

CHAPTER FOUR

ECONOMIC PRINCIPLES OF THE “MIN SHENG CHU I”—THE PEOPLE’S LIVELIHOOD

THE traditional economic principles of former dynasties may be summarized as follows:

Supporting the People: The basis of economics is human nature and its fundamental purpose is to support the people. Sun Yat-sen said: “The Principle of the People’s Livelihood is designed to support the people, while capitalism seeks profits.” He also said that “social progress should be measured by the people’s livelihood and not by material production.” In other words, the basic principle of Chinese economic theory is that commodities are valued not for their own sake but for the sake of the people. This is what is meant by the saying, “be kind to men and have regard for things,” which also refers to the people’s livelihood.

A Planned Economy: Inasmuch as economics is based on human nature, it calls for “supporting wants and supplying demand” on the one hand, and on the other, for developing man’s rational nature and mental powers so that he may distinguish between and restrict his wants. Economic development must therefore be planned, and that planning must rest on a basic theory. The basic theory of the Principle of the People’s Livelihood is to develop national enterprises and aid the people in order to improve their livelihood, while at the same time controlling private capital and equalizing land ownership in order to prevent the capitalistic control of the people’s livelihood. Chinese economic principles are not those of *laissez-faire*, nor of promoting the class struggle. They call

for economic plans to "nationalize capital for popular enjoyment"—to realize the ideal of [government] "for the people," whereby China may become a wealthy, healthy, and happy state.

Combining the People's Livelihood and National Defense: Since the basic purpose of economics is to support the people, the Government should develop natural resources, improve transportation, and accumulate national wealth, and at the same time, make certain that the farmers and the wealth of peace time will be transformed into soldiers and military supplies in time of war. Only if a program of economic development is based on the people's livelihood will it suit the needs of national defense.

1. *Laissez-faire and Marxism*

Only if China's economic reconstruction is based on these three principles will she achieve success. There are some who do not understand the principles contained in the Principle of the People's Livelihood, and who have proposed different plans in accordance with Western economic theories. Without exception, their proposals are unsuited to the present needs and social structure of China. The most important defects and disadvantages in their proposals may be summarized as follows:

The *laissez-faire* economists propose that China should be industrialized according to the *laissez-faire* policies and free trade doctrines of Western Europe, on the ground that only in this way can industrial progress be facilitated. They fail to realize that the *laissez-faire* theory is based on a system of free competition such as developed in Western Europe after the First Industrial Revolution. At that time, the industries of England, France, and other countries enjoyed markets both at home and abroad, and as a consequence, English and French manufacturers supported the policy of free competition and free trade as the best means of achieving industrial

prosperity. Subsequently, Germany and the United States became strong industrial powers and began to compete with the Western European nations. As this competition became more and more severe, free trade was replaced by protection. In order to strengthen their competitive power abroad, the entrepreneurs combined the strength of individual factories producing similar goods by forming trusts or cartels, and even centralized this power through government operation of industry. This trend has been called the Second Industrial Revolution. And today it may be said that there is basically no reason for *laissez-faire* economics.

Because she has been subjected to the bondage of the unequal treaties and is industrially backward, China cannot compete with the advanced industrial nations. She must therefore adopt a protectionist policy with regard to foreign trade, and a policy of economic planning with respect to her industrial development. Private capital alone will not be sufficient to operate on a large scale, or to compete with the trusts and government-operated enterprises of foreign nations. This is the great weakness of *laissez-faire* economic theory, and it is this that makes it unsuitable for China. Having long ago recognized this defect, the Father of our Country said: "The tendency of modern economics is to substitute economic concentration for free competition." His plan for dealing with this situation was: "In China, two revolutions must be launched simultaneously: the replacement of hand labor by machinery, and unification under government-ownership." Only if this policy is adopted can Chinese industry hope to achieve unimpeded progress.

The Marxists advocate the overthrow of the capitalists by class struggle and the organization of a Communist society. This theory is based on a belief in class selfishness—a fundamental error. In pointing out this error, Sun Yat-sen said: "In the past and present, man devoted his energies to the sole purpose of maintaining existence. Since man seeks uninterrupted existence, there must be unceasing social prog-

ress. Thus the established rule of social progress is the effort of mankind to maintain existence, which is the real reason for such progress. Class struggle is not the cause of social progress, but a disease arising in the course of social progress. The reason for this disease is the failure of certain men to maintain their existence, and for this reason wars occur." On the basis of this analysis, Sun Yat-sen described Karl Marx as a social pathologist rather than a social physiologist.

Marxists consider labor the only important factor in production. [They hold that] all value is produced by labor, and that profits and land rent are surplus value produced by labor. They do not recognize that manpower and land are basic requirements of production, and that manpower includes mental as well as physical strength. Industrial goods are not only the product of the labor of factory workers, technicians, and managers, but also of the inventors and manufacturers of the machinery used in the factories concerned. Similarly, the profits of industry are not only due to the labor of the workers, but also to the management of the enterprise, the blueprints of the technicians, the transport of the commodities by rail or highway, and the activities of commercial houses. Each step in the process of the production and consumption of goods is a source of industrial profit. Sun Yat-sen declared: "The surplus value of industry should not be attributed solely to the labor of workmen in the factory. All members of society possessing usefulness or ability have more or less, directly or indirectly, contributed to production or consumption." We must recognize that each man's activities are only a part of the activities of all members of society, and that the production of each article is the result of the activities of all members of society. In view of this, Sun Yat-sen stated: "Social progress is due to the harmony of a majority of economic interests in society and not to their conflict. The harmony of economic interests in society works for the good of the majority of the people. Only if the majority of the people receive the benefit will there be social progress."

As for wars among mankind, the greatest wars are those between nations and not between classes. In the First World War, the workers of the European countries rejected the resolution of the Second International and fought for their respective countries. In the present World War, not only are the workers of Britain and the United States fighting for their own countries, but Soviet Russia is co-operating closely with Britain and America. Thus conflicts between capitalism and socialism have not harmed the united front among various nations because every man naturally wishes to protect his own existence, and the existence of an individual is insured by and depends on the strength of his nation. This may be explained from two standpoints, as follows:

First, from a political point of view, if one nation is conquered by another, the laborers as well as the capitalists suffer the fate of national destruction and racial extinction. This explains why [government] "of the people" precedes "for the people." No matter what theories the workers or the labor parties of various countries may claim to have adopted, they are all aware of this point. Therefore they abandoned the class struggle and joined forces [with the capitalists] when their countries were at war. Furthermore, in the countries defeated and conquered [by Germany] during the present European War, the workers, like the capitalists, were enslaved by the "Fascists." To engage in class struggle at such a critical time simply means the destruction of one's own country. Only a fool would think that it is unnecessary for a nation to use all its energies to lay the basis for economic reconstruction while it is fighting for national existence, or that the proletariat can, after national destruction, seize the opportunity to fight a revolution for the attainment of proletarian government.¹

Second, from the economic point of view, the industrial development of a country enables the capitalists to make

1. It would be interesting to know how the author would reconcile this statement with the Russian Revolution of 1917.

profits, increases employment opportunities, and improves the people's livelihood. If industry does not progress, or if it declines, or is completely destroyed, not only will the capitalists have no factories to operate, but the workers will have no factories in which to work. Today, industrially backward nations are suffering because of their undeveloped industries, while the industrially advanced nations are threatened with the danger of total industrial destruction. If a nation is defeated in war, all industries will be destroyed by the enemy. The workers will have no work to do; they will be unemployed and unable to earn a living. For this reason, all workers regardless of their nationality, fight for their own countries. This is a definite, self-evident fact. Karl Marx failed to understand this basic feature of human nature and saw only temporary defects. His theory is a medicine that does not suit the disease, and Chinese who believe in his theory suffer from the symptoms of an imaginary ailment.

China is suffering because her industry is undeveloped. As Sun Yat-sen said, the economy of the nation consists of poor and poorer people. No real class struggle can exist between the poor and the poorer. In future, after the abolition of the unequal treaties and the achievement of a free and independent status, if industry in China should develop according to *laissez-faire* principles, it is probable that industrial development would be followed by class conflicts or even class struggle. But China does not intend to adopt *laissez-faire* principles. She has adopted an economic system based upon the Principle of the People's Livelihood, which aims at the simultaneous achievement of the social and industrial revolutions. The Principle of the People's Livelihood is based on human nature and its objective is the people's livelihood. On the one hand, national industries must be developed, and on the other, private capital must be brought under control. Thus there will be no real motive for class struggle, since the workers will only enjoy increasing opportunities for employment and the improvement of their livelihood, and will not

suffer from capitalistic oppression. The industrialization of China can succeed without suffering from the effects of the "class struggle," as the Communists call it.

Another important feature of the Principle of the People's Livelihood is the equalization of land rights. This is the correct way to solve the land problem, which has a long history in China. Chinese history teaches us that the land problem cannot be solved by force, and that efforts to solve it by force or compulsory means are bound to fail immediately. Chinese economic theory regards man as basic. "Where there are men, there is land" means that land has no value by itself, and that its value is created by adding manpower to it, i.e., farming or cultivation. In sparsely populated areas, everyone has sufficient land and no land problem arises, but such areas will gradually diminish in China. In densely populated areas, or in areas where industry and commerce are prosperous, agriculture will be seriously affected by industry and commerce. Because of that effect, there is a natural tendency toward the sale and purchase of land. Rich men invest their money in the purchase and sale of land, thus causing an unequal distribution of land ownership. Since the feudal system of China was destroyed several thousand years ago, the unequal distribution of land is not inherited from feudalism, but must be attributed to the influence of industrial and commercial economics. Unless attention is paid to the relations between agriculture and industry, and between agriculture and commerce, any forcible equalization of land ownership will not last long. After a short period, the distribution will again become unequal. Will not a poor farmer who kills a rich farmer today become rich tomorrow? Such [forcible] methods misinterpret the nature of the land problem, because they are based on material conditions and not on human nature. If such a policy is followed, a repetition of the failures of history is certain.

Why should the land problem be considered in terms of agricultural-industrial relations? The characteristic feature of

the ancient Chinese economy may be expressed by the saying: "Men cultivating, and women spinning." In every family, agricultural and industrial production were combined, and this combined agricultural and industrial economy was self-supporting. With the exception of salt, iron, and other commodities of a special nature, farmers did not have to buy goods originating outside the locality. For this reason, the monopoly of the sale of salt and iron was an important economic problem in ancient China. In modern times mechanized industry has gradually affected the [self-sufficiency of the] farms because many forms of industrial production have been taken over by factories in the cities. The self-supporting economy of the rural districts has been gradually destroyed, and in order to buy goods from outside, the farmers have found it necessary to sell their products. Thus the commercial economy has tended to dominate the rural economy. As mentioned above, many economists of various dynasties studied the relation between agriculture and commerce and worked out policies to deal with this problem. What must be emphasized here is that Chinese commercial capital has always been invested in land. The more prosperous the commercial market, the more land has been concentrated in the hands of a few individuals. Instead of investing in industry, commercial capital has continued to be invested in land. In cities, the accumulation of capital results in hoarding of goods; in rural districts, in the acquisition of land.

The land policy embodied in the Principle of the People's Livelihood starts with the stabilization of land values. It prohibits the investment of commercial capital in land and this prevents land from being an object of speculation. The inability of rich men to invest their money in land will automatically equalize land ownership and will prevent these equalized land rights from becoming unequal. In addition to enforcing this policy, the Government should also take the necessary measures to finance agricultural production, adjust the prices of farm products, and improve agricultural tech-

niques and the farmers' livelihood. In this way, the land problem will be solved.

Once the land problem is solved, commercial capital will no longer be invested in land, but will be invested in industry instead. The industrial policy expressed in the Principle of the People's Livelihood is to "abandon hand labor for machinery, and to unify industry under Government ownership." Government-owned industry will need the raw materials produced in the rural districts and will also need the rural districts as markets for manufactured goods. Thus the prosperity of large-scale Government-owned industry and the development of agriculture are interrelated and not contradictory.

To summarize the foregoing analysis, we may say that the land problem should be considered in terms of agricultural-industrial, and more especially of agricultural-commercial relations in order to achieve a real solution. The solution of the land problem will not only put an end to commercial profiteering and the enlargement of land holdings, but will also facilitate the industrialization of China and lay a foundation for national defense and future constructive enterprises related to the people's livelihood.

Sun Yat-sen commented in detail on the economic theories of *laissez-faire* and of Marxism. Everyone should study this question thoroughly and ponder it carefully. The above are only a few of the more important points.

2. Sun Yat-sen's "Industrial Plan"

Since the people's livelihood is the basis of all our economic thinking, economic planning and the identification of the people's livelihood with national defense are fundamental features of the Principle of the People's Livelihood. To develop this statement in greater detail: Sun Yat-sen adopted the essence of the industrial, social, and economic theories of the West, corrected their errors, remedied their shortcomings,

and transformed them to suit the principles of Chinese economics, so that they emerged as the ideals of the Principle of the People's Livelihood. On the basis of these ideals, Sun Yat-sen wrote his great and all-inclusive "Industrial Plan," which is the basis of the national-defense economic plans of China. It is highly regrettable that he only drafted an outline of the Ten-Year National Defense Plan and was unable to complete the text of the plan itself for our guidance, but the principles and measure of national-defense economics may be deduced from his "Industrial Plan."

The scope of the "Industrial Plan" is more extensive than the highway and water-conservation plans of the F'ang and Han dynasties, and its outline is more detailed than the economic laws and ordinances of those dynasties. Unfortunately, there seem to be very few people who really understand the essence of the Plan, so I wish to make some simple explanations at this point.

In the first place, the basic idea of the "Industrial Plan" is to formulate measures for the economic development of China, with her vast land area as a base and with prosperous sea harbors as outlets for exports. Foreign trade is to be carried on via the seaports [while trade in the products of] agriculture and mining should be conducted overland. In time of peace, trade with foreign countries is to be carried on through the seaports, while in time of war the inland area will serve as a base for [military] operations. The basic idea of combining the people's livelihood and national defense is especially evident and important in the Plan. And if one reads the Plan from the standpoint of this combination, one will find that each section and each category contain measures of far-reaching importance.

Second, the "Industrial Plan" considers communications, agriculture and mining as the basic economic enterprises. People in general refer only to industry when they discuss the industrialization of China. They fail to recognize that in order for China to become industrialized, it is first necessary

to develop the resources of the interior, carry out rural economic reforms, improve the farmers' livelihood and make the rural districts a market for industrial products. In order to develop the resources of the interior, it is necessary to build railways and increase the number of waterways throughout the country. In order for China to become industrialized, it is necessary to develop agriculture and mining, since these are the main sources of raw materials for industry. Once communications, agriculture, and mining have been developed, there will be raw materials for industry and a market for finished products. Naturally, economic conditions will then be improved.

Third, the "Industrial Plan" emphasizes the equal distribution of the population. The trend toward the concentration of the population in the southeast during the past century is much more serious than it was during the Sung and Ming dynasties. The "Industrial Plan" calls for the emigration of the people in the southeast to the northwest and southwest in order that the population of the country may be equally distributed. Special emphasis is given to the necessity of increasing the population in the northwest and southwest in order to make these areas the bases for armed resistance and national development.

Fourth, the industry to be developed under the "Industrial Plan" should of necessity be distributed among the farms and mines. According to the Plan, the interior should not only possess modern means of communications and prosperous agriculture and mining, but industry should also be distributed equally. Chinese industry, in order to be near the areas producing raw materials, to find markets for finished products, and to meet the needs of the people, should be located at inland centers. From the standpoint of national defense, industry scattered throughout the interior will develop the potential material strength of all parts of the country. As far as the people's livelihood is concerned, cities and rural districts will be brought into equilibrium, and will not

be separated or radically different, as is the case with the present gap of one or two centuries between living conditions in the coastal cities and those in the rural districts of the northwest and southwest.

Fifth, the "Industrial Plan" calls for the equal development of China, both in the interior and on the coast, and also for the equal development of all localities. The various chapters of the Plan reveal that the late Father of our Country considered every district of China and wished to utilize each one to the best possible advantage. During the Sung, Ming, and later dynasties, the activities of the government were on a reduced scale. Even during the Han and T'ang dynasties, when the scope of government activities was extensive, the central provinces were overemphasized and the border regions were neglected. The "Industrial Plan," however, is sufficiently broad in scope to enable China to become a strong nation.

The "Industrial Plan" is extremely complex, and the above are only some of the most essential points. A study of the full text of the Plan, after grasping these central points, enables us to understand not only the truth contained in the Principle of the People's Livelihood, but also the validity of the general principles of national-defense economics embodied in Sun Yat-sen's Ten-Year National Defense Plan.