

LECTURE II

LESSON VII

HOW can we carry out the Principle of Livelihood? The Nationalist party has adopted as its platform two methods: the equalization of landownership and the regulation of capital. As circumstances in different countries vary, the solution of the problem of livelihood cannot be the same. Many think that we ought to adopt the Western method to solve our problem, but they do not know that this problem has not yet been solved in the West.

Marxists propose to solve the problem by revolution, while some socialists propose to use political measures or policies of compromise to solve it. Disputes have often occurred between these two classes. The Revolution of Russia has only solved the political problem but not the economic problem. This was why she had to adopt the new economic policy, which is now being experimented with. Many European socialists object to Russia's method. They propose gradual reforms. This class of socialists are moderates. The methods with which they try to solve the problem have already been mentioned in a previous lecture;

namely, the improvement of industry and society, the government ownership of means of communication and transportation, the direct taxation in the form of income tax, and the socialization of distribution by means of coöperative societies. Although they have not reached their final aim, yet they believe that social problems can be solved by these four methods.

At the beginning of the Russian Revolution, the expectation was not so much of the solution of the political problem as that of the economic problem. The result obtained, however, was just contrary to expectation. This was taken by anti-Marxists to be an evidence of the failure of Marxian principles, but the Marxists still maintain that the failure was due to the low development of Russia's industry and commerce. If Marx's method should be applied to such industrialized countries as Great Britain and the United States, they say that the result would be satisfactory.

We now have, therefore, two methods: one is a radical method advocated by Marx and the other a moderate method. The industrial and commercial conditions in Europe and America show that the more the capitalists have prospered, the more autocratic they seem to have become. These capitalists have objected to any reform either by moderate or radical methods. Owing to their

obstinate oppositions many moderates have become disappointed and have gradually gone over to the side of the radicals. Marx formerly believed that if the laborers in England and the United States applied his principles, they could surely be successful in their demands. Should the capitalists in the West fail to see the need of reforms, it is yet possible that the Marxian method might be adopted to solve the economic problems.

The system of communism existed in the primitive age. It disappeared when money was introduced, for when there was money as a means of exchange, the barter system was abandoned. When trade was carried by means of money, merchants gradually became capitalists. Later on, as industries prospered, machines were used for production, and now all those who have machines have become capitalists. So early capitalists had money, but capitalists of to-day have machines. With the machines the capitalists can employ thousands of laborers for production and enrich themselves by the profit earned by the sweat of the laborers. This is why we have constant struggles between capital and labor. The socialists, seeing the piteous conditions of the laborers, have tried to revive the communistic system of the primitive age, because human beings were happiest when they first got rid of the danger of beasts.

As capitalists came, the struggles between men arose. Such struggles cannot be stopped until society reaches a new communistic age. The struggles of to-day are for rice or bread, and when everybody has rice or bread there will be no struggle. Thus communistic principles are the highest for solving social problems. But our Principle of Livelihood is not only the highest ideal, but also the motive power of society, the gravitating center of history. What is the difference, then, between communism and the Principle of Livelihood? We may say that communism is the ideal of Livelihood, while the Principle of Livelihood is the practice of communism. The difference between these two principles lies, therefore, only in the method of application.

LESSON VIII

WHAT method should be used when the Nationalist party comes into power, to solve the problem of livelihood? We should not use a theoretical but a practical method to solve our problem. Theories may be true or false. Their truth cannot be found until they are tried. When they are practicable, they are true; but in science, usually ninety-nine out of a hundred, theories are impracticable.

The people in China are all poor. There are no especially wealthy classes. The inequality of wealth in China is but a variation of poverty to a more or less degree. Those whom we call capitalists in China are but poor people when compared with the capitalists in foreign countries. There is really not much difference in wealth among our people. Our problem, therefore, is how we can avoid even this small difference, so that no person in China will be too poor.

Capitalists, as a rule, begin from landownership. The landlords become merchants, and finally when enough wealth has been accumulated they become capitalists. The growth of landlords originated from the system of feudalism. In China, feudalism was abolished at the time of the Ch'in dynasty. Although there has been a lapse of two thousand years, yet because our industry and commerce have never been fully developed, our economic conditions have remained almost unchanged during all these years. We have no large landowners, but small ones, and these people have lived peacefully with the rest of the community in most places.

Economic influences from Europe and America are remaking China. The first thing affected is the land value. In Canton, before the construction of modern roads, the value of land was much cheaper than it is now. The same thing has

occurred in Shanghai. The price of land on the Bund is now ten thousand times more than what it was eighty years ago. Owing to this economic influence from Europe and America, landowners have become millionaires like foreign capitalists.

There are many interesting stories about land-ownership. In a city of Australia, before the town was built the price of land was very low. One piece of land was used as garbage ground. When this piece of land was put up for auction, nobody was willing to pay a high price. A drunkard offered three hundred dollars and bought it. On the next day, when the auctioneer sent a bill to collect the three hundred dollars from him, he could not remember what he had said during his intoxication. But he was obliged to pay the bill. He tried his best to get three hundred dollars to pay the auctioneer, and after that was unable to take care of the piece of land. Ten years later high buildings were constructed around this land. The price of the land became so high that the owner was not willing to sell it for several million dollars. The price went on higher and higher, until at last he got several scores of millions of dollars and became a multimillionaire. How did he make the money? He did nothing. Society made the place the center of industry and commerce, and the land gradually appreciated in value.

The appreciation of land value in Shanghai and Canton came about in just the same way. If, for some reason or other, all the people should evacuate Shanghai and Canton, the value of land would be immediately lost. Hence the increase of land value is a profit not earned by work. When a profit is made through monopoly, we feel that it is unjust. When a profit is earned by doing nothing, how can we justify it? The landowner has simply robbed the profit realized by the combined efforts of the whole community.

LESSON IX

THE land problem has not yet had any satisfactory solution in Europe and America. If we want to solve it, we have to do it now. It would be too late if we should wait until our industry and commerce were developed. By that time the difference in wealth would be too great. A mow of land on the Bund and a mow of land in the country at Shanghai, for instance, make a great difference in their returns. The owner of the land at the Bund may be able to receive several thousand dollars of rent a year, while the owner of the land in the country receives only ten or twenty dollars of profit if he cultivates the land himself, and five or ten dollars if he rents it to somebody else. Why should there be this inequality?

As one of the aims of the Nationalist party in carrying out the Principle of Livelihood, we propose to solve this problem of land. The best solution is the equalization of landownership. This measure will naturally meet with the resistance of landowners; but fortunately, as they are mostly small owners, the problem can be solved without much difficulty.

The method to be adopted by the Nationalist party is that the government shall tax the land according to its value, or purchase it at its stated value. How should the land value be determined? According to my opinion the land value may be determined by the landowner himself. He will report the value to the government and then pay one per cent tax. If a piece of land should be worth one hundred dollars, the tax would be one dollar; if one hundred thousand dollars, the tax would be one thousand dollars.

Now as the land value is determined by the owner, should he report less would the government suffer loss in the collection of taxes? If, for instance, a piece of land worth a hundred thousand dollars were reported at ten thousand dollars and only a hundred dollars tax collected, would the government lose nine hundred dollars?

How can we prevent this fraud? The method is for the government to prescribe two regulations. One regulation is to collect land tax according

to the reported value, and the other to give the government power to buy any piece of land according to the reported value. Then, if a landowner should report one hundred thousand dollars' worth of land at ten thousand dollars, the government would have the right to buy that piece of land according to the reported value, and the landowner in this case would lose ninety thousand dollars. The landowners would be careful not to undervalue their lands for fear that they would suffer heavy losses should the government buy their lands. They would report a fair value and both sides would not suffer.

After the land value is fixed, any future increase in the value, being the result of the improvement made by society and of the progress of industry and commerce, should belong to society. Therefore if a piece of land were valued at ten thousand dollars, after a few decades should its price be increased to one hundred thousand dollars, the increment of ninety thousand dollars would be reverted to society.

This is what I mean by the equalization of landownership. This is also what I mean when I say that the Principle of Livelihood is the practice of communism. It is a communism of the future increment of the property and not of the present value. This is very fair. Property owners of today will not suffer because their property will

not be confiscated by the government. Although the land value has to be fixed, yet the land will still belong to the owner.

When this problem is solved, a large part of the problem of livelihood will be solved, for when the land tax is collected the burden of the people will be much lighter. For instance, if land in Canton were taxed, the government would receive a large revenue every year; and with this revenue it can pay administrative expenses, make improvements of the city, and abolish all miscellaneous taxes. Even the cost for water and electricity consumed by the people can be paid by the government. The expenses for maintaining roads and the police force can also be paid out of this land tax.

Now as land is owned by private individuals and all increments belong to them, governmental expenses have to be borne by the common people. When miscellaneous taxes are levied, the people, on account of the heavy burden, become poorer. It is this unfair taxation that is primarily responsible for the poverty of the common people. As soon as the land tax is introduced most of the petty taxes can be abolished.

With regard to the taxation of land according to its value, there is one important thing which must be made clear. The land value refers to the value of the land itself, not to any improvement

or construction on the land. For instance, if a piece of land were valued at ten thousand dollars and a building on it should be worth one million dollars, the one per cent tax collected would be one hundred dollars. If the land were to be bought by the government, the government would pay, in addition to the ten thousand dollars for the land, one million dollars for the building. Other improvements, such as dikes, trees, or any other artificial improvements, would not be considered as a part of the land value.

LESSON X

TO SOLVE the problem of livelihood, we cannot depend entirely upon the regulation of capital. Income tax, which is being levied in foreign countries, is one method of regulating capital. But the problem of livelihood has not been solved there. So if we use only the method of regulating capital, it will be insufficient. China is different from the West. Western nations are rich, but China is poor. Western nations have surplus production, while China has insufficient production. It is necessary, therefore, for China not only to regulate private capital but also to develop state capital.

Our country is now so divided that we do not know what will become of her. But the division

is merely a temporary phenomenon. Sooner or later she will be unified. In order to solve the problem of livelihood in China we have to develop capital and industry. Many methods may be used to develop industry. First, the development of means of communication, such as railways, highways, and canals. Second, the opening of mines. We have the richest mines in the world, but they have yet to be utilized. Third, the development of industry. Although we have many laborers, yet we have no machinery and cannot compete with foreigners. Hence we have to import many foreign goods. In order to protect our own interests our government should encourage industry to use machines for production and provide employment for our laborers. Should all our laborers be employed and machines be used to increase production, we would have large new resources of wealth. This cannot be accomplished, however, without governmental effort. If we let private individuals, either Chinese or foreigners, do this, the development of capital can only intensify the difference of wealth between the people. So in discussing the Principle of Livelihood, we pay much respect to the learning of Marx, but we should not apply the method of Marx in China. Even in Russia Marxian policies were found unsuitable, and they had to adopt a new economic policy. The economic condition in

China is far below that of Russia, and therefore it is absolutely impossible for us to apply Marxian policies in China.

Thirty years ago, when I was a student in Canton, the children of wealthy families of Sai-kwan wore fur gowns in winter. The weather in Canton is not at all cold and there is no need for furs, but to show their wealth, the wealthy students wore furs just the same. They wore furs irrespective of the weather. One day, when they came to meeting, when the weather was hot, they said that if the weather should become hotter, the people would suffer from heat. According to their idea, they presumed that every one in society had furs for winter, and thus if winter should be too warm, all would suffer from the heat. The real fact is, however, that in Canton some people wear cotton-padded clothes in winter; some, only lined; and some, even unlined ones. Accordingly, those who wear thin clothes would certainly be afraid of cold, northern winds.

A few young students to-day believe in Marxism. When they talk about socialism they at once propose to apply communistic policies in China. Their proposition differs in no way from the wealthy students of Canton who complained of the warm winter, saying that the heat would do harm to the people. These youths should know that the trouble with China is poverty and not

inequality of wealth. When there is a great inequality of wealth in society, Marxian policies may be used; but in China, as our industries are not yet developed, class struggle and the autocracy of the proletariat are out of place. We can therefore take the ideas of Marx but not his methods. We should not make a radical move which is absolutely unsuitable for the present China, nor wait till our industries have fully developed in order to apply Marxism; but we should prevent the growth of inequality in wealth. We should not put on furs and wish for the cold, northern winds.

LESSON XI

I HAVE already said that we cannot solve our problem of livelihood by only regulating capital. It is necessary to build up state capital. What is state capital? It is government ownership of industry. We have already seen that during the mercantile age money was the important capital and during the industrial age machinery is the important capital. Our government should therefore own large-scale industries and factories. In foreign countries such measures were temporarily resorted to during the World War and the factories were returned to the private owners afterwards. But as we have not yet great

capitalists, our government can easily control and develop capital itself so that the entire profit may be turned over to society, and thus there would be no conflict between capital and labor.

The development of capital in the United States has been due to three principal industries: communication, manufacturing, and mining. According to the present situation we have not enough capital, education, and experience to undertake these three large industries ourselves. We have to depend upon foreign capital. By this method we can speed up our industrialization. Should we wait till we have enough capital ourselves, it would be too late.

China has only six or seven thousand miles of railroads. It is insufficient. We ought to have sixty or seventy thousand miles of railroads. In building these railroads we have to borrow foreign capital. We have also to borrow foreign experience to help us develop industries. We have rich mines which are not yet opened. We have more population and larger territory than the United States. If the United States can produce annually six hundred million tons of coal and ninety million tons of steel and iron, our production ought to be much larger; but we produce now only one thousandth of the production of the United States. We have, therefore, to open our mines as early as possible by utilizing

foreign capital. For other industries, such as the construction of steamships for the development of navigation, and the building of large-scale factories, we have also to borrow foreign capital. When these enterprises are in the hands of the government and the profit gained reverted to society, we shall not suffer from the harm due to private ownership now existing in foreign countries.

In solving China's social problem our aim is the same as that of foreign nations, namely, to bring happiness to the whole community, and to prevent unequal distribution of wealth; or, in other words, to bring about communism. The aim of the Three Principles is to create a government of the people, by the people, and for the people. That is to say, the whole nation should belong to the people, all political powers should be in the hands of the people, and all privileges should be enjoyed by the people. Then not only shall the people and the government be communistic in national wealth, but in everything. It will be a cosmopolitan state which was wished for by Confucius.