Daily* 31 December 1992; *World Journal* 18 September 1995), more than 80 percent of which came from the overseas Chinese. Based on the experience of the East Asian NICs, the Chinese soon adopted a strategy to develop labor-intensive industries for export. The results of the new open door policy have been spectacular. In 1978, China's total exports were only \$9.75 billion. In 1994, the figure reached \$121 billion. China's trade surplus with the USA that year was more than \$32 billion, second only to that of Japan (IMF 1995:153, 436). This new figure is astonishing because, in 1982, China had a trade deficit of \$410 million with the USA (*New York Times*, 15 February 1993).

Reform in education is also very important. China is a country with traditional emphasis on education. However, during the Cultural Revolution, education suffered an immense blow, given its role in 'culture'. Intellectuals were considered by Mao to be naturally pro-capitalist, thus needing to be re-educated by the workers, peasants, and soldiers. They were sent to the countryside to do physical labor in order to 'reform' themselves. Universities and colleges were closed until 1972, when workers, peasants, and soldiers, instead of those who had good high school records, were sent to the newly reopened colleges. In secondary schools and even primary schools, political indoctrination replaced regular courses. Quality of education was seriously affected. After the 'Gang of Four' were arrested, one of the first reforms was to restore the higher education entrance examination system. For the first time since 1949, academic achievement became almost the sole standard for college admission. The tradition of valuing education and knowledge reignited after it had been suppressed for a long time. Soon after colleges were normalized, a wide variety of professional, vocational, and night schools were established. The Confucian emphasis on education has been the most important factor in the revitalization of China's educational system. The reform has allowed this revival to happen and has provided some conditions. It is ironic that what

reforms often do in East Asian countries is just to relax restrictions on people. The diligence and intelligence of the people will lead to prosperity. The great improvement in the quality of education has created a favorable condition for China's economic take-off.

Reforms have had a great impact on China's political and economic systems. What prevails in China today is no longer Confucian communism. Instead, there is a combination of communism, capitalism, and Confucianism. Chinese officials call it the 'Chinese-style socialism with a market mechanism'. While people have no consensus about the nature of the current political and economic systems, few think that the goal of communism will be reached in the future, as the Chinese regime still insists.

China's take-off in many aspects has followed the steps of the East Asian NICs. It started by developing labor-intensive industries and by utilizing abundant cheap but relatively well-educated (thanks to the traditional emphasis on education) labor. It soon took over much of the market share from East Asian NICs in textiles, clothing, and other light industries. To an even greater degree than the East Asian NICs, China's development strategy has been devised by the government. For instance, in building new enterprises, especially with foreign capital, only those considered likely to earn valuable foreign currency can get approval from the government. The government strongly encourages developing industries that have good potential for export and provides them with favorable conditions such as tax advantages, bank credit, information, and technology assistance. The protection provided by the government has also been essential to the development of many newly emerging industries. Here the strong bureaucracy of a Confucian society plays an important role, this time largely positive due to the commitment of the government to economic development.

The achievements of economic reform have been enormous. From 1978 to 1993, China's GNP grew more than 9 percent annually (State Statistical Bureau of PRC 1995:6). This is one of the highest growth rates in the world economy during this period. The living standard has risen rapidly. A 'China miracle' is clearly in the making.

It should be noted that China's 'miracle' started in the coastal areas centered in Guangdong province, which borders Hong Kong, and in Fujian, the province on the mainland side of the Taiwan Strait. In the two provinces, especially in Guangdong, most of the contributions for economic growth and the increase of exports have been made by enterprises that benefit from foreign and overseas Chinese investment or that are private. Recently the 'Guangdong Experience' has been introduced to other coastal regions. Shanghai and East China are quickly recovering as centers of China's economy. Therefore, the capitalist elements are making the greatest contribution.

There are still many dangers ahead, while the general prospect for reform is optimistic. Most of the state-owned enterprises, which are the majority of Chinese firms, will continue to be a big burden that may pose danger to the final success of the reform. Moreover, even though China has made large advances in economic reform, her politics remain highly authoritarian. The rigid political system and dynamic economy are incompatible and will cause more and more problems. This is especially dangerous in light of increasing economic inequalities and regional discrepancies. The problem of political system has been further exacerbated by the decline of morality in society. Now, few Chinese people believe in communism in China. Confucianism, which served as a social ethic for two thousand years, has suffered under communist rule, especially during the years of the Cultural Revolution. Upon leaving the Chinese mainland to enter

capitalist East Asian countries, a Chinese citizen would be surprised to find that the Confucian tradition in those nations is much stronger than in China itself. This might be a shock to those who would like to blame Confucianism for mainland China's underdevelopment.

While the Chinese communists at least partly destroyed China's tradition, the communist ideology they introduced has proven to be the source of China's backwardness. Today, people in China are left with no real belief. This 'crisis of lack of belief' is one of China's major problems. It is a major cause of the rampant corruption, rise in crime, the loosening of discipline, and many other social ills. The decline of morality will be a great threat to future economic development. Dissatisfaction with the government is still widespread. Alarmed by the decline of morality, the government has sought help from the 'Chinese tradition'. An obvious example is that it has restored the annual ritual to respect Confucius in his home town, Qufu. It can be expected that Confucianism will gain more government support in the future. In fact, whether the reforms will endure and high economic growth be sustained, largely depend on whether the Chinese can effectively use the Confucian tradition and integrate it with capitalist elements, and nationalism.

China's experience has proven that Confucianism by itself does not inherently promote or hinder economic development. It has always worked together with other fundamental factors. Even under communist rule, Confucian tradition seems to have helped economic development whenever the government sincerely made it a priority. This occurred during two periods. The first was from 1950 to 1957, and the second from 1962 to 1966. In both periods, China enjoyed one of the highest economic growth rates in the world. On the other hand, Confucianism made matters worse when the government was carrying out irrational policies. It added to the disasters caused by Mao's 'Great Leap Forward' and his Cultural Revolution in which people, in line with their obedient nature, blindly followed the government's wrong policies and were unable to criticize the errors made by the authorities. The arbitrary nature of Confucian communism determined that China, under this system, could not sustain high economic growth. In the recent reform, market mechanisms have been introduced to the economy. Capitalist elements have been working along with Confucian tradition. The result is spectacular: China is gradually becoming the powerhouse of new East Asian economic dynamism. However, the authoritarian political system and the damage to Confucian morality are threatening further development. One solution is to enhance the influence of Confucianism, which will facilitate the building of order and morality. Whichever leader gets power after Deng passes away will find Confucianism a convenient and effective tool.

The role of Confucianism in economic development is dependent on other fundamental factors. This is reaffirmed by the fact that most Chinese societies outside mainland China have been much more successful, economically, than China itself. This is not surprising if we take into account the social and political conditions of mainland China and the two-sided role of Confucianism. All the successful overseas Chinese societies are in countries with free market systems. All Confucian communist societies lag behind. Although they may have periods of high growth, their growth cannot be sustained.

CONCLUSION

What conclusions can be drawn about the relationship between Confucianism and economic development in East Asia? Does Confucianism really matter? The answer is yes. However, the way it works is complex. Its role depends on other basic conditions such as political and economic systems. One common characteristic which East Asian countries share when they are economically successful is that their governments make economic development their first priority. Confucian tradition plays an important role here at both its micro and macro levels. To sustain high growth in the long run, however, a market mechanism and an open door policy are vital. The development of Japan and the East Asian NICs (and of China to a certain degree in the recent decade and a half) has followed a different model from that of the West. These East Asian countries have established, consciously or unconsciously, an East Asian version of capitalism which is, in fact, a combination of the virtues of the Confucian tradition and the Western free enterprise system. East Asian countries enjoy the efficiency of free enterprise while avoiding some of the market failures which trouble Western countries. Consequently, East Asian countries are among the most effective competitors in the world market.

Needless to say, the role of Confucianism in East Asian development should not be exaggerated. Confucianism alone cannot promote economic growth. Free enterprise, the market system, and strong incentives provided by private ownership are crucial to the success of East Asia. The failures of communist economies in East Asia, especially the sharp contrasts of mainland China vs. Taiwan and North Korea vs. South Korea, are clear illustrations. Only when the Confucian tradition works with capitalism, can an East Asian nation achieve sustained high growth. The key to the economic success of East Asian countries is that they have developed their own version of capitalism. In the East Asian model, individualism is not emphasized. Instead, individuals are subordinate to groups. This form of capitalism may involve some individual and short-term sacrifices, but it may lead to a better longterm social outcome. Confucian influence will be an important factor in the future development of capitalism.

Confucianism has experienced some important transformations. Old traditions, such as looking down upon commerce and rejecting foreign ideas, have been abandoned or changed. Today's Confucianism is amenable to business activities and can serve economic development significantly better than in the past.

That Confucianism plays an important role does not mean that only countries with a strong Confucian tradition can achieve high growth. What is implied is that the tradition of a country (or a group of countries) can be used as a very effective tool for economic development. It is important to combine Western advantages with one's own tradition and adapt the former to the home society. While a country is assured of failure if it rejects market economics and maintains autarchy, it is also counterproductive to follow foreign ideas and systems without integrating them with domestic tradition. The chaos in the former Soviet Union is an obvious example (although some Western experts would blame the chaos solely on domestic factors).

To claim that only Confucian countries can achieve economic success is just as absurd as to assert that only Western culture can breed great economic achievements. The latter argument already has been falsified by the success of Confucian East Asian countries. What is really important is whether one can successfully combine advanced experience

with one's own culture and tradition. The impact of culture on economic development cannot be dismissed. European and Oriental cultures are the two which have kept very prominent positions for thousands of years. Of the two, Oriental development had been more advanced through most of history. The West did not take a clear lead until the eighteenth century, when the industrial revolution began in England. It is no coincidence that the East Asian countries are the first non-Western countries to catch up.

Authoritarian rule is not a necessary condition for the success of East Asian countries. Economic development in East Asia has exhibited some features that have been considered the result of authoritarian rule. We can see that these features are in fact part of the region's social and cultural characteristics (effective government intervention, high savings ratio, strong sense of equality, hard-working spirit, and docile labor). A democratic government can also take advantage of these factors. There is no reason to conclude that East Asian NICs would have done significantly worse under democratic regimes. Strong government in East Asia is inherent in the Confucian tradition, not in authoritarianism. There are so many authoritarian governments that sanction capitalism in the rest of the world, only a few have as much social control as the East Asian countries. It is not by coincidence that all East Asian countries have relatively strong governments, whatever their political systems. When South Korea and Taiwan were democratized a few years ago, people thought they would experience serious political and economic troubles once authoritarian rule ended. After some initial problems, the social order and economic performance of the two nations have not seen major twists. Indeed, South Korea and Taiwan are expected to become even more stable as time goes on.

The debate over the role of Confucianism, or the East Asian tradition, in the economic development of East Asia is still going on. It might remain unsettled for quite some time. This topic will get even more attention as the East Asian countries become more successful and their cultural influence becomes stronger. While Confucianism does play a very important role in East Asian development, it does not prove the case for cultural determinism. By itself, Confucianism cannot determine whether East Asian countries do well economically or not. Its effects depend on political conditions and the nature of economic systems. One very important conclusion is that only those nations that are capable of uniting tradition with modernity are able to achieve economic success, while those that cannot remain in poverty.

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THE MARKET ECONOMY AND ETHNIC RELATIONS IN CHINA

X.He

INTRODUCTION

Two mighty tides with opposing directions have appeared in the world since the late 1980s. One is the tide of integration, with the unification of East and West Germany and the creation of the European Union. The other is the tide of splitting up or separation, with the current of nationalism in former USSR and Eastern Europe, which has increased the number of states in the world by more than twenty, and has had an impact on Western Europe.

What then about China? Will China be split up like the former USSR and Eastern European countries? This is a question which countries worldwide are following with great interest and one which is already the subject of study.

It cannot be denied that Chinese ethnic consciousness has been rising since the end of the Great Cultural Revolution. The tide of nationalism in former USSR and Eastern Europe has further aggravated the complex nature of ethnic consciousness in China. However, China's national conditions and policy towards ethnic groups are different from those of former USSR and the Eastern European countries, and therefore cannot be discussed together.

Along with the rapid development of China's socialist market economy, there has been great change among the ethnic societies. Two trends have emerged, both of which are unexpected and yet in conformity with the law of social development. One is the evolution of ethnic societies from a semiclosed to an open type. The other is the trend in which parochial, ethnic consciousness is gradually weakening while the nation-state consciousness is progressively strengthening. Both these trends are advantageous to the unity of the state, to social stability, to the solidarity of China's various ethnic groups and to the harmony of ethnic relationships. This chapter will present a preliminary analysis of the two trends.

CHANGES FROM SEMI-CLOSED TO OPEN SOCIETIES

Under the conditions of the planned economy directed by the Chinese government, each local system was mainly arranged according to plans worked out on the basis of existing conditions, with the aim of meeting the living standards of the local people. The circulation of goods was mostly limited to within a province or prefecture. Migration and cultural exchange between different areas were very limited until the 1980s. Such a

situation was especially conspicuous in the ethnic minority regions. The peasants and herdsmen of minor ethnic groups remained on the land and pasture, and were engaged in the single productive activities of agriculture and stock raising. The natural environment was the leading element in their economic life. Contacts between ethnic groups were rare; they had quite limited knowledge of each other's situation, and estrangement between them was common. This kind of society could be safely characterized as a semi-closed one, even if not completely closed. Ethnic consciousness naturally emerged in such closed societies. The sense of localism was quite strong, and different groups attached great importance to their own ethnic origins, history, common ancestry, blood relationships, culture and religion, while adopting an attitude of exclusion to varying degrees towards other groups.

Along with the historical transformations in China's politics, economy and culture since the policy of reform and opening up starting in the 1980s, the market economy has been gradually developing, and the speed of that development had been accelerating over recent years. Expansion of the market economy has become the central goal of Chinese policy. This has been accompanied by success in breaking down the relatively closed conditions of ethnic minority areas, bringing about a gradual increase of exchange and cooperation among ethnic minorities and the majority Hans. Thus relationships between different ethnic groups have been effectively adjusted, and this has exerted an expected and great influence upon China's ethnic relations. Hammered by the spread of the market economy, the semi-closed, ethnic societies are gradually opening up to the outside. This change is displayed in the following ways.

First, the market economy has prompted economic and cultural exchanges among different ethnic groups. Anthropologists hold that cultural exchange is one of the important impetuses for the development of a society, causing it to breed a variety of cultural factors, transforming the traditional culture and breaking the fetters of geographical conditions. Such cultural exchange exposes a people to others from whom they may learn or compare their differences. A relatively advanced culture will inevitably exert influence upon a relatively backward one, with gradual movement one towards the other. The more frequently culture is exchanged over a wide range, the more rapidly cultural integration will take place. In today's world every culture is a mixture, part of which is innate to itself and the rest, even the greater part, adopted from outside. There is seldom a truly pure ethnic culture. If such a culture could exist, its society must be isolated, closed, and primitive, and the people should have no contact with other ethnic groups.

The exchange of commodities is an important measure of cultural exchange. Before the market economy was implemented, the agriculture and enterprises of ethnic minority areas had been mainly geared to the needs of the local communities, with the economic component of self-sufficiency occupying the greater part. Regional advantages in natural resources had not been brought into full play. However, in recent years under the system of the market economy the whole country is becoming a single, large market. Commodity transactions have evolved their own laws; the circulation of money has become an irresistible trend; and the local, closed economies that were protected under the system of the planned economy have been opened up. Agricultural businesses and other enterprises in ethnic minority areas have begun to break through the self-sufficient, closed economy of those areas, and dynamically opened up the interior markets. The minorities are all

doing their best to create their own high-quality products with well-known brand names to enable them to enter the domestic and overseas markets. The competitive output in Xinjiang includes petrochemical products, rare metals, gem and jade handicrafts, together with agricultural and sideline products of raisins, melons and other fruits, plus cotton. Inner Mongolia produces cashmere sweaters, leather products, coal and electric power. Yunnan supplies tobacco, tea, rubber, and nonferrous metals. In Guizhou one finds famous liquors and aluminum products. The arts and crafts of ethnic minorities have long been popular in the interior and the relatively developed coastal areas of China. Similarly, many commodities produced by entrepreneurs in the coastal and interior regions have been introduced to ethnic minority areas; merchandise from Beijing, Shanghai, Guangzhou and other major urban centers can now be found in areas such as Xinjiang and Tibet.

Second, the market economy has promoted two-way migration between the Han majority and the minorities. Since the policy of reforms and opening up was started, large-scale migration has been taking place in all parts of China. According to the fourth nationwide census, from 1982 to 1990, 2,206,190 people of ethnic minorities moved into the cities, towns and counties of other provinces and municipalities which are controlled directly by the central Chinese government. Since 1990 people have been migrating more frequently than ever before. The mobile population throughout the whole country in recent years has reached 80 million, of which a large proportion has emigrated from the areas of ethnic minorities. China's policy of reforms and opening up has most effectively encouraged the ethnic minorities to participate in all kinds of economic activities. Several million peasants and herdsmen of various ethnic origins have left the remote mountains, grassland and border areas, and entered the relatively developed coastal and interior areas to be engaged in industrial production or to start their own businesses. Many interior metropolises have become cities inhabited by various ethnic groups. According to statistical data, 413,800 people from 55 ethnic groups live in Beijing, while a floating population of more than 200,000 people from ethnic minorities are also found in Beijing. Especially those ethnic minorities who are good at doing business can now fully display their abilities. For example, Uighurs from Xinjiang long ago travelled the Silk Road; since the 1980s, a large number of Uighurs have left their native land and moved to parts of China in order to run restaurants, or sell Xinjiang fruits and other specialities. They have established their own communities and the hubs of their own commercial network in Beijing, Shanghai, Guangzhou, Haikou, Shenzhen, Chaozhou, Dalian, Shenyang, Xi'an, Lanzhou, Xining and other large cities. The Uighur communities such as Sanyuanli in the outskirts of Guangzhou, the area near the Hotel of Nationalities in Shanghai, and Ganjiakou and Weigongcun in Beijing are well-known communities where Uighurs from Xinjiang have settled. An investigation shows that in the 'Xinjiang Village' near Ganjiakou in Beijing, some 500 to 600 people from Xinjiang live with permit cards for temporary inhabitancy. If the numbers of illegal migrants from Xinjiang who have been living in the 'village' for years is added, the total should be more than a thousand (Ren *et al.* 1994:8-9). The same is probably true of other ethnic minority people. Restaurants managed by Koreans or Dais can be found almost everywhere in Beijing. In the Linxia Hui autonomous prefectures in Gansu province, more than 40,000 Huis have moved to China to run their own businesses or to get jobs. The Yaos and Miaos in Hunan Province, the Maonans in Guangxi Province, the Ozbeks, Kazaks and Tatars in Xinjiang,

and the Ewenkis and Hezhens in Northeast China have also moved out of their native lands to the coastal, developed areas in order to engage in various trades. According to research, 350,400 people originally from 52 ethnic minorities now live in Guangdong province, including a population of more than 10,000 from ethnic minorities who are permanently working and living in Shenzhen. Some 130,000 'working girls' have come from the Bijie prefecture of Guizhou province to Bao'an, Shenzhen, Dongguan, Zhuhai and other cities in Guangdong (Yang 1994). On the one hand, the migration of the ethnic minorities has spread their excellent handicrafts and dietary culture to the interior and coastal developed areas. On the other hand, they bring back their experience in management and administration, and the competitive consciousness of Han Chinese, to their homelands when they return. This results in two-way cultural exchange.

Some local governments in the ethnic minority areas plan and organize their labor force to work in other parts of China. For example, Wulanba league (prefecture) in Inner Mongolia provides other areas with its labor force, considering this service to be important business for prompting primary accumulation, for lifting the local economy out of poverty, and for advancing economic society towards prosperity. Thanks to the 'export' of labor, many households in the villages of this league have become relatively well-to-do. Out of 100,000 laborers in Zhuozhi county, 60 percent have moved to work in other parts of China, thus lifting 9,000 households out of poverty. Now, one-third of all the laborers in the league have moved to work or do business in other areas (Commission of Ethnic Affairs of China 1994b: 18). Each year in Ningxia Hui autonomous region, 200,000 local laborers are organized to work in other places doing a variety of jobs. The Region plans that more than 400,000 laborers of the eight poor counties will be deployed in non-agricultural posts by the year 2000. Guyuan in Ningxia is well-known as a poor county; now 80,000 Guyuanese laborers have been moved to the plain areas in order to lift them out of poverty within three years. In the coming years 20,000 people in Guyuan are scheduled to move to the plain areas (Commission of Ethnic Affairs of China 1994b:14, 18).

Needless to say, the majority group of Hans are also migrating. They enter the ethnic minority areas to engage in various economic activities. For example, the number of people from interior provinces and areas who are engaged in trades in Xinjiang has been increasing regularly since 1984. Many of the interior traders in Xinjiang are from Jiangsu, Zhejiang, Sichuan, Shanxi, Gansu and other provinces; now they can be seen in most of counties and cities on both sides of Tianshan Mountain. They are engaged in the trade of clothing, shoes, headgear, general merchandise, food and drink, hairdressing and cosmetics, or in technical jobs such as tailoring, processing articles of everyday use and construction work.

Tibet reflects a similar picture. Since the 1980s a large number of the Huis and Hans in Gansu, Qinghai and Sichuan have entered Tibet to practice their own business or trades, opening restaurants, shops and processing workshops. Building and construction teams of Hans peasants have contracted to build various modern projects in Tibet. They have participated in the building of highways, bridges, dams, and power stations all over Tibet. Major projects, such as the construction of asphalt roads, underground pipelines and residential areas, embedding of communication cables and the erection of a high-tension network in Lhasa municipality, have all been contracted to Han construction teams. Bicycles, sewing machines, wristwatches and various domestic electrical

appliances are now to be found in Tibetan families in large quantities, but the various repairing trades are almost all run by Han self-employed workers.

When the Hans first arrived in Lhasa to be legally engaged in industrial and commercial activities, they were not welcomed by the local cadres and the Tibetan people, who feared that local money would be siphoned away from the interior. Requests were even made to the government to drive away the people coming from other places. However, the industrial and commercial trades managed by self-employed Han workers have now become an important component of Tibet's economy and are of vital importance to the immediate interests of the people, a fact which is now understood by the people. Self-employed workers of the Han, Hui and other ethnic groups, who have entered Tibet on the great tide of reform and opening-up and engaged in industrial and commercial trades, are now playing a very important role for the social and economic development of Tibet. They have made contributions to enlivening the markets, and toward enriching and enhancing the convenience of people's lives. The vegetables and fruits from various interior areas are now for sale at reasonable prices in markets and fairs in Lhasa, Xigaze and other towns. These commodities have become daily necessities for the Tibetans, especially the young. The procurement of vegetables had long been a serious problem for the townspeople and has finally been solved in many parts of Tibet by the self-employed workers from other interior areas who have engaged in industrial and commercial trades for several years (Yang 1995).

The Han and other ethnic people who came from the interior to the border and the areas of ethnic minorities are engaged in various trades which have played a valuable and supplementary role in promoting economic development and prosperity. First, they have spread the sense of market economy, thus making the ethnic minorities free from old ideals and renewing their mentality. They have helped them to raise a large number of talented people who have courage, knowledge, experience and professional skill to embark on enterprising management and administration, suitable to the needs of the developing market economy. Second, they provide modern household appliances, encourage business and promote the development of the labor force. Third, local opportunities for employment and earning revenue have been increased. Fourth, influenced by the industrial and commercial enterprises of Han individuals, many ethnic groups have become engaged in trade, resulting in rapid development of individual businesses and commercial operations.

Although a migrating population will temporarily affect social stability, it is but a transient phenomenon and cannot exert a continuous influence on the overall situation. From a long-term point of view, migration is advantageous to the cultural integration of various areas and ethnic groups and to the consolidation of the Chinese national consciousness. Migration involves a process of conflict, adaptation, and integration, and therefore should not be restrained merely because of initial problems among newcomers and local community members. Those ethnic minority people who are engaged in doing business or other jobs in the interior areas and coastal provinces should particularly not be restrained, but should be encouraged and protected. Similarly, people coming from the interior to border and ethnic minority regions should try hard to live in harmony with the local groups and work together to develop those areas. Looking at the problem from a historical point of view, every large-scale ethnic migration or population movement leads to development of the economy and a great blend of cultures. Therefore, the recent

migration should be treated correctly. There should be no artificial restriction on a migration of people that is advantageous to cultural exchange and future economic development.

In addition, the market economy has also promoted exchange and cooperation between enterprises or scientific research institutions in ethnic minority areas, and those in the areas inhabited by Han Chinese. One of the characteristics of the ethnic minority areas is the richness of natural resources, but the problem is how to turn them into material wealth. This is an important matter which will ultimately decide whether the minority areas can realize modernization. However, because of being backward in science and technology, and at a low level in enterprise, management and administration, the minority areas are not able to advance economic development merely by reliance on their own efforts. Since the market economy was introduced, the ethnic minority areas have actively managed and opened up local natural resources together with enterprises in the coastal and interior arena.

In order to strengthen further the cooperation between the eastern and western parts of China, the Ministry of Agriculture submitted proposals concerning 'Model Projects of the East—West Cooperation among Township Enterprises' in 1993. The Township Enterprise Bureaux of Zhejiang, Jiangsu and other provinces have established a 'Leading Group for Coordinating the East-West Cooperation Projects among Township Enterprises', and have strengthened exchanges and partnerships with Jiangxi, Xinjiang, Henan, Shanxi, and Inner Mongolia. According to incomplete statistics, ten pairs of friendly partnerships have been established in twenty provinces and autonomous regions. The first batch of sixty-six model areas for promoting the East—West cooperation was chosen from the advanced areas practicing the policy. The projects aim to promote East—West cooperation, with enterprises as the main participants. These projects embody the principles of supplementing each other's deficiencies, working for economic mutual benefit; and giving prominence to efficiency, cooperation and the provision of examples to guide the development of local economies. Today, these projects have gained active support and response from well-known entrepreneurs in eastern China. Guanqiu Lu, chairman of the board of directors of Wanxiang Group Corporation in Zhejiang province, has put forward a plan of marching into the West. Renbao Wu, the famous entrepreneur of Huaxi Village in the Jiangyin municipality of Jiangsu province is providing free training of technical staff members for the central and western areas. The Jinhai Group of Daqiu Zhuang in Tianjin municipality has decided to move its pipe-welding factory to Xinjiang and to transfer its equipment for producing zinc-plated pipes to Henan. The cooperative projects between Wanquan Group and the Xinjiang construction corps have already been implemented (Township Enterprise Bureau 1995:26).

Development of the market economy has promoted more openness towards the outside world. Since 1992 the central government has approved a group of cities and trading ports in border areas as frontier cities open to foreigners and as state-approved trading ports, and has granted Xinjiang permission to carry out eight preferential policies similar to those implemented in the coastal areas. As the opening up along the frontiers of border and minority areas enters a new stage of development, the volume of trade has increased annually, and cooperation projects with foreign countries have also grown in number. According to statistics, in 1992 the total import and export volume of frontier trade in

Guangxi province reached US\$450 million, 30 percent higher than the previous year; the total volume of import and export frontier trade in Yunnan province amounted to US\$350 million, 43.3 percent over 1991; and Xinjiang's total import and export volume in frontier trade reached US\$320 million, representing 42.7 percent of the total import and export trade for the entire autonomous region, an all-time high. The level of drawing on and using foreign funds is also continuously expanding. In 1992, 1,385 new overseas-funded enterprises were registered in Guangxi province with a total investment of US\$2.78 billion according to the contracts; in Yunnan province 202 new overseas-funded enterprises invested in a total of US\$386 million, including US\$168 million used in 1992 according to contracts; and Xinjiang approved 164 projects using foreign funds, while setting up more than 200 joint-venture enterprises in Central Asian countries and the countries of the Commonwealth of Independent States. Inner Mongolia concluded 299 project contracts using foreign funds totalling US\$450 million, an increase of 230 percent over the previous year. In 1993 the foreign funds actually used in the autonomous regions were: US\$85.26 (Inner Mongolia); US\$897.56 million (Guangxi); US\$53 million (Xinjiang), and US\$11.9 million (Ningxia) (Commission of Ethnic Affairs of China 1995b: 303).

These figures illustrate that the market economy has expanded the narrow scope of economic life of the various ethnic groups and their links with each other, which had been confined by geographical conditions in the period of the planned economy. The development of the market economy has surmounted the demarcation lines between different areas and brought about full exchange and communication among ethnic groups. None of the economic—cultural systems of various ethnic groups can now exist independently. Although the geographical environments of the border areas are greatly different from those of the interior, and their economic products are also obviously different, nonetheless, by supplying what the other needs through exchange of means of production and livelihood, they have entered into a close relationship of mutual reliance. In addition, contacts between the different ethnic groups have broken down all kinds of old ideology, standards and restrictions. Former estrangements which had resulted from differences in customs, habits, and religious beliefs are gradually disappearing, and a new type of ethnic relationship is gradually taking shape. Relations of mutual understanding and harmony among various ethnic groups, and the relationship in which 'our people live in your group, while your people live in our group', have been further enriched and developed.

IDEOLOGICAL CHANGES: FROM ETHNIC TO NATION-STATE CONSCIOUSNESS

In today's world, every effort is being made to promote the integration of ethnic groups and the state; good integration allows ethnic groups to prosper in reliance on the state, while the state can prosper in reliance on ethnic unity. Yet, the closed status and mutual identification of various ethnic groups, and the growth of nation-state consciousness all require a process and the fulfillment of certain conditions.

During the period of 'the Great Cultural Revolution', ultra-left ethnic policies were implemented. The customs, habits and religious beliefs of the ethnic minorities were not

respected, their equal rights and autonomy were violated, and a large number of ethnic minority cadres suffered prosecution, thus seriously depressing their psychological condition. When the 'Cultural Revolution' came to an end, the depressed ethnic psychology burst out like a volcanic eruption, resulting in rapid growth of local ethnic consciousness or parochial nationalist consciousness, and leading to a series of incidents in which outsiders were excluded from other ethnic groups, making relations quite tense. Under such circumstances, the state consciousness and the consciousness of the Chinese nation could not be strengthened and were, in fact, weakened.

The implementation of reforms, opening up, and introduction of the market economy, created favorable conditions for the growth of state consciousness and the consciousness of the Chinese nation. Pounded by the market economy, ethnic consciousness is becoming attenuated, while state consciousness of the Chinese nation is gradually being strengthened. This is illustrated by the following facts.

First, since the third Plenum of the eleventh Chinese Communist Party Central Committee, China's system of ethnic regional autonomy has been further developed and enhanced, effectively safeguarding the political position and power of these minorities. Ethnic regional autonomy is the prerequisite for ethnic equality and ethnic unity. Since the 1980s, many ethnic autonomous areas have been established in addition to those which existed already. According to statistics, there are two newly established autonomous prefectures: the Exi Tujia and Miao and the Qianxinan Bouyei and Miao prefectures, and there are sixty-one newly established autonomous counties. At present, there are 5 autonomous regions, 30 autonomous prefectures, 14 municipalities at prefectural level, 646 autonomous units at county level (including 59 municipalities at county level, 412 counties, 51 banners, 121 autonomous counties and 3 autonomous banners) throughout the country (Commission of Ethnic Affairs of China 1994a: 215, 246-57).

The ethnic township is a supplementary form of ethnic autonomy, which was first established in 1956. By 1958, more than 1,300 ethnic autonomous townships (including ethnic districts and ethnic towns) had been established, but soon after they were shattered by the tide of people's communes, and thus disappeared. Since the implementation of reform and opening up, the organizational system of ethnic townships has been restored. In the period from 1984 to 1987, more than 1,500 ethnic autonomous townships (including ethnic towns) were resumed and newly established throughout the country. Now most of the ethnic minorities have established their own townships in China (Commission of Ethnic Affairs of China 1993:259-60).

Actively training ethnic minority cadres and letting the ethnic groups administer their own affairs are consistent policies of the Chinese government. By the end of 1993, the total number of China's ethnic minority cadres had reached 2,284,000. Today, the four provinces of Guangxi, Yunnan, Guizhou and Sichuan, and the Tibetan autonomous region have trained more than 800,000 ethnic minority cadres below the age of 40, cadres which will enter the twenty-first century. In addition, the Chinese People's Liberation Army is a large school for training ethnic minority cadres, including more than 13,000 cadres from 49 ethnic groups. Among them are leading cadres of the greater military areas, more than 270 cadres at army or division level, and more than 1,000 cadres of regiment level. Sixty percent hold commanding posts in the military, political and rear-

service departments of the PLA; 40 percent are technical cadres in specific fields; and almost half graduated from universities and colleges (Yang: 1995).

Since the founding of the People's Republic of China, the ethnic minorities enjoy fuller rights of discussion and participation in government and political affairs, especially since the implementation of reforms and opening up. According to data from the four censuses, in 1953 the population of ethnic minorities accounted for 5.89 percent of the total population of China, 5.77 percent in 1964, 6.62 percent in 1982, and 8.01 percent in 1990. However, the proportion of minority deputies to the National People's Congress and committee members to the National Committee of the Chinese People's Political Consultative Conference in the two state organs is far higher than the proportion of minorities in the overall population of China (Commission of Ethnic Affairs of China 1995b: 417).

Under China's system of ethnic regional autonomy, the political position and autonomous rights of ethnic minorities are guaranteed. This provides the foundations for unity and cooperation among the various ethnic groups, and is the prerequisite for the gradual sublimation of the state consciousness and the consciousness of the Chinese nation.

Second, the rapid development of the market economy and the growth of China's national strength are the most importable factors in reinforcing cohesion among the various ethnic groups. Although economic development in the border and minority areas lags behind that in the relatively developed coastal regions, the rate of development of these areas is quite rapid; living conditions have greatly improved and the society is changing fast. According to statistics, the incomes of inhabitants in the towns and counties within the ethnic autonomous areas have increased by varying degrees: in 1993 the per capita net income of peasants was 696 yuan, an increase of 19 percent over the previous year; and the per capita annual currency salary of workers and staff members was 3,074 yuan, an increase of 21.6 percent over the previous year, or 276 percent more than in 1981 (Commission of Ethnic Affairs of China 1995b: 35,315).

Table 13.1 Numbers and proportions of deputies from ethnic minorities to previous National People's Congresses

<i>National People's Congress</i>	<i>Total deputies</i>	<i>Deputies from ethnic minorities</i>	<i>Proportion (%)</i>
First (1954)	1,226	178	14.5
Second (1959)	1,226	179	14.6
Third (1964)	3,040	372	12.2
Fourth (1975)	2,885	270	9.4
Fifth (1978)	3,497	381	10.9
Sixth (1983)	2,978	403	13.5
Seventh (1988)	2,978	445	14.9
Eighth (1993)	2,980	554	18.6

Source: Commission of Ethnic Affairs of China (1955b: 417)

Table 13.2 Numbers and proportions of deputies from ethnic minorities to previous National Committees of the Chinese People's Consultative Conference (CPPCC)

<i>National Committee of the CPPCC</i>	<i>Total of committee members</i>	<i>Deputies from ethnic minorities</i>	<i>Proportion (%)</i>
First (1954)	198	19	9.6
Second (1959)	729	61	8.4
Third (1964)	1,071	78	7.3
Fourth (1975)	1,199	81	6.8
Fifth (1978)	1,988	143	7.2
Sixth (1983)	2,039	185	9.1
Seventh (1988)	2,083	225	10.8
Eighth (1993)	2,093	241	11.5

Source: Commission of Ethnic Affairs of China (1995b:417)

Economic development and the raising of standards of living and culture have gradually ameliorated the resentful feelings nurtured by ethnic minorities towards the state and government, and have strengthened the state consciousness and the consciousness of the Chinese nation. The various ethnic groups have therefore placed further confidence and hope in the state.

Third, taking the road of common development and prosperity is another important prerequisite for raising state consciousness and the consciousness of the Chinese nation. The economic and cultural development of the minority areas requires constant state support and the assistance of similar organizations or enterprises in the relatively developed coastal regions. The minority areas possess vast land and abundant resources, but natural conditions are difficult, transport facilities are poor, the basic infrastructure is backward, scientific and technological levels are low, consciousness of competition is still weak, markets are not well developed, and economic efficiency and benefits are still inadequate.

In contrast to the situation in the relatively developed eastern areas, foreign traders are often unwilling to invest in enterprises in the border areas. All these factors have seriously hindered the economic and cultural development of minority areas. Over the past several decades, particularly since reform and opening up, the state has allocated huge funds for supporting economic and cultural construction in the minority areas, and each year provides generous financial subsidies. According to incomplete statistics, from 1980 to 1993 state financial institutions allocated financial subsidies totalling 1.48 billion yuan for the eight ethnic minority provinces and autonomous regions, an average of 10 billion yuan each year. In matters of profit distribution, possession of circulating funds, and pricing, China's ethnic trading policies grant preferential treatment to ethnic trading corporations and the state enterprises located in pastoral areas and outlying mountain regions with poor transport facilities. In addition, the state also actively supports economic development in the minority areas by allocations of special funds to support the development of areas in poverty. According to statistics, from 1980 to 1993, expenditure on helping poor areas by the central financial departments amounted to 27 billion yuan,

of which the larger part was used for development in minority areas (Commission of Ethnic Affairs of China 1995a: 12).

In 1994 a major event in the development of the Tibetan region was the third Forum on Work in Tibet which was convened by the Central Committee of the Chinese Communist Party and the State Council. Discussions centered on the questions of the development and stability of Tibet. This meeting programmed sixty-two construction projects to support the development of Tibet, projects which were much-needed by the Tibetan autonomous region. The sum total of investment in the sixty-two projects was 2.38 billion yuan. Thirty of these schemes, which required a total investment of 1.802 billion yuan (75.7 percent of the 62 projects' total investment), were financed by the central authorities and the departments concerned, while the remaining thirty-two projects represented a total investment of 578 million yuan (24.3 percent of the total) and financed by similar local units of partnership. According to the plan, the national economy in Tibet should register an average increase of about 10 percent annually until the year 2000; by then the gross national product will be twice what it was in 1993 (Yang 1995).

In addition, the state has also strengthened its support for designated poor counties and assistance from partnership areas. Among the first group needing support as selected targets, 44 central organs and the departments concerned are in charge of supporting 142 minority counties in poverty. Each province or region also takes the most outlying and poorest counties inhabited by ethnic minorities as the key objects for aid. For example, Yunnan province contains the most counties in poverty; by the end of 1994, ten central state organs had been to the forty poorest counties designated for support and had established close contacts in order to help lift them out of poverty. Each of the seventy-eight poor counties in the entire province of Yunnan has been designated with its own partner unit at the provincial level and above to offer support.

The energetic support given to minority areas by the state and the regions inhabited by the Han ethnic group has promoted the common development and common prosperity of China's various ethnic groups. This will enhance the relationship between the ethnic minorities and the state as well as between the ethnic minorities and the Han group, while also strengthening the state-consciousness.

Fourth, the implementation of reform and opening up has promoted mutual understanding between the Han ethnic group and the ethnic minorities. Before the reform and opening up, many Han people did not understand the ethnic minorities. Since the 1980s, along with the two-way population flow of various ethnic groups, numerous reports regarding the traditions of the minorities and ethnic policies have been broadcast through radio, television, movies and the press. With the opening up of tourist scenic spots in minority areas, each ethnic group has achieved deeper and more comprehensive understanding of the cultural characteristics, customs and habits of others. Such mutual understanding among different groups is the first step towards national and cultural identity.

Fifth, with increased contact between different ethnic cultures and mutual infiltration will inevitably lead to closer similarity or integration of customs and habits, moral concepts, and aesthetic standards, thus strengthening the solidarity of the various ethnic groups and making relations more harmonious. The rapid spread of cultural information also increases the generalities and identities held in common by the various ethnic

groups, and gradually leads to the appearance of a new cultural pattern through the integration of the various ethnic cultures. Before reform and opening up, the ethnic minorities possessed a weaker consciousness of competition and market than the Han ethnic group in general, and many minorities maintained the traditional concept of feeling ashamed to do business, regarding being engaged in trade as a disgrace. They did not know how to do business and were not willing to compete with others. Such old concepts were quite common in ethnic minorities such as the Kazakhs, the Khalkases, and the Tibetans. Being pounded by the tide of market economy, these ethnic groups have now changed their concepts, and actively participate in competition. Through the process of opening up their consciousness of commodities and competition is being continually strengthened. Hence attitudes relating to modernization now tend to resemble those of the Han ethnic group. The same changes are taking place in other aspects of their lives. As distinctions are gradually reduced, the cultural and recreational life, dress, personal adornments, aesthetic standards and values of young people are becoming quite similar, both in the interior and coastal areas and in the border and minority areas.

Sixth, the market economy has prompted the various ethnic groups to learn from each other. To meet the needs associated with trade and managing enterprises, the floating population must learn the local language and culture. The Uighurs in Xinjiang had not actively learned the Chinese language, but since reform and opening up, Uighurs in many districts have started Chinese language courses at their own expense. Now groups such as the Uighurs, Tibetans, Yis, Dais and Koreans who are engaged in trade in the interior and coastal areas are all able to speak and write the Chinese language. The same is true for the Han people who are engaged in trade in the minority areas—they are also making efforts to achieve a good command of local languages. As various ethnic groups learn each others' spoken and written languages, exchange and communication is facilitated, and state consciousness and the consciousness of the Chinese nation is stimulated.

The seventh point is that the changes in the market economy have promoted marriage relations among people of different ethnic groups. Since reform and opening up, the scope of ethnic activities has expanded, and marriages among people of different ethnic groups have increased. Many members of the floating population from ethnic minorities have married into the Han or another ethnic group. For example, some Uighurs who are engaged in trade in Beijing have married Beijing women. In addition, more and more women from the ethnic minorities have married men in the relatively developed Han ethnic areas. According to statistics, in the early 1990s more than 300 women from border and the minority areas married to residents in Shanghai (Commission of Ethnic Affairs of Shanghai Municipality 1993). When one parent is from the Han ethnic group and the other from an ethnic minority, the child is frequently reported and registered as a member of an ethnic minority (primarily in order to enjoy the state's preferential policies). Yet most of these children speak the Chinese language and are educated in the Chinese spoken and written languages, and their psychology, habits and customs are virtually the same as those of the Han.

Therefore, alongside the development of the market economy, the narrow ethnic consciousness is becoming weaker while state consciousness and the consciousness of the Chinese nation have been greatly strengthened. Such trends will no doubt continue to develop.

CONCLUSIONS

The market economy is an open economy and an exchange economy, one which will inevitably break the closed walls between the peoples of various ethnic groups. The more that it develops, the more the society will be open and more frequent exchanges will take place among remote areas and ethnic groups. A society's opening up will inevitably weaken the narrow local and ethnic consciousness, while strengthening the state consciousness and the consciousness of the Chinese nation. Frequent exchanges among the ethnic groups will promote mutual understanding, identification and empathy, leading to cultural dissemination, acculturation and enculturation. Economic and cultural distinctions and discriminations will gradually be reduced, thereby integrating the cultures of the various groups into a completely new pattern which will be the same for all the fifty-six ethnic groups in China. The cultural pattern will be neither purely that of the Han ethnic group, nor that of one of the ethnic minorities. Instead, it will take shape on the basis of assimilating the streams of China's various ethnic cultures and the cultural streams of the advanced ethnic groups of other countries. Such a pattern will never cause an ethnic group to lose its own uniqueness; the cultural essence of each atomic group will exist permanently and will exert influence upon other ethnic groups.

Some thirty years ago Barbara Ward, a famous political commentator, analyzed the situations of the two communist giants of China and the Soviet Union by using the nation-state theory. She boldly forecast that the Soviet Union would disintegrate because of domestic ethnic problems, while she thought that China's long history of integration of the cultures of various ethnic groups, together with its vast territory and a large population, would produce longevity: 'After all,' she said, 'China is intrinsically a unified state with a vast territory' (Xie 1994:170).

The unity of the state and close exchange among the various ethnic groups are principal aspects of Chinese history, and the market economy now being practiced in China has paved the way for the further development of these principal aspects. Therefore, it is reasonable to believe that China will never be split up like the former USSR and the Eastern European countries, even though many ethnic problems still remain. The further development of the market economy will continue to unify China, will make the society more stable, and will contribute to the solidarity of the ethnic groups.

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