

Harvard on China, Trade, Tariffs, and Nationalism in Republican China, with Felix Boecking

James Evans:

Welcome to the Harvard on China Podcast. I'm James Evans at the Fairbank Center for Chinese Studies. Today I'm talking to Felix Boecking, senior lecturer in modern Chinese economic and political history at the University of Edinburgh. Dr. Boecking is the author of *No Great Wall: Trade, Tariffs, and Nationalism in Republican China 1927-1945*, from Harvard University Asia Center Press, which takes an in depth look at China's nationalist government under Chiang Kai-shek. In particular, he examines how a collapse in international trade, tariff revenues, and fiscal policy led to the downfall of the nationalist government during the second Sino-Japanese war.

So, Felix Boecking, welcome to the Harvard on China Podcast.

Felix Boecking:

Thank you for having me. It's great to be here.

James Evans:

The title of your book is *No Great Wall*. What inspired this title?

Felix Boecking:

The title was inspired by a conversation with a friend who is an early modernist working on Spanish history or something like that, so somebody who brought a general interest to the topic, but not necessarily a lot of previous knowledge. And I had been thinking about the book mostly in terms of the subtitle *Trade, Tariffs, and Nationalism in Republican China*, and he said, "Well, that's all very nice, but you need something punchier for the title. So how about you call it *The Great Wall of Tariffs*?" And I said, "Well, no, because it wasn't actually a great wall of tariffs." It turns out that the nationalist government really wasn't that good at using tariffs to keep out imports for reasons that we'll get into in a moment. And then I thought, well, actually, but I kind of like the idea. So if it's not a great wall of tariffs, what is it? It's no great wall. And that's how I ended up with *No Great Wall: Trade, Tariffs, and Nationalism*.

James Evans:

There are three big aspects to your book, and when you present on the book, this is how you sort of divide it, is in protectionism, unintended effects, and then when trade turned into a real war. What led you to divide the topic in those three sections?

Felix Boecking:

The way I went about writing the book and the way I went about researching it really are linked. I knew I had a year in the archives in Nanjing, and in that year I just tried to read as much as possible, and then I got back to the other Cambridge, sat down, let the dust settle and tried to organize my material, and ended up with a structure which is about how the nationalist party of Chiang Kai-shek gets to the point where it has control over the Chinese maritime customs, how it uses customs to enforce a tariff policy that serves the aims of its fiscal policy, how the customs use economic modernity and administrative modernity, how they countered the rise of smuggling, and then the effects of the war and also the effects of tariff policy on the trade in selected commodities.

So I mean that's the six chapters of the book, but I think all these things you can put under the three headings because the big question to be asked about nationalist fiscal policy really is, does it work, what are the objectives on which we judge whether it works, and what does it do in terms of delivering revenue and protecting the growth of China's domestic industries, which are the two aims, which the nationals stress in all the policy pronouncements about this. We then have the questions that are linked to the rise of smuggling, about the unintended consequences of tariff policy, and that is also where consumer behavior comes in very importantly because you can raise a tariff on a selected good if you want to reduce the level at which it is imported, but if you have a situation in which that good is available in smuggled form, then maybe consumers are going to switch to consuming the smuggled good instead, and that means that raising tariffs may have the effect of creating an illegal economy.

And then we have the whole question of war. We have the fact that Japan is the most important economic threat as well as political threat to China in the 1930s, so these two things are very clearly linked, the economic war and aggression of the 1930s and the military and political war that begins in 1937.

So the book is organized into six chapters, but a lot of these chapters, particularly the early ones, are there to set up context, and the three important things, I think, are protectionism and fiscal policy, the unintended consequences of fiscal policy, and then the war and what it does to the Chinese economy and to the nationalist state.

James Evans:

A lot of your book is really about this question of state capacities, so that is the state's ability to be able to raise revenue from tariffs and therefore to pay its soldiers or pay its civil servants in order to run the state apparatus. How did you approach starting this topic? Did you look at state capacity first and that led you on to looking at tariffs or was it the other way round?

Felix Boecking:

It really was the other way around. I started with something that has always seemed to be a very circular argument in the secular literature, the idea that the nationalists lost the Chinese civil war in 1949, and because they lost the civil war, they had to have been incompetent and corrupt, really uninterested in improving the governance of China, even before the war, because surely if they had not been all of those things, incompetent and corrupt and disinterested, they would never have lost that civil war. So it is completely some circular argument, which to me always seemed unsatisfactory on an intellectual level.

I got into the study of Chinese fiscal policy and specifically tariff policy through my PhD, which was tied to the files of the Chinese maritime customs service, which are kept at the second historical archives of China in Nanjing, and the specification was basically write a PhD that involves those files. It seemed to me that really the core question here was, how well tariffs have been used for fiscal policy, and that also that question would allow us to answer the question of whether the nationalists are a competent regime before the war up until 1937 or whether the rot and the decay in nationalist governance is something that goes back across the 1937 divide.

And my answer to that question in the book is if you look at nationalist fiscal policy, if you look at nationalist tariff policy under the heading of whether it delivers enough revenue for stable governance up until 1937, then the answer is yes, it does actually work in those terms. The nationalists regained tariff autonomy, which is one of the first great diplomatic achievements in 1929, and they used tariff autonomy in order to increase tariffs which delivers more government revenue. Whether that

government revenue is always used in the most sensible way is another question. But another thing that we have to bear in mind is the fact that at one point up to 40% of central government revenue is tied up in land service, and also the nationalist state is dealing with a multitude of military threats, so the fact that military expenditure is the other big item in nationalist government expenditure is also quite logical.

So using that test, is nationalist fiscal policies sustainable in terms of the revenue it delivers over time, the nationalists come out looking a lot more competent than the literature often gives them credit for up until 1937. And I say that not because I'm an apologist for the nationalist government of Chiang Kai-shek, but because it seems to me that if it is the case that the nationalists are a reasonably competent government until 1937 when judged on the basis of their fiscal policy, specifically their tariff policy, then the roots of nationalistic climate must lie in the war era to an extent that we haven't perhaps previously appreciated.

James Evans:

As you mentioned, you use a lot of the maritime customs service, and your book is really one of the first books to use that source. Another would be Philip Thai who's an associate in research at the Fairbank Center. His recent book on China's war on smuggling looks at a similar set of archival materials. Using those materials, it's almost as if you could ask the question how successful was the nationalist regime until its collapse rather than looking at it now as a failure.

Felix Boecking:

Yes, I think you could do that. I mean, we are looking at the regime which no longer exists in its previous form and which no longer exists in the same place, so I think in that sense there's a very obvious answer to the question of how successful it was. But I think as with any other historical topic, if we approach the subject through the lens of failure and say, "Here is a regime that failed and that means we have to find reasons for its failure," I think there's always the danger there that you end up maybe sidelining achievements because you are looking for reasons for decline, and so the achievements don't make sense and that is why they get sidelined. But really what I'm interested in is to understand the reasons for the decline in nationalist governance during the war, and a lot of those reasons, I think, are to be found in the decline of China's fiscal modernization project during the war.

James Evans:

I guess it's very sort of post hoc ergo propter hoc history in some ways.

Felix Boecking:

Yes. I think many of us would agree that that is often not a very good way of doing history.

James Evans:

That's such an Oxbridge question. God.

Felix Boecking:

Well, if we wanted to use German rather than Latin, we could go back to Ranke and we could say that since history is supposed to be a study of *eigentlich gewesen*, that really is what we should be doing. We should look at the evidence and we should see where the evidence leads us rather than starting with a

conclusion and then cherry picking the evidence in order to end up at the conclusion with which we started.

James Evans:

Yes. If only all history was written that way.

Felix Boecking:

Yes. Yes, indeed. But I mean, plenty of it is. Yeah, and I think maybe the way in which archive relaxers has developed in the POC has a lot to do with the fact that the field is maybe in turn slightly more than it would in the history of other countries where archival acts is governed by time limits but not by political restrictions and what you can and what you cannot see.

So the customs files, we always knew where they were, but it really took until the '80s and '90s for Chinese scholars to be able to use them systematically. Individual scholars have been able to use them before that point, but this process of opening out the customer's files to Chinese and also to international researchers, that is something that allowed a lot of economic historians to test hypotheses which they previously held but hadn't been able to test because of a lack of archival access.

James Evans:

Your book addresses what has been commonly referred to as the Nanjing decades and this is the sort of 10 year-ish period from the late '20s to the late '30s when Nanjing is the capital of the Republic of China under Chiang Kai-shek. To what extent is Nanjing decade a useful periodization?

Felix Boecking:

I would start by saying that my book includes the Nanjing decade, but it also includes the war years, and the reason why I take the story up to '45 to early '46 in terms of the records that I cite, it's really the fact that the idea of using China's trade to finance China's governance comes to a crashing end in 1945 because it turns out that it is extremely difficult to revive China's international trade in that period.

Really the only imports that are coming into China in those years are supplies, and while the Chinese government contemplates taxing those, it is very quickly made clear that that isn't going to be happening. So there is virtually no international trade and that is why Chinese maritime customs after 1945 engaged in a cleanup and winding up operation, and then of course many customs employees accompanied the nationalists to Taiwan. But that just to explain why I use this very conventional periodization of '27 to '45.

To your question, how successful is, well, how useful is the concept of the Nanjing decade? I think it is useful if we're being very precise and very literal here. So the Nanjing decade makes sense. And when you're talking about the parts of China that are controlled by the nationalists. If you're talking about other parts of China, then obviously that periodization probably makes less sense because in these other parts of China, if they're not the internationally recognized government of China, define themselves to some extent in opposition to whoever is the internationally recognized government of China, whether that's the government in Nanjing or prior to that in Beijing.

But the one common misconception about the Nanjing decade is that this is a decade when the nationalists are not just internationally recognized and not just maybe the most prominent but also the only government of the Republic of China, and that of course as we know is very misleading. We have competing power holders throughout China who range in complexity from people who would very aptly be described as warlords to competing regimes to the nationalists which have their own ideology, which

have their own political systems where really we might say that in many ways they are not so very different from the nationalists, and yet because the nationalists are internationally recognized, they are the ones we think of as the government of China during that period. And the fact that for many people in other parts of China, the existence of the nationalist government in Nanjing was close to completely irrelevant is something that doesn't always come out in this scholarship.

James Evans:

I guess one thing that I enjoyed about your book was by looking at commodities and smuggling and questions of consumption, it almost flips the history on its head just looking at it from the bottom up rather than from the top down in many ways. And you tell this great story about sugar coming in from the northeast through Japan-occupied Manchuria on trains to highlight that it's not just the low-level disorganized movement of goods and services. It's actually quite well organized.

Felix Boecking:

I think if really we want to understand fiscal policy, we have to have the top down perspective. It's very hard to do the history of fiscal policy without that. But we also have to understand how this policy is understood, interpreted, experienced by the consumer, and that is why the growth of the illegal economy and after the increase in tariffs is so important. Because it turns out that despite the best efforts of the New Life Movement, which has clear ideas for what Chinese consumers ought to consume, many consumers in China are not willing to switch to what they see as inferiors of domestic substitutes for international goods, and therefore they start consuming smuggled goods. To put some numbers on that, in Tianjin in the mid 1930s, imported sugar, on which tariffs are paid, costs two and a half as much as smuggled, imported sugar. So there is a very considerable economic incentive to consume the smuggled good. So we have here a tension between what the government wants and what the consumer wants, and it turns out that political affiliation, citizenship, sense of belonging, and the decisions have consumers make do not always line up exactly.

There is in some of the literature a very moral turn about people who consume smuggled goods, which I think is perhaps not being helpful to understanding how Chinese consumers actually make the decisions. I think it's much more helpful to try and get to the framework where you think about the fact that it's possible to be both a patriotic Chinese person and also somebody who likes to consume goods which are suddenly available in the market at a much more affordable price. So the moral judgment, I think, is a difficult one. You can see why the national government chooses to make certain kind of moral judgment.

What I would say is that that may very well be true, but it's maybe not the way to try and understand why Chinese economic consumers decide to consume smuggled goods, particularly if you think about the fact that a lot of them at a time of economic hardship in China are operating under very severe budget constraints. So if it is easier to feed your family using smuggled goods, then does the moral judgment still come out the same way?

James Evans:

A question that someone like Michael Szonyi might ask is if there is less revenue from the citizenship to feed sort of the government coffers, then you have less money to pay your soldiers, and if you have a large threat from an external force, then things are not necessarily going to go well.

Felix Boecking:

Certainly I think that's an important point to make, and that is actually a way in which a payment of taxes suddenly becomes very political. Again, that would say that if you look at the revenue figures for the 1930s, despite the existence of this illegal economy, Chinese tariff revenue is on a mid-term increase after 1929 and quite a significant one because of a China's regaining tariff autonomy. So even though there is an illegal economy, the nationalist government not only does not go bankrupt before 1937, it also manages to increase its government revenues. So we see fiscal stability up until that point in 1937, and it really is the war that changes that balance.

James Evans:

And I guess specifically that Japan occupies all of the tariff-collecting custom houses that the nationalist government has been relying on for its revenue collection.

Felix Boecking:

Oh, absolutely. If you think about the geographical dimension of the wall and if you think about the geographic dimension of collecting tariffs, most of the custom houses are either immediately on the coast or they are on China's inland waterways to which access is from the coast.

So within the first year of the war, the nationalists lose control of territories producing 90% of customs revenue. They lose control of this very important revenue precisely at the point that they need more money to pay for the war. And again, to put some numbers on that, on the eve of war for customs receipts account for over 40% of central government revenue for the nationalists. It's the single most important item of revenue collection and that goes within the first year of the war, and so it really is quite remarkable that the nationalists keep paying interest on foreign loans and indemnities up until early '39 even at a point when all that tax revenue has already gone and when really they need this money to fund the war.

James Evans:

So your second book is tentatively titled Economics on the Edge, and it's examining the impact of economists in China from 1949 to the present, especially looking at the impact of those who came to teach economics after '78 and their training before that time. What inspired this direction for your second project?

Felix Boecking:

The second project is, and thank you for letting me talk about that as well, was really inspired by a series of conversations I had with an extraordinary gentleman in China called Yang Jingnian who was on the economics faculty at Nankai for a very long time. I got to talk to him because I was at a conference in Nanjing. One of the Nankai professors said, "You really should talk to my PhD advisor because he worked in the nationalist ministry of finance during the Second World War." And I at first thought I'd misheard, so we went over this again and I figured out that I had in fact understood her.

I had two extraordinary conversations with Yang Jingnian. the first time he was 98. The second time he was 101. We emailed for a bit after that. He has now passed on, sadly, but at a very great age. Yang is so extraordinary because he joined the Northern Expedition in 1925 and I remember sitting on his sofa in Tianjin in 2009 when he told me about this, and that was just a mind blowing moment to be able to talk to somebody about what they did in 1925 in the year 2009. He was a master's student and a researcher at Nankai before the war, worked in the ministry of finance at during the war, was one of the last boxer indemnity scholars at Oxford after the war, and then went to Nankai to teach economics.

First, he did very well because he was the person who had a foreign doctorate, and then he was purged because it was a foreign doctorate, and the foreign doctorate from Britain at that. He was not allowed to publish under his own name. He did lots of translations. In 1978 he was rehabilitated at the age of 70. Stopped teaching formally at 87. He retired. He stopped supervising graduate students. At the age of 93 he brought up the most recent translation of *The Wealth of Nations* into Chinese when he was 90, and we both know that that is not a short book. And then just really to top it off at the age of 95 he decided that he was unhappy with parts of that translation, so he redid it when he was 95 and 96.

So an extraordinary, extraordinary man really and an example of this tradition of Chinese intellectuals who somehow managed to have a career against all the odds. I mean, he didn't like the nationalists very much, which is why he went to Nankai in the '30s. He did work for them during the war, but reluctantly. The Communists didn't like him very much for a large part of his career and still there is this extraordinarily productive mind. And I was telling one of my friends the story of those meetings with Professor Yang and she just said, "Well, look, that should be your second book because this man's life really is a history of economics as a discipline in the PRC." And I thought about it and I thought, "Well, she's exactly right. It should be."

James Evans:

What a great story about one man's life embodying a field.

Felix Boecking:

Yeah. And if you then start digging down a little bit, you find that there are lots of stories like that. There's a crop of economists lived to a very old age who have remarkably similar experiences in living through all the upheavals of this period.

James Evans:

At the moment you're currently on leave from the University of Edinburgh and you're at the Woodrow Wilson Center in Washington DC, so the people that you hang out with are somewhat of a different crowd in the DC policies there. Trade wars and tariffs with China have very much become a contemporary topic. What kind of takeaways from your research are the policymakers in DC most interested in?

Felix Boecking:

So thinking across the two projects there, from the first project, it really is this idea of the unintended consequences of a tariff war. The lesson there, I think, is that you need to be very certain of what you want in a tariff war. You need to be very certain that you've thought through all the possibly unintended consequences and you also need to have some kind of yardstick in place so that you know when you have got it. How do you know that you've won a trade war if you don't know what it is that you should be measuring? So that, I think, would be the main lesson coming out of the first book.

I would add to that a second lesson when we think about trade wars and real Wars in China in the 1930s, all of that very militaristic rhetoric around trade wars suddenly looks a bit different because we know what the difference is between a trade war and a real war. In one, people die, and the other one, they don't, so what I always hope that people are going to take away from our first book is this idea that maybe in a trade dispute we should rely on forensic language rather than this kind of rhetoric about imports being a kind of innovation and all of that because the Chinese example from the 1930s reminds us of just what that difference is and how it literally is a difference between life and death.

And in terms of the second project, there really are three major points that I make. One is China has a tradition of economics that goes back before 1978 which is still very often used as a generational divide in Chinese economics so that the experiences of the people who teach in the 1980s are very often not taken into account in discussions of Chinese economics and the reform period, whereas to me it stands to reason that if you are a professor of economics in the early 1980s you were probably trained before the cultural revolution and that therefore is the knowledge on which you draw when you're allowed to teach again.

Then the comparative angle, the idea of trying to see whether things that happen in China also happen in other especially socialist countries, and it turns out a lot of the political debates on economics in the PRC in the 1950s are very similar to our debates that are being had in the GDR-

James Evans:

East Germany.

Felix Boecking:

In East Germany, yes, indeed. And then the third point, and that I think is the one with the most immediate policy relevance, this question of where the Chinese economics might be headed to a different place from economics in the West, particularly neoliberal economics because for a time in the '80s and '90s the assumption was that now that Chinese economists have the chance to study liberal economics, surely they would want to become more like American economists and they would move in a direction of supporting the ever greater liberalization of the Chinese economy and an ever smaller role of the state and the party.

And it turns out that there are certain boundaries to the academic discourse in the PRC, which if you're an economist with any sense of self preservation, you do not cross. So that is the third idea and the one with the most policy relevance, that it's useful to think about the past of economics as a discipline in China to think about where there are ways in which the field is developing at the moment that might be different from what we're seeing in the economics field elsewhere.

James Evans:

To finish up, we have a quick fire round. It's called the Fairbank Five and the idea is it's going to give our listeners a little bit more of an insight into your own experiences in researching and learning about China. So our first question is what is your favorite Chinese food?

Felix Boecking:

That's easy. Jianbing, Chinese breakfast, pancakes. It's to me, it's the best way to start a day in the archives. I know of no other breakfast food which has so many different ingredients. So yes, jianbing sets me up very nicely.

James Evans:

I like that everything is oriented around a day in the archives. It's an important trait for an historian.

Felix Boecking:

Well, you also need your treats to get you through the deep archives.

James Evans:

Indeed. Your favorite place in China.

Felix Boecking:

Probably Nanjing. It's the place where I've spent the greatest amount of time and I have now, as you know, I've moved into PRC history, but I think the history of the Republic of China, to which maybe I'll come back at some point. Studying that period is always going to be formative for me. I love the fact that there's still so many trees on the streets in Nanjing. I have a great fondness for this 1930s architecture, which combines Chinese elements with a new architectural style, so the idea of how we can have a Chinese high rise building, a building that fulfills the needs of a modern government by being big enough to be built across multiple stories, but that also has elements that are Chinese. So that kind of particular point of modernity. I have rode on Xuanwu Hu. I have spent many happy days riding my bike around Jiangxinjiu in the Yangtze River. I have hiked Zijin Shan. So it's got to be Nanjing.

James Evans:

A Chinese saying that you think encapsulates something that you appreciate about the language.

Felix Boecking:

I spend most of my time reading economics documents. It's not a very beautiful kind of language, so I'll reply with an anecdote and said if I may, once again it has to do with food.

I was working at the number two archives in Nanjing a few years ago and I went to the same Muslim noodle place every night. And I think on the third or fourth day of that, one of the boss's friends said to the boss, "Is he one of us?" The boss said, "No, no. He just likes our food." But that to me was a moment where I felt very much seen as an individual rather than just some random foreigner. So it was a place where I felt very much at home in the language and in that particular place. To me, it's a moment of hospitality that I had thought about very often.

James Evans:

A book that you have read recently on China that you would recommend.

Felix Boecking:

I think John Wong's book on Hao Kuan the comprador is really important because for a long time, the secular literature treated compradors as essentially inferior to Western merchants. And as you know, even the work of Yen Pinghao makes the case that the comprador is important by not being as much a second-tier merchant as it was previously thought. Whereas what John does is to say, "Okay, here is a way in which we need to rethink the history of China's role in global capitalism in the 19th century by looking at these compradors who are at the heart of merchant networks." That is probably biggest intervention in the field of Chinese economic history that I can think of. Wonderful book. Everyone should read it.

James Evans:

And our final question is the class that you have taught or taken on China that changed your thinking about the country?

Felix Boecking:

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Yeah, I think I would say the Qing documents class that I took as a doctoral student at Cambridge taught by my advisor Hans van der Ven. And so based on the Harvard syllabus, which he himself had studied with Professor Kuhn as a grad student, and it wasn't so much the fact that it changed my of the field in terms of telling me something that I thought was unexpected, but it fleshed out so much of the detail about how the late Qing state works. That really was and it showed me how much you could get out of these documents, so that, I'd say really was a transformative class.

James Evans:

Well, Felix Boecking, thank you so much for being with us on the Harvard on China Podcast.

Felix Boecking:

Thanks for having me.

James Evans:

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