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Stanford University,  
June 26, 1948.

Mr. David H. Stevens,  
The Rockefeller Foundation,  
49 West 49th Street,  
New York 20, N. Y.

Dear Dave:

I have not yet completed my China diaries - I have begun dictation on them here this morning and I hope to complete them here or in Claremont. In the meantime, however, I want to give you a general summary of impressions as I did last year. I am particularly anxious to do so as I have one rather important overall proposal to make which you will wish to think about before I return to New York.

Last year, as I recall - I do not have a copy of that letter with me -, I said that there were about three chances in ten of an all-out communist victory in China, not more than one or two chances in ten of a Kuomintang victory, and a probability of breakup into regional regimes of various political hues without clear cut victory for either side. What I saw this year in general confirms that prediction. As of today the chances of a full Kuomintang victory have decreased and chances of a full communist victory increased. Breakdown into several regimes is still probable although the election of Li Tsung-jen presents some possibility of a coalition which was not in sight last year.

Economic deterioration has been steady. The rate of inflation has accelerated and there are increasing signs of the breakdown of the circulating medium. In Canton and Shanghai more and more quotations were in terms of gold bars. In Peiping US currency is in increasing premium demand. In the North-west silver is back. In Canton there is talk of a separate currency linked to the Hongkong dollar. At the same time production continues its downward trend both in industry and in agriculture. The Nanking government has no means of financing its war expenditures except the printing press and this may rapidly become ineffective. The present bureaucracy is probably too corrupt to be able to apply the drastic taxation reforms which would be necessary to put the Central Government on a pay as you go basis.

Military deterioration is equally obvious. The communists have taken all but three points in Shantung - Chefoo, Tsingtao and Tsinan, have taken Kaifeng, are seriously threatening the Yangtze valley. The communists have cut up the American trained divisions and have captured much American equipment. There is still no evidence of Russian equipment except for reports that the Russians are supplying the communists with Japanese-style arms produced in former Japanese arsenals now moved to Siberia. This is hard to prove or disprove. There is little doubt, however, that the communists are winning because of superior military and political ability and despite inferiority in equipment.

Politically the Kuomintang is split wide open. This is the most important conclusion from the election of Li Tsung-jen achieved against the wishes of the Generallissimo. See also the complaint of Honan delegates against the bombing of Kaifeng by the Kuomintang and General Ho Ying-chin's disavowal of responsibility saying that the Generallissimo was acting on his own in military matters frequently without the knowledge of his Secretary for War. For the first time in many years there seems to be a real possibility that Chiang will be forced out. The question is whether there is a viable non-communist alternative. Some see such an alternative in Li Tsung-jen who is apparently in touch with the Hongkong emigres and probably dreams of being the agent in a liberal-Kuomintang communist coalition when Chiang goes. Li himself, however, has no military strength and there is much doubt whether Fu Tso-yi, Hu Tsung-nan, the Mas and others who helped his election would stick together as a coalition to support a central government which he headed. While he and Fu Tso-yi probably would undertake some economic reforms which would make the political competition with the communists more equal there is, as far as I can see, no reason to hope that they any more than the present government could liquidate the communist forces in China. At best then one ends up with either a division of the country or a coalition in which the communists have a recognized and important part.

Meantime there is much sharper political cleavage in China than a year ago. Professors and students, particularly, feel under greater compulsion to choose sides. A neutral position is increasingly difficult. There is also growing resentment against the US based in part on the need for a scapegoat, encouraged by an indecisive US foreign policy, and fanned by propaganda of both the left and the right. The Right resents our failure to rescue them with unlimited aid and the left the fact that we are prolonging the agony.

Under these circumstances I think there are two major problems which the RF might help to solve and which should, therefore, be very carefully considered by the officers and trustees. The first is the problem of forging intellectual links with a new China and the second that of preserving some of China's key intellectual resources in social science and humanities personnel. The two are to some degree interrelated.

China is going through a revolution. There is no doubt of that. In the process most of the old intellectual ties between the United States and China are being dissolved. It is not now inevitable that the new China will be exclusively oriented towards Moscow but if we do not forge new intellectual links with the groups now coming to the fore in China such an orientation will become unavoidable. I argued this when I recommended our grant in aid to the China Welfare Fund for translation of western literature. It is also part of the basis for recommendations I propose to make for the donation of libraries in western literature in Hongkong and Shanghai. In addition we should seek if possible some link to the universities of the communist area, but this cannot come first through humanities or social science. I should like to see either MS or IHD contribute books on medicine to the Bethune hospitals which are the communist centers of medical training. Such a donation would, I think,

be possible through Madame Sun Yat-sen in Shanghai. In Shanghai I met Marion Menzies (sister of Arthur Menzies who has the Far Eastern desk in the Canadian Department of External Affairs) who had just returned from four months in communist China. She thinks that it will be possible for a sociological team to go in for study. If financial help for something of this sort is needed we should try to help. Under present circumstances it is not easy to find ways of forging new intellectual links but we should seize on the opportunities which come our way.

One of the most tragic aspects of the present situation in China is the effect of university scholars. When I was in China in May the salary of a government university professor was equivalent to less than twenty dollars US per month. Since this is not enough to live on the professors are forced to take two or more jobs or to spend all their spare time writing hack articles for the press. In addition they sell their personal possessions if there are any left to sell and are in constant worry as to how to feed their wives and children. Under such circumstances research work or even minimum preparation for lectures is impossible. Fellowships are no answer. Why train more men abroad when those already trained cannot work? Fellowships are also too expensive a solution. The family allowance for the wife of the Tsinghua professor we now have at Harvard is four times what his colleagues at Tsinghua receive as salaries! Fellowships are an escape for men who are desperately needed in China. The solution for the RF seems to me to be a program of research grants in China.

I should like therefore to recommend that a sum of one hundred thousand dollars plus necessary administrative expenses be appropriated to provide in China fifty research grants per year for two years for scholars in social sciences and the humanities. I suggest tentatively that each grant provide to the professor selected a salary supplement of twice his regular university salary provided that this amount does not exceed fifty dollars US per month. (Copley advises this formula in order to leave the Shanghai office maximum freedom in handling exchange). In return it would be proper to require that the professor accept no secondary employment and that his teaching load in his own university be limited to six hours per week. In addition the professor should receive half again as much for other research expenses: employment of an assistant, purchase of books, travel etc. in accordance with proposals to be submitted by the scholar and approved by the Foundation officers. The remainder of the grant - ten thousand dollars or more - should be held as a reserve for payment of subsidies to publication of research results at the discretion of the officers. In the selection of scholars subject, ability, need, and intellectual independence should all be considered.

The selection of this number of scholars and the administration of the grant is beyond what I can do. The addition to the staff of an officer or consultant half time - say four months in China and one month in the US each year would be the minimum and probably adequate requirement. The method of payment can probably be set up so as not to place a very large additional load on the Shanghai office, but MCB would have to be consulted with regard to needs there. My recommendation for administrator of the program would be



Wilma Fairbank. Her record in cultural relations work with the Department of State was an excellent one and I think that her political orientation is such as to permit her to work effectively with independent scholars of either the left or the right. My second choice would, I think, be C. Martin Wilbur.

Such a program would, I think, enable us to sustain in effective scholarship and teaching the most important fraction of China's scholarly capital. I have not been able to think of any other way in which as much can be accomplished with as modest an outlay. Needless to say if the project meets with approval in New York and Wilma Fairbank seems the right person to run it she should have some share in determining the details. I have, of course, not spoken with her about it although I expect to discuss with her this week some of the general problems which the proposal is directed to. The men whom this project would aid may prove to be among our most important links to the new China which lies ahead.

Other smaller proposals for China I shall summarize in another letter. They would neither conflict with or duplicate this one.

With all good wishes to you and the others in the office,

Sincerely,

Charles B. Fahs