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Davies, L. J. 1935

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SHANTUNG
山東濟南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

校長辦公室
OFFICE OF THE PRESIDENT

15th January, 1935

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

Dr. H. H. Weir,
2, Eaton Gate,
London, S.W.1.

Mr. B. A. Garside,
150, Fifth Avenue,
New York City

Rec 2/21/35

Dear Dr. Weir and Mr. Garside,

With this I enclose a copy of the letter which was mailed to the members of the Board of Directors under date of December 31st. For a few days before that date the situation in the Schools of Arts and Science had been very tense. It certainly seemed to me a distinctly providential interposition that word came that Dr. Kung had agreed to go on as chairman of our Board of Directors. Owing to relationships and conditions which need not be detailed it would have been impossible for Mr. Z. V. Lee to assume the acting-presidency without the consent of Dr. Kung and without his support. If this news had come a week later it seems very probable that there would have been a break-up. Through the fall months I have been doing everything that I thought legitimate trying to avoid wuch a smash. I have had some experience of the evil effects on the school and on the individual pupils of an unrestrained break-up and I am profoundly thankful that we have come through this most trying time and have been able to avoid such a catastrophe.

The first word which came to us regarding Dr. Kung's agreement to continue as chairman was by word of mouth and no formal word at that moment was received regarding Mr. Lee, but later Mr. Lee received a formal communication from the heads of the Salt Gabelle allowing him to take on this extra work. Mr. Lee, as I think you know, is Salt Commissioner for the province of Shantung and a graduate of St. John's University, Shanghai. He took his master's degree in Education at Chicago University. He is a Christian of third generation standing, and is very much interested in educational work in general and in this University in particular. He has been a co-opted member of our Board of Directors for three years.

No definite word has been received up to this time from Dr. Mei but there seem to be good indications that his acceptance of the Presidency is quite probable. It is understood that Dr. Mei will spend a day or so in Tsinan inside the next two weeks. I think that it is very widely believed that the University will be very fortunate if it secures him as its president. It is understood that if he comes he will come regarding the call to the University as an indication of God's will for him. We are informed that he is a Christian of a very devout type.

0285

JAN 15
1935

Dr. Mei Yi Pao is a graduate of Oberlin, B.A., Ph.D. Chicago in Philosophy. He was for some time general student secretary of the Y.M.C.A. for China. He has been in Yenching for several years, and now occupies the position of Director of Studies for the entire University. This year, during his sabbatical year, he has been acting-principal of Oberlin-in-China. He is highly recommended by such men as Mr. Cressy, Y.Y. Tsu, Lobenstine and others. He is between 35 and 40 years of age. It is reported that his wife is an exceptionally capable woman, and has also studied in America. A member of our staff who knows him well speaks of Dr. Mei as having a winning personality as regards both faculty and students.

Sincerely yours,

L. J. Davies
Guth

LJD/GMH

0286

COPY

31st December, 1934

To the Board of Directors:

Ladies and Gentlemen,

*Letter of Dr.
Davies letter*

2/15/35

"Man's extremity is God's opportunity". The University had unquestionably reached a point of great peril. When the Board of Directors adjourned on December 8th it was anticipated that a reply to our request for the services of Mr. Z. V. Lee as acting president might be received within a few days. It was likewise hoped that a favourable reply from Dr. Kung might also come very quickly. During this period of three weeks which has elapsed with no response from either Mr. Lee or Dr. Kung we have been under great strain and toward the end of this period there emerged a possibility that the Arts and Science Schools would simply fade away, in case the students refused to take the term examinations. The students themselves were much perturbed. They had visited Mr. Ho, the Commissioner of Education, and were preparing to send delegates to Nanking to present their case to the Minister of Education. I assume that you all understand that unless an acting president were secured the names and grades of the students could not be reported to the Ministry and that unless such report were made the term's work would ~~not~~ be counted in the course looking to graduation and the diploma. It is not to be wondered at therefore that there was an intense emotional disturbance among the students and we may feel very happy that there has been so little outward expression of this on their part.

We are extremely glad to announce that word was received last night through Dr. Y. Y. Tsu, who passed through Tsinan on his way to Peiping, that in response to the request of the Board Dr. H. H. Kung has kindly consented to continue his services as chairman. Mr. Z. V. Lee, Vice-chairman of the Board, is today assuming the office of acting president, pending the assumption of duty by the new president. It would be difficult to overstate the significance of these two facts and you will all rejoice with us that these things have been accomplished.

A happy New Year to you all!

Sincerely yours,

(Signed) L. J. Davies

0287

SHANTUNG
山東濟南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

校長辦公室
OFFICE OF THE PRESIDENT

21st January, 1935

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

Dr. H. H. Weir,
2, Eaton Gate,
London, S.W.1.

Mr. B. A. Garside,
150, Fifth Avenue,
New York.

Ack 2/24/35

Dear Dr. Weir and Mr. Garside,

The time has come when I think it is my duty to make a brief statement regarding the relationship to the University of the former Acting-president and Dean of the Arts and Science Schools, Mr. T. I. Linn. During the last six months and more conditions have been so confused and there have been so many divergent opinions regarding him and his relationship to the Presidency that I have felt it wiser to say nothing. I have every reason to believe that others have been less reticent and it is with a desire to give you what I believe to be a fairly accurate statement of conditions that I write this letter.

Mr. Linn signified to me his intention of resigning his acting presidency about March 1934. Somewhat later he informed me that he had decided to add to that his resignation from the Deanship of the Schools of Arts and Science. At the time I made every effort which I could to persuade him not to tender his resignation of either of these posts. At the June meeting of the Board of Directors he presented his formal resignations, the resignation from the acting-presidency to be effective at once, the resignation as Dean of the Arts and Science Schools to take effect at the end of his five-year period of service, that is, March 31st 1935. The Board of Directors accepted Mr. Linn's resignation as acting-president, but unanimously declined to accept his resignation as Dean and urged him to withdraw it. Immediately following the meeting of the Board of Directors and the Commencement, the Heads of Departments of the Provincial Government, together with the Chairman (Governor) communicated with Dr. Kung, who up to the time of that meeting had been chairman of our Board of Directors, requesting him to retain Mr. Linn as President. The next formal step was the special meeting of the Board which began on August 15th. You have both received full stenographic notes of the proceedings of this meeting. You have also the minutes of the following meetings of the Administrative Council and of the meeting of the full Board held in December. Strenuous efforts have been made during these past months on the part of many Chinese friends of the institution, both officially and unofficially, to secure the return of Mr. Linn. It is to me

0288

JAN 21

1935

Dr. Weir
Mr. Garside

- 2 -

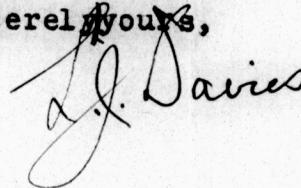
21.1.35

unfortunate that the motives of some of these people have been impugned. So far as I have known them it is my belief that those who were so strenuously attempting to compel Mr. Linn to return were actuated by honest motives, looking, as they believed, to the welfare of the institution. Those who have opposed his return have also, as I believe, been quite sincere and conscientious so far as their motives were concerned. In regard to Mr. Linn himself, it is my very considered opinion that from the very beginning he had no desire to be president of the institution and that from the time of his resignation he had no desire or intention of returning to the University. It is very unfortunate that the manner of his exit has been such as to obscure the very great value of the services which he rendered during the four and a half years he was here. Perhaps it may be possible at a later date to give some suitable expression in a formal style of the real appreciation which has been given to his devoted service.

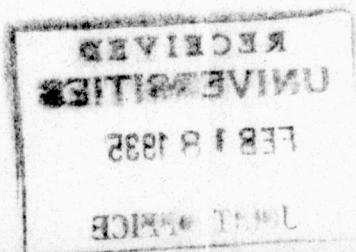
The change in conditions which makes me feel like writing this is as follows: A few weeks ago a gentleman who had been for a long time the head of the provincial kuomintang party and who had concurrently held two other posts in the government, was assassinated here in Tsinan. One of the posts occupied by him was ^{that of} a sort of representative-at-large on the Government committee for Shantung. This committee is made up of the chairman (Governor), the heads of the Departments of the provincial government, such as education, finance and so forth, and certain representatives of the province who have an equal standing on the committee but have no department over which they act as head. Mr. Linn was nominated as one of these representatives on the committee and his appointment has been confirmed by the Central Government at Nanking. According to the regulations of the Chinese Government it is not possible for him to serve in this official capacity in the government service and at the same time to hold any office in the University. Consequently those who have been so strenuously attempting to secure his return to the University have now given up this hope and it may be considered that the question of his return is no longer a subject for discussion.

*in place of the
man who was
murdered*

Sincerely yours,



LJD/GMH



0289

JAN 21 1935
Dr. Weir
Mt. Garfield

21.1.35

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this hope and it may be considered that the question of his
return is no longer a subject for discussion.

*in place of the
man who was
assassinated*

Sincerely yours,

LJD/GMH

RECEIVED
UNIVERSITIES
FEB 18 1935
JOINT OFFICE

0920

SHANTUNG

January 24, 1935

Rev. L. J. Davies
Cheeloo University
Tsinan, Shantung, China

My dear Mr. Davies:

We have received during recent weeks a number of important communications and documents from your office including the following:-

Your letters of December 1st and December 12th.
Minutes of Meeting of Administrative Council on
November 15th to 23rd.
Minutes of Special meeting of Board of Directors
December 5th to 8th.

We have also received Miss Hickson's letter of December 24th giving further details as to developments up to that date.

We can appreciate to some extent at least, the tremendous difficulties and perplexities through which all of you at the University were passing during the closing months of 1934. It seems almost useless to make any comments at this time and from this distance, for the situation will certainly have altered so greatly before this letter arrives that anything we might say would be hopelessly out of date. We do earnestly hope, however, that solutions to all these perplexing problems of organization are being worked out, and that by the time this letter arrives in Tsinan, conditions will be greatly improved.

We are planning to call a meeting of our North American Section at as early a date in February as we can. I doubt whether the Section will consider it either possible or desirable to take any definite actions with regard to the problems on the field, but at least a united consideration of these problems should prove helpful. There are certain specific questions, such as sending out funds for the hospital building and the erection of the dormitory for women internes, which should be dealt with at this time anyway.

Assuring you of our earnest and prayerful sympathies in these times of such great difficulty, I am

Very sincerely yours,

B. G. Farside

BAG:MP

0291

FWLLNWHS

Cheeloo University

January 30, 1955

Mr. L. J. Davies
Shantung Christian University
Tsinan, Shantung, China

My dear Mr. Davies:

I have to report a very serious situation for which no one but myself is to blame. It is regarding the minutes of the Committee on Rural Program held on October 22nd last. According to data which I have before me, these minutes came to my desk some time during November for my attention, but in some unaccountable way they became mixed with some Yenching correspondence in my desk file and came to light only yesterday. As a matter of fact, they would not have been found then had it not been necessary to refer to that correspondence which dealt with an action pending for some time. I am writing this to you so that you will understand that no one else is at fault and any misunderstandings or difficulties arising from this delay are chargeable to the undersigned.

I was not at the meeting when these minutes were taken, and there is very little that I can say in addition to what appears in the minutes. I would delay writing until Mr. Garside returns from a speaking tour, were it not for the fact that we can get these minutes into the air mail with the hope of getting the PRESIDENT JACKSON.

You will note that Dr. Fairfield was present at this meeting, and he can give you an idea of the discussions, as I know he will be in Tainan shortly. I am enclosing five copies herewith for field distribution.

Regretting exceedingly that this matter was not taken care of properly in the beginning, I remain,

Very sincerely yours,

Carl A. Evans

CAE:RC

0292

Over
SHANTUNG

Cheeloo University

February 16, 1935

Rev. L. J. Davies
Cheeloo University
Tsinan, Shantung, China

INDEXED

Dear Mr. Davies:

We enclose herewith a copy of the Minutes of the Meeting of our North American Section held on February 8. Under separate cover we have mailed your office thirty-five copies for distribution in the field.

There is not much we need to add to what is already contained in the Minutes.

The General Situation at the University.

This subject occupied most of the time of the meeting, as it has occupied the thoughts of all members of the Section for several months. But we realize that there is little we can do here in the West, and that we must look to the field to work out the solution of all these serious problems which are now confronting the University. We are glad that four of our Cheeloo Governors are now in China, and we hope that they will be able to get together in Tsinan and to render constructive service in dealing with these problems.

The proposal of Dr. Mei's name was very favorably received by the Section, but we felt of course that we should not do more than to pass a minute of cordial approval, pending further news from the field.

The Financial Situation of the Section.

For several years the income of the North American Section has been decreasing steadily. It has been a relief therefore to see this decrease checked during the first half of the current fiscal year. The Section was glad to note that the amount we will receive from the Harvard-Yenching Institute this year is U.S.\$1,631.59 more than the sum originally appropriated. We are glad to have this additional amount available for forwarding to the field, though we appreciate that it is only a small fraction of what the University so urgently needs.

0293

Feb. 16, 1935

Publicity and Promotion.

The Section realizes that the one point at which the Governors can be of real assistance to the University in this time of crisis is through the provision of more adequate financial support. For the last five years our contributions to the University have been declining so rapidly that it has been quite impossible for the administration and faculty to keep the work of the University going forward in the way it should have gone. We realize that this constant financial problem has been a severe strain on everyone at the University, and that it has been one of the fundamental underlying causes of the problems that now confront you. The Section asked the Committee on Promotion to hold a meeting at as early a date as possible to consider in a concrete way just what we can hope to accomplish. The Committee met in Mrs. Phillips' home this week, and began to make plans for its work. We will be meeting again in about a fortnight. It is still too early to attempt any forecast of what we will be able to accomplish this year.

Matters Related to New Hospital.

I believe this section needs no special comments. I am writing to Dr. Shields and Dr. Lair in regard to these matters.

Gift of Stock for School of Theology.

I am writing to Dr. Stanley with regard to this.

Assuring you of our earnest and prayerful solicitude over all the problems which you are facing at this time, I am,

Very sincerely yours,

B. A. Caside

BAG.A
Enc.

0294

SHANTUNG

山東濟南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

校長辦公室
OFFICE OF THE PRESIDENT

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

18th February, 1935

Dr. H. H. Weir
London

INDEXED

Mr. B. A. Garside
New York

Noted

Dear Dr. Weir and Mr. Garside,

It seems unnecessary that I should add to the full statement already made by Dr. Lair regarding the financial condition of the University.

There is one point, however, on which I feel that something more should be said. This is on the statement reported to have been made by a certain person that funds here have been wrongly used or applied by the Treasurer. I have carefully gone over these matters with the Treasurer and I am assured by him that I have understood the facts correctly. I feel entirely safe in categorically denying that there has been anything in the transactions under consideration that in any way has been a misuse of funds. We shall take what measures seem possible to correct any false impression which may have been made through a misunderstanding of the facts. If it should seem desirable a full statement regarding the matters which have led to the mistaken impression regarding the use of these funds will be sent you. I feel it to be of first importance that no such stigma should be allowed to attach to the financial administration of the University.

Minute D 1121d embodies a hope that was in the minds of members of the Administrative Council. This hope was that the President's salary might be definitely undertaken by certain missionary societies, and it was in our thought that perhaps half of this sum might be secured in Great Britain and the other half in America. It was thought that possibly with such backing as is given him by the action of the Administrative Council Mr. Scott might be able to do something along this line among the Scottish churches of the Baptist denomination.

The matter of the reorganization of the Board was carefully discussed but as you see by the minutes (D 1123) it was not thought possible to do more than refer this question to the next full meeting of the Board of Directors. This meeting would ordinarily take place at the middle of June. If the financial situation does not clear up by the end of March the meeting will be called for April 15th, and this meeting, if so called, will be the regular annual meeting of the Board and there will be no meeting in June. At this meeting the financial situation and the question of the reorganization of the Board will be the most important questions.

JOINT OFFICE

0295

SHANTUNG

山東濟南私立齊魯大學

CHEELOO UNIVERSITY

TSINAN, CHINA

校長辦公室
OFFICE OF THE PRESIDENT

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

18th February, 1935

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JOINT OFFICE

0295

SHANTUNG

山東齊南立學大
CHELOO UNIVERSITY
TSHAN, CHINA

雷樹掛號(普齊)
CABLE ADDRESS: CHELOO

校長辦公室
OFFICE OF THE PRESIDENT

18th February, 1935

Mr. B. A. Garalde
New York

Dr. H. H. Weir
London

Dear Dr. Weir and Mr. Garalde,

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Minute D 1314 embodies a hope that was in the minds of members of the Administrative Council. This hope was that the President's salary might be definitely undertaken by certain missionary societies, and it was in our thoughts that perhaps half of this sum might be secured in Great Britain and the other half in America. It was also felt possibly with such backing as is given him by the members of the Administrative Council that the President might be able to carry along this line among the societies of the various denominations.

The matter of the President's salary was carefully discussed but as you are quite familiar with this question it was not thought possible to do more than refer this question to the next meeting of the Board of Directors. This meeting would ordinarily take place at the middle of June. If the financial situation does not clear up by the end of which the meeting is called for April 1935, and the meeting if so called for the regular annual meeting of the Board and the meeting in June. At this meeting the financial situation and the question of the resignation of the Board will be the most important questions.

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MAR 18 1935
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FEB 18 1935

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Dr. Weir
Mr. Garside

18.2.35

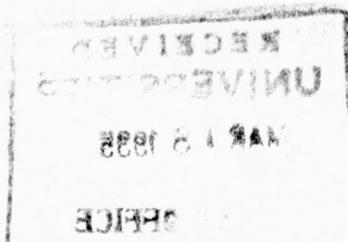
The chief points, as they are understood here, which are required by the Ministry in the new regulations as regards the reorganization of the Board are: (1) that the entire Board of Directors shall not exceed fifteen in number; (2) that the number of westerners who may serve on the Board shall not exceed five, or one-third of the total membership, that is, the proportion of westerners, as now, must not be more than one-third; (3) in the newly organized Board a quorum shall be more than half the total membership; (4) at least one-fourth of the membership of the Board shall be either trained educationalists or persons who have had practical experience in managing schools; We have also received specific instructions from the Ministry that in the reorganized Board there shall be no Administrative Council and that the readjusted By-laws shall be submitted to the Ministry of Education for approval. Beyond this I think it may be said that it is a matter of indifference to the Ministry what methods are used for securing the representatives of various societies, if this old style of selection is still followed, that being regarded as a matter purely having to do with the internal affairs of the Board itself. Two general principles were spoken of in the Council as possibilities, first that the old method of constituting the Board by representatives of the cooperating missions, the alumni and coopted members, be followed, and the second, that of organizing a self-perpetuating Board.

This University as an institution registered under the Ministry of Education cannot close at will. Just what the proceedings of the Ministry of Education would be in case we signified to it that we cannot go on we are not able to say. There is a distinct statement in the regulations governing registered institutions that the property cannot be confiscated by the government, but the regulations are understood to give power to the Ministry in case an institution is bankrupt to liquidate its affairs. This we understand would include the possible sale of property to meet outstanding obligations in case such sale were necessary.

Sincerely yours,

L. Davis

LJD/GMH



0297

FEB 18 1935

Dr. Weir
Mr. Gariside

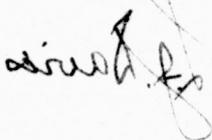
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LJD/GMH

RECEIVED
UNIVERSITIES
MAR 18 1935
OFFICE

0298

SHANTUNG

February 21, 1935

Rev. L. J. Davies,
Cheeloo University,
Tsinan, China.

My dear Mr. Davies,

We have your letters of January 15th and January 21st,
addressed jointly to Dr. Weir and myself.

The first of these letters confirms the news that Dr. Kung has agreed to continue as Chairman of the Board of Directors, and that Mr. Lee has agreed to serve as the acting president. We can appreciate to some degree the relief which these two decisions caused all of you. We certainly hope that Dr. Mei will also be led to accept the presidency.

The second letter reviews some of the developments during the past six or seven months in Mr. Linn's relationships with the University. Here in the West we have been too far away to be in any position to pass judgment on the comparative merits of the various factors and personal elements in the events at Cheeloo during recent months - even if we were inclined to form hasty judgments of that sort. We are all united in recognizing that it has been a difficult time for all of you who have had to carry the burden. We know that everyone at the center of things has been honest and sincere and anxious to do what was best for the University and for the Christian enterprise. We trust that in Mr. Linn's new position with the provincial government he will still be able to assist the work of the University. He certainly has rendered much excellent and unselfish service to Cheeloo.

Very cordially yours,

B. A. Casside

BAG/G

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Cheeloo University (Shantung)
Fukien Christian University
Ginling College
Hangchow Christian College
Hua Chung College

ASSOCIATED BOARDS
FOR
CHRISTIAN COLLEGES IN CHINA

Lingnan University
University of Nanking
Soochow University
West China Union University
Yenching University

150 FIFTH AVENUE, NEW YORK

R. E. DIFFENDORFER, *President*
JAMES ENDICOTT, *Vice-Pres.*
ELLEN F. PENDLETON, *Vice-Pres.*

Cable: ABCHICOL Tel: WATKINS 9-8703

B. A. GARSIDE, *Executive Secretary*
C. A. EVANS, *Asso. Secy., and Asso. Treas.*

FREDERICK OSBORN, *Vice-Pres.*
GEORGE G. BARBER, *Vice-Pres.*
E. M. MCBRIER, *Treasurer*

Rev. Davis

SHANTUNG

April 9, 1935

To the Presidents of

Cheeloo University ✓
Fukien Christian University
Lingnan University
University of Nanking
West China Union University
Yenching University

INDEXED

Gentlemen:

I have just learned unofficially that at its meeting yesterday the Harvard-Yenching Institute voted to guarantee to the Colleges participating in the Restricted Fund the following amounts for the year 1935-36:-

Cheeloo University	US \$8,421.06
Fukien Christian Univ.	8,421.06
Lingnan University	12,631.57
University of Nanking	12,631.57
West China Union Univ.	12,631.57
Yenching University	<u>21,052.65</u>
	75,789.48
Allahabad College	<u>4,210.52</u>
	80,000.00

We know you will rejoice at this very generous action of the Institute in increasing this guarantee $33 \frac{1}{3}\%$ above what it has provided in 1934-35, even though this may mean that the Institute will have to take all or most of this increase out of its fast-dwindling reserve.

It will be a week or two before we can send you official notice of this action. But I am passing along this advance and unofficial information to assist you in the struggles I know all of you are having just now as you are trying to balance your budget estimates for 1935-36.

Very cordially yours,

B. A. Garside

BAG/G

Air Mail.

0300

SHANTUNG

山東濟南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

校長辦公室
OFFICE OF THE PRESIDENT

13th April, 1935

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

F

Dear Friend,

It has been reported to us by a number of people that statements are being more or less widely made reflecting on the integrity of the financial administration of Cheeloo University.

As you are among those whose good opinion is highly regarded by those at present in charge of the University, I take the liberty of placing in your hands copies of letters which I believe to give a correct and unbiased statement of the conditions which appear to have given rise to these rumours.

You will naturally use discretion in speaking to others of these matters.

Sincerely yours,

L. J. Saines



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SHANTUNG

山東齊南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

電掛號(魯齊)
CABLE ADDRESS: CHEELOO

13th April, 1935

對長兼公室
OFFICE OF THE PRESIDENT

Dear friend,

It has been reported to us by a number of people that statements are being more or less widely made reflecting on the integrity of the financial administration of Cheelo University.

As you are among those whose good opinion is highly regarded by those at present in charge of the University, I take the liberty of placing in your hands copies of letters which I believe to give a correct and unbiased statement of the conditions which appear to have given rise to these rumours.

You will naturally use discretion in speaking to others of these matters.

Sincerely yours,

RECEIVED
UNIVERSITIES
MAY 24 1935
JOINT OFFICE

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25224

COPY

March 28th, 1935

Dear Dr. Lair,

As you are aware, during the last two months or more there have been various rumours alleging misuse of funds in connection with the work of your office.

It is understood that these allegations were being circulated in Shanghai at the time of the meeting of the Council of Higher Education. This fact was conveyed to me among others by the Rev. J. M. Menzies and Dr. Y. P. Mei. Mr. Menzies made these statements when he returned from the meeting of the Council at which he was one of our delegates and Dr. Mei spoke of this to me when I saw him at the train as he passed through on his way north.

It is my understanding that the source of these allegations as made in Shanghai was Dr. Henry S. Houghton of the Rockefeller Foundation. Dr. Houghton had visited Tsinan on Jan. 21st. While he was in Tsinan he saw members of the medical staff but did not see either the President, the Associate President or the Treasurer. I had expressed to Dr. Peter Kiang a desire to see Dr. Houghton and after he had left I was told by Dr. Kiang that Dr. Houghton had ~~remarked~~ remarked to him that as his visit was purely informal he did not regard it as necessary to see other administrative officers of the University.

The following paragraph from a letter from Dr. Shields addressed to me under date of March 23rd would seem to make clear the sources of statements made to Dr. Houghton regarding the financial condition and practices of Cheeloo:

"I am prepared to be held responsible for any statement I made ~~made~~ to Dr. Houghton or others, but I would call your attention to the fact, of which you may not be cognizant, that, on Jan. 21st, (while I was absent from Tsinan) Dr. Houghton paid an unofficial visit to Tsinan, and met a number of the Medical Faculty and inquired into the financial condition of the School of Medicine. He went from Tsinan to Shanghai and, I believe, while there, attended a meeting of the Council on Christian Higher Education."

It is my understanding that the fund which was specially referred to by Dr. Houghton and in regard to the use of which these allegations mentioned above are said to have been made by him, was the fund which on your books is described as the Rockefeller Suspense Account, amounting according to your books at that time to \$11,342.79. If Dr. Houghton had been told that this Rockefeller money had been misused it would clearly be his duty to investigate the report. But it seems strange to me that a man of Dr. Houghton's standing, being in Tsinan, would not take the matter up with the treasurer of the University, which, as you have informed me, he did not do.

For many years, owing to the irregularity with which current appropriations have been received from the contributing missions and other sources, it has been the practice of the treasurer to hold certain ear-marked funds in a liquid form, in addition to regular current appropriations, that is, to treat

*Sent by
Rev. Davis
letter
4/13/35*

0303

then as temporarily available for current expenses pending the time when they were needed for the specific purposes for which they were contributed. I believe that the money to the credit of the Medical School Rockefeller Suspense account had been included in this pool.

I believe that at the time of Dr. Houghton's visit the Business Manager of the Medical School had drawn from this pool on two accounts funds in excess of the amount standing to the credit of the Rockefeller Suspense account. These two accounts were the Medical School Store Account and the Shop Account. On the Store Account the amount overdrawn was \$9,072.93, on the Shop Account the amount overdrawn was \$4,892.27.

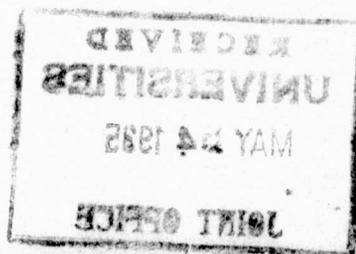
In regard to the "Store" it is my understanding that this was a venture entered into by the Business Manager of the Medical School with the approval of the Dean of the Medical School and in consultation with you, and that no other administrative officer of the University was consulted in regard to the opening of this store, a fact which makes it quite evident that it was from its inception regarded as a Medical School affair. In regard to the Shop Account, the shop, which was originally connected with the Arts and Science Schools as they were transferred from Wehhsien, was, during the labour and student troubles of 1929/30 transferred to the Medical School compound and placed under the direct charge of the Business Manager of the Medical School, and so far as my knowledge goes, at no time during these past five years has either the President, the acting-president or the associate president been consulted in regard to the management of the shop. In other words, it has been a department conducted by the Business Manager of the Medical School and has been commonly regarded as connected with the Medical School.

The purpose of the above statement is to enquire of you whether it is true that, say, at the end of January 1935 the Store Account was actually in the red to you as Treasurer by \$9,072.93 and the Shop Account was also in the red to you as Treasurer by \$4,892.27, and whether, if this was the case, it could reasonably be considered that the Medical School had drawn out all the Rockefeller Suspense money from the pool, and in addition had drawn \$2,622.41, that is, the difference between the total drawn on the two accounts just mentioned and the amount standing on your books to the credit of the Rockefeller Suspense Account.

Further, please be so kind as to inform me how many years you have been acquainted with or had charge of the accounts of the University and whether during these years there has been any single instance in which ear-marked funds not immediately needed and temporarily treated as mobile funds, have not been made available for the purpose for which they were contributed when the time came to use them.

Sincerely yours,

(signed) L. J. Davies.



4030

them as temporarily available for current expenses pending the time when they were needed for the specific purposes for which they were contributed. I believe that the money to the credit of the Medical School Rockefeller Business Account had been included in this pool.

I believe that at the time of Dr. Houghton's visit the Business Manager of the Medical School had drawn from this pool on two accounts funds in excess of the amount standing to the credit of the Rockefeller Business account. These two accounts were the Medical School Store Account and the Shop Account. On the Store Account the amount overdrawn was \$9,072.23, on the Shop Account the amount overdrawn was \$4,892.27.

In regard to the "Store" it is my understanding that this was a venture entered into by the Business Manager of the Medical School with the approval of the Dean of the Medical School and in consultation with you, and that no other administrative officer of the University was consulted in regard to the opening of this store. A fact which makes it quite evident that it was from its inception regarded as a Medical School affair. In regard to the Shop Account, the shop, which was originally connected with the Arts and Science Schools as they were transferred from Wehstein, was, during the School year and student transfer of 1928-29 transferred to the Medical School compound and placed under the direct charge of the Business Manager of the Medical School, and as far as my knowledge goes, at no time during these past five years has either the President, the acting-president or the associate president been consulted in regard to the management of the shop. In other words, it has been a department conducted by the Business Manager of the Medical School and has been commonly regarded as connected with the Medical School.

The purpose of the above statement is to enquire of you whether it is true that, say, at the end of January 1933 the Store Account was actually in the red to you as Treasurer by \$9,072.23 and the Shop Account was also in the red to you as Treasurer by \$4,892.27, and whether, if this was the case, it could reasonably be considered that the Medical School had drawn out all the Rockefeller Business money from the pool, and in addition had drawn \$2,622.41, that is, the difference between the total drawn on the two accounts just mentioned and the amount standing on your books to the credit of the Rockefeller Business Account.

Further, please be so kind as to inform me how many years you have been acquainted with or had charge of the accounts of the University and whether during these years there has been any single instance in which ex-marked funds not immediately needed and temporarily treated as mobile funds, have not been made available for the purpose for which they were contributed when the time came to use them.

Sincerely yours,

(signed) L. J. Davies.

RECEIVED
UNIVERSITIES
MAY 24 1935
JOINT OFFICE

5030

COPY

29th March, 1935

Dear Mr. Davies,

*Sent w/
Rev. Davies'
letter
4/13/35*

In answering your letter of yesterday may I say that the rumours to which you refer have been and are a matter of very real concern to me. The source of the statements made by Dr. Shields to Dr. Houghton and others, which were evidently the occasion for the origin of these rumours, was doubtless a financial statement which you will recall I made to you and the other administrative officers of the university soon after January 1st, in which I selected a few outstanding accounts which showed comparatively large overdrafts or credit balances. This statement was made for the purpose of vividly calling the attention of the administrative officers to these overdrafts and of urging all possible economies during the remaining months of the financial year. This statement, as you will recall, was clearly entitled: "A Partial Financial Statement" and was marked in large letters: "PRIVATE AND CONFIDENTIAL". I had no idea that it would be treated in any other manner. Had I supposed that any other use would be made of it I would have made a complete statement rather than one singling out a few individual items.

The paragraphs in your letter referring to the Store account, the Shop overdraft and the Rockefeller Suspense account are entirely correct. In regard to the Store account, it was started when I was on furlough in 1929. I was consulted about it after my return but I had no idea that such large sums would be involved. The amount of money invested in the store on the date to which you refer was about \$9,000, but there have been times within the past few years when more than \$14,000 of general funds have been tied up in this account, and at a time when this Rockefeller Suspense money to which you refer was on fixed deposit.

I may add with reference to your statement that it has been the practice of the treasurer to hold funds in a liquid form temporarily available for current expenses where most needed, that this practice has benefitted different departments of the university at different times, and that while at present the departments which are the largest "borrowers" from this general fund are Arts and Science and General Administration, there have been not a few times in the last few years when the School of Medicine was being largely supported from general funds ear-marked for other purposes.

In answer to the question in the final paragraph of your letter, may I say that I have had intimate knowledge of and have been personally in charge of the University accounts since July 1st 1925, with exception of the period from March 1926 to June 1927 when Mr. Adgie was the University Treasurer, and from July 1929 to September 1930 when Mr. Hunter was acting treasurer during my furlough absence on furlough. There has been no case during these approximately ten years when ear-marked funds temporarily treated as mobile have not been made available when needed for the specific purpose for which they were given.

If you desire any more detailed information regarding these accounts kindly let me know.

Very Truly yours,

(signed) H. P. Lair.

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23rd March, 1935

Dear Mr. Davies,

In answering your letter of yesterday may I say that the rumors to which you refer have been and are a matter of very real concern to me. The source of the statements made by Dr. Gibbs to Dr. Houghton and others, which were evidently the occasion for the origin of these rumors, was doubtless a financial statement which you will recall I made to you and the other administrative officers of the university soon after January 1st, in which I selected a few outstanding accounts which showed comparatively large overdrafts or credit balances. This statement was made for the purpose of vividly calling the attention of the administrative officers to these overdrafts and of urging all possible economies during the remaining months of the financial year. This statement, as you will recall, was clearly entitled: "A Partial Financial Statement" and was marked in large letters: "REVISED AND CONFIDENTIAL". I had no idea that it would be treated in any other manner. Had I supposed that any other use would be made of it I would have made a complete statement rather than one singling out a few individual items.

The paragraphs in your letter referring to the store account, the shop overdraft and the Rockefeller Suspense account are entirely correct. In regard to the store account, it was started when I was on Loughborough in 1928. I was consulted about it after my return but I had no idea that such large sums would be involved. The amount of money invested in the store on the date to which your refer was about \$2,000, but there have been times within the past few years when more than \$14,000 of general funds have been tied up in this account, and at a time when this Rockefeller Suspense money to which you refer was on fixed deposit.

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In answer to the question in the final paragraph of your letter, may I say that I have had intimate knowledge of and have been personally in charge of the University accounts since July 1st 1933, with exception of the period from March 1932 to June 1932 when Mr. Aggie was the University Treasurer, and from July 1932 to September 1930 when Mr. Hunter was acting treasurer during my absence on Loughborough. There has been no case during these approximately ten years when ear-marked funds temporarily treated as available have not been made available when needed for the specific purpose for which they were given.

If you desire any more detailed information regarding these accounts kindly let me know.

Very truly yours,

(signed) H. P. Laiter.



LOE

山東濟南私立齊魯大學
CHEELOO UNIVERSITY
TSINAN, CHINA

✓
F

校長辦公室
OFFICE OF THE PRESIDENT

SHANTUNG

7th May, 1935

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

Dr. H. H. Weir,
2, Eaton Gate,
London, S.W.1.

INDEXED

Mr. B. A. Garside,
150, Fifth Avenue,
New York.

Dear Dr. Weir and Mr. Garside,

With this you will please receive the minutes of the Cheeloo Board of Directors' meeting held April 23rd to 26th.

The fact that this meeting was held two months earlier than is usual is enough to mark the occasion as definitely extraordinary. It was necessary to call the meeting at this time because of the urgent nature of the financial situation and because of the necessity for electing a president. During May contracts have to be made with the teachers who are to be engaged for the following year and it was therefore essential that the Budget should be passed by the Board not later than the end of April. In beginning this letter I want to say that the results of the conference and planning were far better than I or, I believe, anyone was anticipating. We have come through with a plan for the future which seems concrete and hopeful.

D. 1126. Treasurer's Report. It seemed unnecessary to send the balance sheet referred to in this report with each copy of the minutes, but a copy is enclosed herewith for your information.

D. 1127. Budget for 1935-36. This brief minute was not passed until many hours had been given to frank and thorough consideration of the realities of the situation and the implications of the various possibilities suggested. In particular the question whether in the circumstances it was possible to go forward as a University was openly faced and decided. The severe reductions in the Harvard-Yenching and Arts & Science income forced us to get down to bed-rock and to cut out all sentiment. The day was saved by Dr. T. K. T'an, Acting Dean of the Schools of Arts & Science. He is a man of faith and prayer. When the Arts & Science budget was approved by the Executive Council Dr. T'an said that he believed there was a way to carry on even with the reductions which were necessary. He came before the Board and outlined his plan. This was that he would appeal to the members of the two faculties whose salaries come directly from the University - i.e. the non-missionary members - to carry on for the next school year if necessary on a bare subsistence basis. During the time of the Directors' meeting Dr. T'an called together the teachers and his proposition was agreed to by the faculties of both

0308

MAY 7
1935 Dr. Weir
Mr. Garside

Colleges. It is our hope, and my belief, that it will not prove necessary to carry this resolution through to the bitter end. The making of this proposal and the acceptance of it by the teachers has convinced everybody, inside and outside the University, that the situation is really desperate. Up to the present people have thought that there was money available which would be brought out and used in such an extremity, or that money would be forthcoming from America or Great Britain. It is now realized by the faculties and by the educational officials of the Shantung Government that without aid from Chinese sources it will not be possible to continue the work of the University. The educational officials, both provincial and national, want Cheeloo to continue to function. The inspectors who come from the Ministry of Education to look into the affairs of the various schools and colleges report that Cheeloo is one of the best institutions in the country. The economical management, the seriousness of the work of instruction, and the law-abiding character of the students are especially mentioned by them. Since these men hold such opinions regarding the value of the work of the University and are now convinced of our dire need of financial help it seems certain that we shall receive grants which will enable us to go forward.

Regarding the deficit anticipated at the end of this fiscal year, you will notice that the estimate made in February and tabled to you, namely \$42,000, has in the meantime been reduced to \$27,000. Minute D.1130 explains the way in which the Board proposes to work out the problem of caring for this shortage.

D.1131. Misuse of Funds. The necessity of bringing this question to the attention of the Board was a matter of very great regret, but it was felt that the good name of the institution was so deeply involved that it was impossible to pass it over. You have received copies of the letters which passed between me and Dr. Lair. Copies have been sent also to fourteen or fifteen others in China who are particularly interested in Cheeloo.

D.1132. The Board is very sensitive regarding the good name of the institution and, while making the statements recorded in D.1131 without reserve, desires a frank reply to the question asked in this minute.

D.1133. Presidency. The theory on which former efforts to secure a president have been based was that we should try for a nationally well-known man who had already made a name for himself and who had already obtained a strong position of influence in the Chinese educational world. President Chu was of this type and the men who were approached last fall or whose names were definitely proposed were also of this type. On the other hand it has

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MAY 7
1935

Dr. Weir
Mr. Garside

been said that we should seek one of our own graduates who would bring to his work as president a love for the school and a sense of personal obligation to serve the University. Those who have held this second theory have felt that there was more likelihood of finding in this way a man who would really devote himself to the school. Dr. George T. Scott said to me recently that he supposed the administration of Cheeloo to be the most difficult of any of the missionary educational institutions in the world. It has been my opinion that nothing but the patience and courage born of love to the school would be likely to hold a man in this work for any length of time. Since 1927 when Dr. Balme resigned there have been nine persons who have held the post of president, acting president or vice-president.

Mr. Liu has been selected on this second theory. He is just above 40 years of age. He was graduated from the Arts & Science College in 1919. Following graduation he spent five years in Y.M.C.A. service in Tsinan. After this he went to the United States. The money for his study abroad was provided by friends in business circles in Tsinan. He took a year at Wooster, Ohio, obtaining a B.A. degree. A summer was spent at Ohio State College, after which, in 1924, he went to Harvard, majoring in international law and receiving his Master's degree. He worked toward a doctor's degree but did not complete the requirements. He travelled for six months in Europe. Returning to China in 1928 he has taught first in the North-Eastern University in Moukden, and, after the breaking up of that institution by the Japanese, in the Peking National University and other universities in Peiping. The "University News" published in Peiping, in its next issue is presenting biographical sketches of the ten leading University men of that city. Mr. Liu has been included. He is known by everyone as a Christian and himself makes special mention of the fact that he is a Christian in the account of his life which he prepared at the request of the Editor of the paper. Those who proposed his name believe him suitable for president from the standpoint of (1) Christian character and experience in Christian work; (2) force of character and administrative capacity; (3) intellectual ability; (4) knowledge of the educational circles of China; (5) devotion to Cheeloo as his alma mater; (6) physical vigour.

Mr. Liu has indicated his willingness to accept the presidency subject to the approval of the Ministry of Education and the Board of Governors. In accepting our offer he reduces his income by about one-third.

D. 1135. Associate-President. I was not present when this minute was passed but I understand that the vote to postpone consideration of the appointment of a successor grew out of the suggestion made a good many times lately that it may be better to place full and undivided responsibility on the president, and not to have a missionary in such a position. My own view favours placing responsibility entirely on the Chinese president.

MAY 7

1935 Dr. Weir
Mr. Garside

D. 1136 Reorganization of Board. The requirement by the Ministry of Education that the Boards of Directors of the Mission Schools be reorganized was made in 1933. So far as I know most of the Schools were very slow about attending to this reorganization. We were in this class. Among the reasons for requiring reorganization of these Boards was the fact that some of them were very large. One of which I heard had over forty members. Our own was twenty-three with two non-voting members. The regulations requiring the reorganization are intended to secure more efficient management.

It appears unnecessary to comment in detail on the new by-laws but a few remarks may not be out of place.

Section 3. By "the association in the west etc." is meant the Board of Governors (or Founders), not the individual missionary societies.

Section 4. There are, at present, nine organizations cooperating in the University. The scheme of combining the different societies as in the third paragraph, was devised with a view to having each organization feel that it has direct representation on the Board notwithstanding the fact that the number of representatives of the Founders is cut down from twelve as at present to seven. Attention may be called to the fact that the Founders' seven representatives plus the one representative of the Church of Christ in China give a majority of the full Board. This would seem to guard sufficiently against a possibility of undue secular influence. Such danger is still further minimized by the provision in Section 5 that all members of the Board are to be Christians.

Section 6. The provisions in the second half of this section, while unusual, are made in view of past experience.

D. 1137. Promotion Work. Dr. Stanley and Dr. Shields are to be in the States during next year on their regular furlough. Mr. W. B. Djang, of the School of Theology, is spending his Sabbatic year in further study in America. Mr. Chang Kwei has been teaching for several years in the Biology Department and is proceeding to the States this summer to study on a fellowship from the China Foundation.

D. 1140. Sinological Research Institute. These regulations do not represent any new departures but have been worked out as a statement of present practices which have not been formulated in writing up to this time. This institute, as you all doubtless realize, is the one sometimes spoken of as the Harvard-Yenching Institute.

I trust that the above notes may clear up any points which might not be readily gathered from the minutes themselves.

LJD/GMH

Sincerely yours, *G. Davies*

MAY 7
1935
Dr. Weir
Dr. Garalde

D. 1138 Reorganization of Board. The requirement by the Ministry of Education that the Boards of Directors of the Mission Schools be reorganized was made in 1933. So far as I know most of the Schools were very slow about attending to this reorganization. We were in this class. Among the reasons for re-organizing these Boards was the fact that some of them were very large. One of which I heard had over forty members. Our own was twenty-three with two non-voting members. The regulations requiring the reorganization are intended to secure more efficient management.

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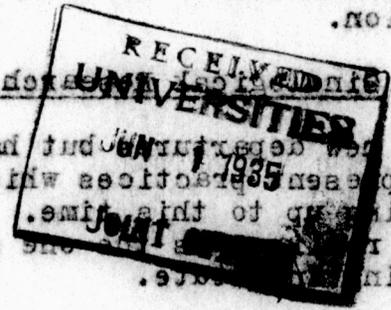
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D. 1140. The regulations of the Institute. These regulations represent any new department but have been worked out as a statement of present practices which have not been formulated in writing up to this time. This Institute, as you all doubtless know, is sometimes spoken of as the Harvard-Yenching Institute.



I trust that the above notes may clear up any points which might not be readily gathered from the minutes themselves.

Sincerely yours,
[Signature]

LJD/GMH

21 E O

SHANTUNG

山東濟南私立齊魯大學

CHEELOO UNIVERSITY

TSINAN, CHINA

SHANTUNG

校長辦公室
OFFICE OF THE PRESIDENT

1st July, 1935

電報掛號(齊魯)
CABLE ADDRESS: CHEELOO

Dr. H. H. Weir,
London

Mr. B. A. Garside
New York.

Dear Dr. Weir and Mr. Garside,

Greatly to our disappointment the President-elect, Mr. Liu Shu-ming, finally declined to accept our invitation. The reasons which led him to this decision are not altogether clear and in the circumstances it seems quite unnecessary to offer any explanation. The first paragraph of the minutes explains the necessity for the calling of this meeting. We were all very much pleased that at so unsuitable a time when the weather was extremely hot the response from the directors was so good.

D1141. It will be a source of gratification to you as it is to us that the current deficits are decidedly less than they were expected to be. You will recall that the deficit estimated last December for the end of this fiscal year was \$42,000, and the deficit has actually come down to \$23,600. Part of that can be handled in the ordinary course out of next year's appropriations. This statement refers to the Library deficit of \$1900 and the Sinological Research Institute deficit which it appears will be a little less than \$1000. Consequently the deficit unaccounted for has been reduced to about \$20,000. It is also true that the standing deficit on the Arts & Science Colleges has been reduced by about \$1700, ~~over~~ the figure previously reported. My purpose in mentioning these things is simply to emphasize the fact that though our financial situation is not good it is not nearly so bad as was anticipated by the Board six months ago.

D1142. It is of course not necessary for the Board of Governors to approve the appointment of Dr. T'an, but I think it not out of place for me to say that I feel certain that if you all had opportunity to get well acquainted with him you would come to believe as I do that we have in him an officer whose Christian character is of a very high order. I have recently had a number of talks with him of a very serious nature and within the limits of my ability to understand people his sense of dependence on God and his purpose

0313

JUL 1 1935

- 2 -

Dr. Weir
Mr. Garside

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to serve God in his work here are both very high.

It seems to me that no further comment is necessary on the remaining items. It is with real regret that I find myself unable to refuse to carry on for a few months longer and it is the hope of all of us that within the period of three and a half months which I have named it may be possible to settle with someone who will undertake the responsibility of the presidency.

The arrangements growing out of the self-denial resolution of the members of the Arts & Science faculties are going slowly into effect and it seems entirely unlikely that there will be any hold-up in this matter. A few of the professors will not return next fall but the large majority are standing by the plan proposed by Dr. T'an and agreed to by them in April.

Sincerely yours,

L. J. Davies

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SHANTUNG

May 22, 1935

Mr. L. J. Davies
Cheeloo University
Tainan, Shantung, China

INDEXED

My dear Mr. Davies:

We enclose herewith a copy of the minutes of the Annual Meeting of the North American Section of our Cheeloo Governors held here in New York on May 17th. Thirty-five copies of this material are being mailed to you for distribution on the field. I am also sending fifteen copies to Dr. Stanley for distribution within the School of Theology.

I am very sorry that our correspondence from New York during recent months has been so scanty. There have been frequent meetings of our North American Section, and of its Executive Committee, but it has been very difficult for us to reach sufficiently clear-cut decisions on the serious problems now confronting us to justify our writing to you in any official way. We have also wished to be sure that the judgment of the group here in North America was in accordance with that of our colleagues in the British Section.

The Annual Meeting of our North American Section was devoted primarily to a very earnest study of the problems now confronting the University. We all regretted deeply that none of the Board Secretaries from New York who have been in China during recent months were able to be present. Dr. Scott had arrived on the Pacific coast some days in advance of the meeting, and we had hoped that he would be able to attend. Fortunately Dr. Armstrong could be with us, but since he visited the Cheeloo campus last October, he was not able to give us up-to-date information as to the developments which have taken place this spring.

We found ourselves confronting the same old trio of problems - policy, leadership, and financial support, and unable to reach any final decision with regard to any of them. It was recognized, however, that until we could arrive at a clearer definition and a greater unanimity with regard to the general policy the University is to pursue, it would be almost hopeless to try to deal with the other two problems.

Our Cheeloo Board of Governors has been seriously handicapped as any Western Board connected with a Christian University in China would be, by the lack of ~~the~~ ^{clear-cut} leadership from the field in the matter of general policy. The College Boards here in the West are so constituted that it is not only undesirable, but practically impossible, for them to take any real initiative in the formulation of general policy.

0315

May 22, 1935

Their natural function is to give consideration to policies formulated and put into effect on the field and sometimes to suggest modifications here and there. But for the most part, they can function best when they are giving their enthusiastic cooperation and support to the wise planning and leadership of the field.

Our primary difficulty in Cheeloo seems to have been that after the Governors had given their hearty approval to general policies which had been formulated on the field, and which the Governors understood to have the cordial support of not only the field authorities at Cheeloo but also of the Christian educational leaders throughout China, it became apparent that the University was not moving forward wholeheartedly along these general lines of policy, and was badly divided within itself. As far back as I have had any connection with the University, our Governors have thought of Cheeloo as an institution consecrated to the task of training leaders to serve the great ~~XXXX~~ ¹ areas of China in the three major fields of evangelism, medicine, and education. They have considered it an accepted basis of procedure that the entire progress⁷⁷ of the University should be pointed in this direction, and that all details of administration and instruction would be worked out with this ideal in mind. They have had no special interest in, or funds for the support of, any of the other very fertile fields of service to China which they have thought of as entirely praiseworthy but quite outside the immediate sphere of Cheeloo's responsibility. And for almost a decade now they have been burdened by a growing conviction that Cheeloo has been drifting away from these original ideals, rather than concentrating all of its efforts toward their more complete attainment. Until we can all arrive at a common agreement on this fundamental question of general policy, it is difficult to see how we can unite heartily in working together in the task of making Cheeloo the outstanding institution which it should be, second to none in the value of the service it is rendering to the people of China.

The Governors have, of course, also been very much troubled over the question of leadership at Cheeloo. They have felt quite powerless to do anything about the matter of finding a Chinese president, for that is a matter that can be dealt with only on the field. But they have been convinced that the problem is a larger one than merely that of finding the right man for president. Even if the right president can be secured, he must have the support of competent and sympathetic colleagues and associates in administrative positions and throughout the faculty. He must be assisted by a well informed and active Board of Directors. Except that the Governors have a share in the appointment of the Western members of the teaching and administrative staff, these are all matters which must be dealt with on the field rather than here in the West.

The problem of financial support is one for which the Governors have a more definite responsibility. Yet even here they are handicapped to the extent that it is impossible for them to secure or maintain support for an institution except to the degree that it is carrying on a valuable and constructive program of service which demands and deserves the assistance of missionary bodies and philanthropic individuals and groups here in the West. It has been very difficult for our Cheeloo Governors to do as much for Cheeloo as they might otherwise have done, because they have not been able to ^{by desire} present and potential supporters the challenge of a vigorous and aggressive institution going courageously ahead with a clearly defined program of service designed to meet specific needs.

0316

May 22, 1935

-3-

At its meeting on May 17th our North American Section confined its definite actions to matters related to finance, and deferred larger questions of general policy to the Annual Meeting of the ensemble Board which will be held during the latter part of September.

Throughout the past year, our North American Section has been making an active effort to secure additional support for the work of the University. These efforts were begun before we had received any word from the field as to the serious deficits which have developed in some departments of the University. As a matter of fact, the Governors are quite strongly of the opinion that it would be undesirable and unwise for them to assume any responsibility for deficits which the field incurs through expenditures in excess of assured income. They recognize that these are very difficult days, in which it is very hard indeed for an institution to carry on its work with the sadly reduced funds available, but they are convinced also that the only hope of getting through the present economic crisis successfully lies in their ability to keep within their income and to avoid deficits which will only multiply future difficulties. Due to some increases in endowment income and to gifts secured through the efforts of the Committee on Promotion, our North American Section should be able to close the present fiscal year with a small surplus, amounting to around US\$1,300. The two women's Missionary Societies cooperating in the University have agreed to make certain supplementary grants, as shown on page two of the minutes. Most of the other Boards have agreed to pay over to the University, one month early, the contributions which would normally be made for the month of July 1935. We hope that this assistance, together with what may be secured in China and in Great Britain, will enable the University to complete the present academic year and to close its books on June 30th in a fairly satisfactory condition. We are today sending you a cablegram, a copy of which is attached hereto, asking for more definite information as to the present situation at the University and your prospects for closing the year in fairly good order. I will write or cable you more fully after we receive a reply to this inquiry.

Before the Governors can have any clear understanding of just what our present financial conditions at Cheeloo are, where and how difficulties have arisen, and what are the financial prospects for the future, we must have a carefully prepared statement covering all these points. An institution of the size and importance of Cheeloo should by all means have an annual audit of its accounts prepared by men who have special qualifications for this work. Both the British and the North American Sections have agreed to recommend that such annual audits of our Cheeloo accounts should be made by independent professional auditors. In addition to this regular annual audit, we believe that there should this year be combined a more detailed special examination of the whole financial situation at Cheeloo which will give the Governors a clear picture of the present situation, and will indicate also where there have been weaknesses in financial procedure which have allowed deficits to creep in and have not always safeguarded designated funds as carefully as should have been done. Of course, it goes without saying that the Governors have complete confidence in both the judgment and the integrity of all the administrative officers of the University who have had any connection with the finances of the institution. They recognize that everyone at Cheeloo has been working under tremendously great pressure, and that you have all been doing the best you possibly could under extremely difficult circumstances. They wish to be as helpful as they can both now and in the future, and believe that a clear understanding of just what situation now exists is the best initial step in that direction.

0317

May 22, 1935

The Section gave serious consideration to the question of what contributions would be available from North American sources for the 1935-36 budget of the University. It is difficult to decide such questions as these until larger questions of policy have been settled. It was, however, the judgment of the Section that pending these final decisions, it should not make any immediate provision for radical changes in its previous procedure in defining its appropriations toward the 1935-36 budget, although it does desire that all possible emphasis will be given during the coming year to the training of leaders for service in the rural areas of China. As best we are able to determine at this time, the amounts which should be available from North American sources for Cheeloo next year are as follows:

American Board for School of Theology		U.S. \$ 800.00
General Endowment Income		7892.34
Harvard-Yenching Institute		8421.06
Woman's Unit Endowment Income		3946.16
Rohrman Fund		50.00
		<u>U.S. \$ 21,109.56</u>
Less Home Administration		
Administrative	\$ 1,015.00	
Promotion	2,743.29	
		<u>3,758.29</u>
		<u>U.S. \$ 17,351.27</u>

The Section expressed solicitude that no steps should be taken on the field during the next few months, before the Board of Governors is able to hold its Annual Meeting, which would have the effect of creating or increasing any further deficits in your accounts. By action NAS-424 it was voted to call the attention of the Directors to the provision in Article VI, Section 4 (d) which makes the Directors "accountable for the condition, custody, and uses of all funds received by them from whatever source, and which required that funds will be expended or obligations incurred only within the approved budget."

Since this letter has already gone too long I will close at this point. I will be writing you again within the next few days on various matters now pending.

Very cordially yours,

B. A. Cavide

BAG:MP

Copies for:

Dr. Hugh H. Weir
Dr. Charles Stanley
Dr. H. P. Lair

SHANTUNG

July 27, 1935

Dr. L. J. Davies
Cheelee University
Tsinan, China

Dear Dr. Davies:

I am acknowledging your letter of July 1st as Mr. Carside is absent from the office for a short vacation. This letter covers the minutes of the meeting of the Board of Directors, June 26, 27, 1935.

Since writing this communication other influences have been brought to bear, without doubt, upon Mr. Liu Shu-ming as we received a cablegram indicating that Mr. Liu has accepted the Presidency. We sincerely trust that this will prove the turning point in the affairs of the University and that all factions will loyally support the new administration. We note your willingness to continue a few months longer as Associate-President and realize what a sacrifice you must have made in reaching this decision. In view of the fact that the presidential vacancy is filled, the responsibilities which would naturally fall upon you will be turned over so that you may enjoy the rest which you so much desire. We are all praying and hoping for a complete readjustment of affairs at Cheelee which will permit it to go ahead and complete the work whereunto it was born.

With all good wishes, I remain

Very sincerely,

C. A. Evans
Executive Secretary

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SHANTUNG

July 27, 1935

Dr. L. J. Davies
Cheelee University
Tsinan, China

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Very sincerely,

C. A. Evans
Executive Secretary

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