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A STUDY OF
THE CHINESE INDUSTRIAL COOPERATIVES
WITH AN EVALUATION OF THEIR SIGNIFICANCE
TO THE CHRISTIAN CHURCH

By

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INTRODUCTION

A STUDY OF
THE CHINESE INDUSTRIAL COOPERATIVES
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TO THE CHRISTIAN CHURCH

INTRODUCTION

A. The Problem Stated and Delimited

The National Association of Manufacturers
defines the term "cooperative" thus:

"A 'cooperative' is a form of business enterprise
that enables a group of individuals, partnerships,
or corporations, to combine together for the pur-
pose of producing or buying or selling a commodity
or service."¹

Although the first such unit was begun in
England about a century ago, China did not come to have
cooperatives until subsequent to World War I. In the
intervening years, the cooperative societies have become
widespread and significant in the economic life of Chi-
na.

A study of all the various types of coop-
eratives would be too large a task to undertake here.
Consequently, this study will concern itself with a
single type, the industrial cooperatives, with the in-
tent of trying to determine the influence of this par-
ticular type on the Chinese life and the consequent im-
plications of this for the Christian Church in China.

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1. The National Association of Manufacturers. Quoted
in Landis, Benson Y.: Manual on the Church and Co-
operatives, p. 52.

This study will be simplified by the fact that the individual cooperatives, instead of having sprung up independently and of their own accord, were instituted by and organized under a central unifying and promotional agency, known as the "Chinese Industrial Cooperatives," and commonly referred to as the "C.I.C." It is, therefore, with the C.I.C. that this study will deal, particularly in its relation to the Christian enterprise.

B. The Significance of the Problem

Such a movement, as well as the cooperatives in general, merits, it is felt, the intelligent understanding of progressive Christian leaders today. At a special meeting held in March 1946, the Federal Council of the Churches of Christ in America made the following declaration:

"All Christians recognize the higher ethical value inherent in the cooperative as over against the competitive motive and that as cooperation is emphasized and competition subordinated we approach more nearly to the teachings of Jesus."¹

The C.I.C., initiated by Westerners, with the support of the Central Government of China for aiding in the program of reconstruction begun during the recent Sino-Japanese War, is unique among the Chinese coopera-

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1. The Federal Council of the Churches of Christ in America. Quoted in Landis, Benson Y.: Manual on the Church and Cooperatives, p. 50.

tive enterprises. Moreover, it is truly notable among cooperatives in general by virtue of the international scope of its present support.

In view of this, a case study of this particular cooperative enterprise seems justified.

C. Sources of Data

Sources of data will include both published and unpublished materials. The former include both books and articles written by both Chinese and Western authors.

The unpublished sources will be drawn upon heavily, insofar as many of them are primary sources. Through the courtesy of Miss Elizabeth Selsbee, access has been gained to the files of Indusco, Inc. at its New York headquarters.¹ These repositories contain an assortment of typewritten reports, letters, news items, and publicity releases--all of which deal with the work of the C.I.C. The materials are catalogued under several headings and the documents cited in this paper will be referred to in the footnotes by the title of the respective file heading and the index number under which the item is filed. Both authors and dates are lacking for a number of the papers, and there is no uniformity in form of the titles. Consequently, the bibliography contained herein

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1. Indusco, Inc. is the promotional agency for the C.I.C. in the United States.

will list the references by their file numbers for the sake of simplicity. A brief description of each will be given, however.

Indusco, Inc., besides issuing the "Indusco Bulletin" periodically, also has available to the public in mimeographed form certain other source materials, which will also be used.

Finally, interviews with Miss Elizabeth Selsbee, Indusco's publicity chairman, have been a source of information.

D. Method of Procedure

To gain an understanding of the importance of the Chinese Industrial Cooperatives, a survey of their history, including their origin, growth, and present distribution will be made. To this will be added an analysis of the organization and program of the movement. On the basis of these, an evaluation of the project as a whole will be made. This in turn, it is hoped, will lead to a more detailed evaluation of the possible contributions of the C.I.C. to the advancement of the Christian cause in China today and of ways in which the Church can possibly contribute to the promotion of the C.I.C.

CHAPTER I

THE HISTORICAL BACKGROUND AND DEVELOPMENT
OF THE
CHINESE INDUSTRIAL COOPERATIVE MOVEMENT

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CHAPTER I

THE HISTORICAL BACKGROUND AND DEVELOPMENT
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CHINESE INDUSTRIAL COOPERATIVE MOVEMENT

A. Introduction

The organization known as the Chinese Industrial Cooperatives can truly be considered a product of the Sino-Japanese War. In its short history of slightly more than ten years it has encompassed all provinces of Free China and has been the means of real relief, in contrast to temporary relief, to thousands of refugees. The movement began with an idea and spread through the untiring efforts of one individual, Rewi Alley, and the prestige and influence of another, Dr. H.H. Kung. The story of its phenomenal growth from such a small beginning to something of considerable size reads like fiction.

This chapter will be concerned with the statistical history of the C.I.C. from the beginning to as near the present time as the available information permits. The steps leading to the formation of the first cooperative societies will be reviewed first. Following this, there will be a survey of the early days of the cooperative movement in the various provinces, arranged by the regions into which they were grouped for their supervisory work. Then

will follow a brief description of the administrative and promotional agencies of the C.I.C. A series of tables showing the movement's progress will conclude the chapter.

B. The Origins of the Movement

July 7, 1937 marks the beginning of the recent Sino-Japanese War. Within one year from that date more than 70 per cent of China's modern industry had been seized or demolished by the Japanese.¹ Most of this was located, at the time, in Shanghai, where 5,525 factories and 16,851 workshops were destroyed or seized.² By April 1938 there were only 130,000 industrial workers left in this city which before the war employed about 600,000.³ Fifty million refugees⁴ left the coastal cities and began their long march toward the interior. There they hoped to find relief and sustenance. But unless they could find employment there was little hope for them in a region which was already overcrowded.

Mrs. Edgar Snow is credited with being the first to suggest the idea of setting up industrial cooperatives as a means for helping China replace her heavy industrial losses. Her idea struck fire with Rewi Alley, a New Zealander, who was at that time Factory Inspector for the

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1. Price, Frank W.: Wartime China as Seen by Westerners, p. 193.
2. Ibid.
3. Chen Han-Seng: Gung Ho! p.11.
4. A Nation Rebuilds, The Story of Chinese Industrial Cooperatives, p. 3.

Shanghai Municipal Council.

"Excited by Rewi Alley's plan, a group of eleven persons met on March 19 and April 3, 1938, in Shanghai. They constituted themselves a Preparatory Committee for the Promotion of Industrial Cooperatives in China."¹

Some of the members of this group were: "Hsu Sing-Loh, a banker and one of China's great men of social vision... Frank Lem, an American-educated engineer; Lu Kuang-Mien, a cooperative expert educated in Scotland; Edgar Snow, American journalist and his wife, Nym Wales."²

In this patriotic effort, secrecy was a necessity for safety against the Japanese secret service. Yet, in spite of efforts made to preserve secrecy, Hsu Sing-Loh, the committee's first chairman, was killed by the Japanese within a few months.³

Hsu had sought a loan for the early financing of the project from the Bank of China through T.V. Soong. The latter, instead, sought the support of the League of Nations, but failed in this impractical endeavor.⁴

Sir Archibald Clark-Kerr, who was then British Ambassador to China was responsible for obtaining the first loan. His appeal was to none other than Generalissimo and Madame Chiang Kai-Shek. Madame Chiang called

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1. Chen Han-Seng, op.cit., p. 13.
2. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p.⁴.
3. Chen Han-Seng, op.cit., p. 13,14.
4. Ibid.

H.H. Kung to join in these conferences, and the Ambassador's mission was a success. H.H. Kung, who was then Minister of Finance and also Vice-President of the Executive Yuan, secured a loan of \$5,000,000 (\$500,000 United States currency) and became chairman of the board of directors of the Chinese Industrial Cooperative Association which was established August 5, 1938, in Hankow.¹

Kung was a strong supporter of the people's welfare in China, and strove to keep the cooperatives away from political domination by the Kuomintang. Other officers of the C.I.C. Association were K.P. Liu, secretary-general, and Frank Lem, chief engineer and head of the technical department.² The full-time services of Rewi Alley were also secured.

Altogether, there were five functional departments in this early organization at Hankow. These were: General, for secretarial and administrative functions; Financial, for administering funds for the individual cooperatives and the headquarter's offices; Organization, for planning and inaugurating new societies; Technical, for improving manufacturing techniques; and, Accounting, an independent auditing agency.³

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1. Ibid.

2. Ibid., p. 15.

3. Cf. Linebarger, Paul M.A., The China of Chiang Kai-Shek, p. 224.

Thus the idea which had such a modest beginning was ready to be put into action within five months of its conception.

The first actual industrial cooperative was set up in the refugee center of Paochi, in Shensi Province. Lu Kuang-Mien was the one who engaged an elderly blacksmith in conversation, sold him on the idea of getting together with others like himself, and with the promise of a loan for the establishment of a factory, did the same with eight other blacksmiths. The nine then met for organization in Lu's room, and with that, the first cooperative was begun.¹ Alley arrived on August 23, and C.F.Wu, another member of the original committee and an engineer, came soon afterwards.²

Here in Paochi the movement soon became popular. Posters appeared with such slogans as "Resist and Reconstruct", "Produce for Victory", and "Work Together."

"The public was told that since the coast cities of China had been occupied by Japanese invaders, the back provinces must now become China's new industrial bases, and that of all forms of industrial organization the cooperatives were the most desirable."³

Within a week, two other cooperatives had been established. One of them had twelve members and made

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1. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 5, 6.
2. Chen Han-Seng, op. cit., p.16.
3. Ibid.

soap and candles. Prosperity came so quickly to them that within two months one-fourth of the \$2000 (Chinese currency) loan had been repaid.¹ The number of applicants soon grew to be more than the organizing staff and available capital could accomodate, and waiting lists resulted.

C. The Geographic Spread of the Cooperatives

December 1938 through December 1939 marks a period of rapid growth in the number of cooperatives established. Speed was the keynote, and during that year more than a thousand cooperatives were organized.² These were scattered throughout China, and were divided geographically into five regions. These will be discussed individually below.

1. The Northwest Region.

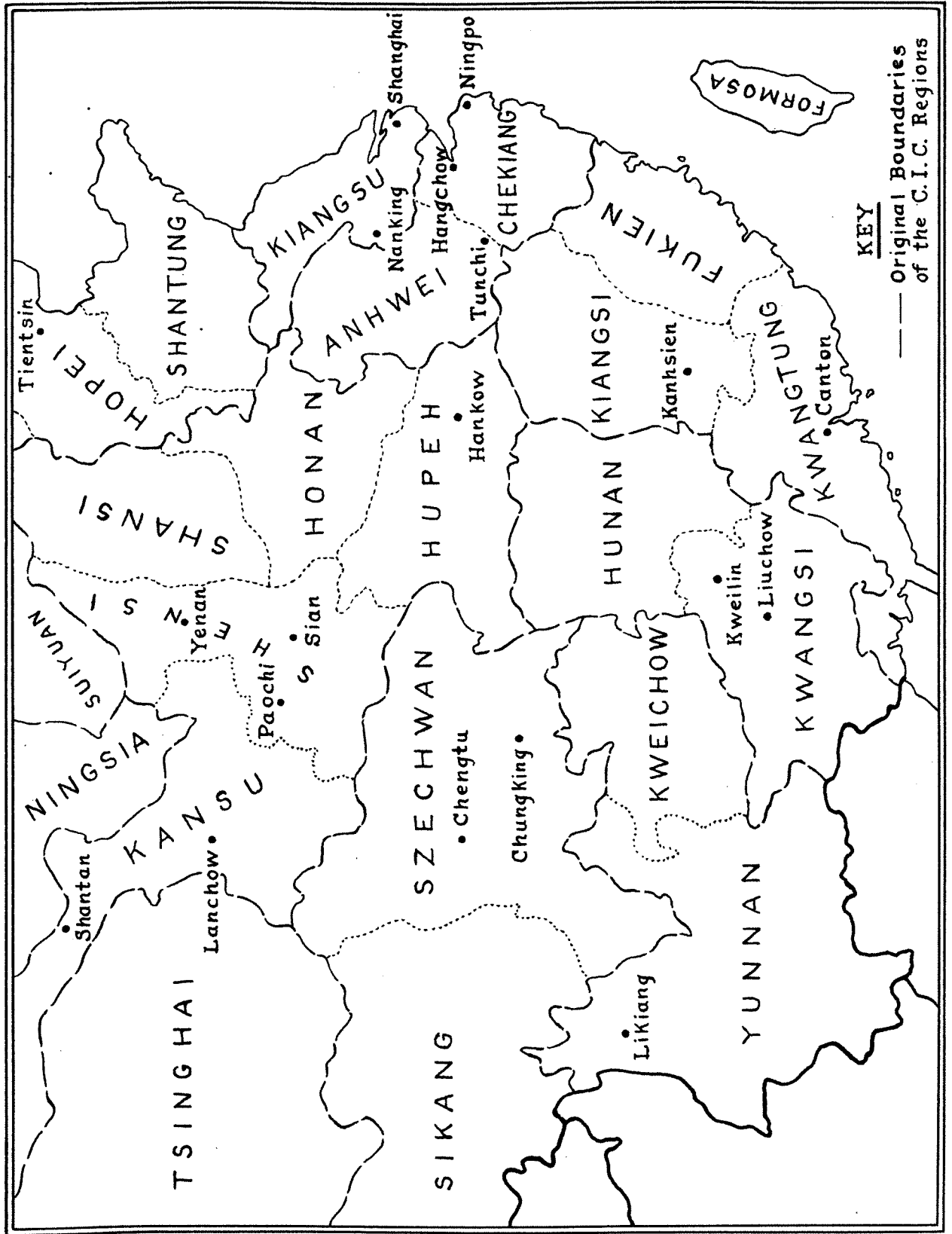
As first organized, the Northwest Region was comprised of the provinces of Shensi, Hupeh, Honan, Shansi, and Kansu.³ With the first cooperative society having been started at Paochi, it was natural that Shensi province should witness the most rapid spread of the infant movement and that Paochi be made the headquarters for the region.

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1. Ibid., p. 17.

2. See Table IV, below.

3. Chen Han-Seng, op.cit., p. 19; but Table III below indicates that by June 1942, Hupeh, Honan, and Shansi had been made a part of the Ching-Yu Region, and that Ninghsia and Chinghai were included in the Northwest Region.



PROVINCIAL REGIONS OF THE C.I.C.

Another important depot in Shensi was that established at Yen-an in April 1939. This is in Communist-held territory and, consequently, information concerning it has not always been forthcoming. Yet it is apparent that the Yen-an Border Region has been one of the strongest cooperative areas in China. This is because the government has been sympathetic toward the movement.¹ Within nine months, fifteen cooperatives had been established with more than two hundred members.² The table below gives more recent data.

TABLE I
GROWTH OF THE SOUTH DISTRICT COOPERATIVE IN YENAN,
SHENSI-KANSU-NINGHSIA BORDER REGION³

| Period | Number of Members | Number of Shares | Value per Share |
|------------|-------------------|------------------|-----------------|
| 9/40 -8/41 | 1,018 | 244,715 | 1.00* |
| 9/41-12/42 | 1,112 | 2,520,000 | 20.00 |
| 1/43-12/43 | 2,564 | 6,394,733 | ? |
| 1/44-12/44 | 2,750 | 45,100,000 | 20.00 |
| 1/45 -7/45 | 2,948 | 552,450,000 | " |
| 8/45-12/45 | 4,304 | 536,467,553 | " |
| 1/46-12/46 | 2,910 | 277,486,960 | " |

* Border Region Currency

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1. See Chapter III, p. 68, for fuller treatment of the Communist attitude toward the cooperatives.
2. Chen Han-Seng, op. cit., p. 37.
3. Border Region File # 40, Indusco, Inc.

By September 1939, there were two hundred and three cooperatives in Shensi, and one hundred and fifty-four in the provinces of Shansi, Honan, Hupeh, and Kansu. Membership in these totaled 4,308.¹ The movement spread this rapidly in the Northwest for three major reasons:² (1) There was the support of the Chinese government at Hankow. The prestige which Madame Chiang and H.H. Kung gave to the movement aided in getting this support. (2) There had been a great influx of refugee young people into this area from the Yangtze Valley region and Hankow, and they were quick in giving support to the movement. (3) Lu Kwan-Mien, the headquarters director at Paochi, by his diplomacy and persuasion was a tremendous asset in allaying suspicion of influential conservative groups.

It was in the Northwest Region that the famous blanket project took place a few months later. Being a project of which the C.I.C. is particularly proud and which temporarily curtailed the geographic expansion efforts of the organization, it merits a brief description at this point.

With the purpose of reducing the number of deaths in the army resulting from the severe cold, Rewi Alley, encouraged by Madame Chiang, proposed to the Ministry of War in 1939 that the C.I.C. be given the funds needed for supplying one million woolen blankets for the

.

1. Chen Han-Seng, op.cit., p. 19.

2. Ibid., p. 20.

army. The needed \$1,200,000 (Chinese currency) was advanced, and 400,000 blankets ordered.¹

This was a big task for such a young and ill-equipped organization. All efforts were bent toward meeting the contract. Old-fashioned United States looms were streamlined, and 7,500 new spinning wheels were turned out by the C.I.C. machine shop.² Hundreds of spinners had to be employed and trained in operating techniques. The deadline was met, however, and altogether about three million blankets were produced for the government during the war in spite of inferior equipment and financial handicaps. The prestige gained for the C.I.C. by this enterprise was tremendous.

2. The Southwest Region.

While the cooperative movement in the Northwest Region had gotten off to such a remarkable start, it was not so successful in other regions. Bureaucratic interference and the inability of C.I.C. leaders in getting along with local officials resulted in a less phenomenal beginning in other areas.³

Frank Lem was the one to establish the Southwestern headquarters on September 12, 1938, in Shaoyang, Hunan.⁴ In January of the following year, he bought a

.

1. Ibid., p. 21.
2. Ibid.
3. Ibid., p.22.
4. Ibid.

match factory, but this was demolished by Japanese bombs within a year, at which time it had three hundred and seven members. A tooth-brush factory and a medical cotton factory were also set up, the latter producing two hundred pounds of cotton daily and supplying the Hunan Red Cross with all that it requested.

By the spring of 1940, there were one hundred and seventy cooperatives with a total capital and monthly production of \$500,000 (Chinese).¹ The government Construction Bureau promoted the C.I.C. in preference to big, immovable industry because of the constant air-raid threat.²

Kwangsi was the other province in this C.I.C. region, and December 1941 saw fifty-seven cooperatives in this province where there had been only six in 1939. Notable among these were the lumber, the shoemaking, and the tanning cooperatives in Liuchow.³

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3. The Southeast Region.

The Southeast Region consisted of Kiangsi, Kwangtung, and Fukien provinces. In Kanhsien, Kiangsu, where Rewi Alley established the headquarters for the Southeast Region of C.I.C., there was strong opposition in the form of suspicion and pressure on the part of the land-

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1. Ibid.

2. Freyn, Hubert: Free China's New Deal, p.203.

3. Chen Han-Seng, op.cit., p. 23.

4. The information concerning the Southeast Region is taken exclusively from Chen Han-Seng, op.cit., pp. 23-25.

lords who had not forgotten the civil war of 1927-1936 in that region. However, with the cooperation of the provincial government, Alley succeeded in getting established in October 1938 in this city. By July of the next year, only nine months later, there were one hundred and thirty-two cooperatives in Kiangsi province. Thirty-nine of these were sewing and weaving cooperatives.

In adjacent Kwangtung province, the city of Canton was enough of an advanced industrial center to discourage cooperatives in it. But in the interior parts of that coastal province, forty-two cooperatives and four depots had been established by November 1939. The trades represented included paper-making, limestone-cutting, pulp-beating, tobacco-leaf-curing, and carpentry.

Likewise, in Fukien province, the towns furthest removed from the coastal cities occupied by the Japanese were the best centers for cooperatives. The machine shop in Changting was a valuable and outstanding example. In 1939, twenty cooperatives were in the province, and in 1940, twenty more were established. Thus, in the three provinces there were over two hundred cooperatives by November 1939, just thirteen months after Alley arrived.

4. The Yun-Kwei and Chuan-Kong Regions.

These two regions were located in the rear zone of China, far behind the fighting line of the war. Yun-Kwei embraced Yunnan and Kweichow provinces, and Chuon-Kong included Szechwan and Sikong. The C.I.C. headquar-

ters of the former were at Kunming, Yunnan, and those of the latter at Chungking, Szechwan.¹ These were the last of the initial five regional offices established in the early period. Cooperatives were begun in both regions in January 1939.²

John B. Foster of the Peiping office of the United States Information Service was instrumental in starting a number of the cooperatives in Tali, Yunnan. Within four months there were about thirty cooperatives in this province, and by December 1941, one hundred and fifty-eight existed.³

At the same time (April 1939), there were about one hundred cooperatives in Szechwan, twenty-one of which were in the city of Chengtu.⁴ The membership of the latter totaled two hundred and twenty-four. E.R. Lapwood and Lewis S.C. Smythe, both missionary-educators at the local university, had much to do with the early organizing of these cooperatives. A year later (April 1940), the depot at Chengtu had fifty-one cooperatives associated with it with about five hundred members and one hundred and ninety-eight apprentices.⁵ By May of 1940, there were four hundred and fifty societies in Szechwan, but by the end of 1941, only two hundred and forty-seven

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1. Pruitt, Ida: "Six Years of Indusco". Reprint from Far Eastern Survey, February 28, 1945, p.1.
2. Chen Han-Seng, op.cit., p. 26.
3. Ibid., pp. 26, 27.
4. Ibid., p. 26.
5. Ibid., p. 28.

remained.¹

5. The Che-Wan and Ching-Yu Regions.

The Che-Wan and Ching-Yu Regions comprised the C.I.C. enterprises in the Japanese-occupied zone of China where there was much guerrilla warfare. They were begun in 1940.² The former, known also as the Southern Front Region, included the provinces of Chekiang and Anhwei, while the latter, the Northern Front Region, was made up of Shansi, Honan, Suiyuan, Chahar, Hopei, Shantung, and the Yen-an Border Region.³

Not more than ten cooperatives were organized in Chekiang in early 1942 before they were all destroyed in the Japanese offensive that summer.⁴ The depot at Tunchi, Anhwei, was the most isolated of all the C.I.C. depots during the war, and much of its raw materials had to be smuggled through the Japanese lines, all with great difficulty.⁵ Not until the spring of 1944 were cooperatives begun in northern Kiangsu.⁶ They became a part of the Southern Front Region at that time.

The Northern Front Region has been communist-controlled territory for some time. In 1945, Yen-an was

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1. Ibid.
2. History of C.I.C. File #1, Indusco, Inc.
3. Chen Han-Seng, op. cit., p. 29. Cf. also Table III, below.
4. Chen Han-Seng, op. cit., p. 29.
5. Ibid., p. 31.
6. Ibid., p. 29.

the largest among five districts in this territory and had nearly one-half of the total membership.¹ The cooperatives in this region are different from the other C.I. C. units, insofar as they have combined single societies into coordinated district organizations.² This accounts for the large membership figures for the single cooperative cited in Table I, page eight, above.

D. The Administrative and Promotional Agencies

1. The Administrative Agencies.

Formally, the C.I.C. Headquarters was sponsored by the Executive Yuan of the national government as a social organization. With Dr. H.H. Kung as chairman of the C.I.C. Association³ as well as Vice-President of the Yuan, the new enterprise enjoyed the favor of that influential government body.

For the actual supervision of the rapidly increasing number of cooperatives, working headquarters were established at Chungking, Szechwan, with a secretary-general and associate secretary-general in charge. These in turn assisted the work of the several distributing depots and individual local cooperatives. Thus the man who joined an indigenous cooperative in his home town, while

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1. Border Region File # 9, Indusco, Inc.
2. For fuller discussion of the Communist policy in this region, see Chapter III, pp. 68 and 69.
3. Ante, p. 5.

being one of the determiners of his own prosperity in democratic cooperation with his fellow-workmen, was ruled by a nation-wide organization.

However, this system had its weaknesses. For some time the central office of the C.I.C. was infected with political partisans who burdened the pay roll while not having the interests of the societies' members at heart. Moreover, poor communication and transportation facilities prevented the central office from being of the optimum usefulness to the individual societies. A number of attempts were made to correct these situations.

In order to overcome the obstacle of distance between headquarters and the local societies, the cooperatives were urged to join with neighboring units in a federation of societies. This was an efficiency measure, for through the joint treasury of the federation, members could market their goods and obtain raw materials to better advantage than through the small isolated societies individually. The regional depots integrated the administrative aspects, while the federations, or unions, helped to meet the productive and marketing problems. Eventually, the federations were intended to replace the subsidized depot system by adding strength to the individual societies. They were also to be organized into a national federation so that the powers of the central headquarters would be reduced to a minimum. The number of federations

reported reached thirty-three by the end of 1942¹ but had dropped to twenty-six three years later,² and the national federation has remained an unrealized dream.

Another measure taken toward the establishment of better relations between the central headquarters at Chungking and the individual societies was the initiation of a subsidiary agency known as the Tai Ying Chu. Its function was to serve as an advisor to management in the problems of marketing and supply. However, greed, graft, and speculation in this organ caused it to be a costly experiment. Many cooperatives capitulated because of its poor management, and in 1943 it was abolished.³

The Tai Ying Chu's faults led to an investigation in 1942 by two Americans, Dr. W. Mackenzie Stevens and Mr. John Lyman, made at the invitation of Dr. Kung.⁴ Their recommendations were accepted, and the entire C.I.C. administrative organization was drastically changed. On June 3, 1943, the Association for the Advancement of Chinese Industrial Cooperatives⁵ was formed to take over

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1. China Handbook 1937-1943, p. 459, Table 38. The figure of 73 federations found on p. 16 of A Nation Rebuilds, The Story of Chinese Industrial Cooperatives is definitely in error, probably typographical.
2. See Table VI, below.
3. Chen Han-Seng, op. cit., pp. 45, 46.
4. Pruitt, Ida, loc. cit.
5. In accordance with the usage of the various sources consulted, this will hereafter be referred to as the A.A.C.I.C.

the work of the central offices at Chungking.

As part of this remodelling program, the personnel of the entire A.A.C.I.C. staff was to be frozen at 225¹ in an attempt to dispose of the surplus of useless government employees which had burdened the pay roll previously.² However, although many were relieved of their duties, this purge was never thoroughly accomplished.

Another reform involved the replacement of the secretary-general by a three-man National Coordinating Committee. The three members were Chinese and had equal voice in all decisions. An assisting Standing Committee and a Board of Directors, of which Madame Chiang was honorary chairman,³ were also formed.⁴

Insofar as the movement was already waning by this time (June 1943), the seven Regional Headquarters were reduced to three Regional Coordinating Committees, each of which supervised only two provinces.⁵ In 1945 it required \$45,557,647.30 (Chinese currency)⁶ to pay the

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1. Pruitt, Ida, op. cit., p.2.
2. The staff totaled 700 in 1940, according to a statement made by Dr. Kung, cited by Linebarger, op. cit., p. 226.
3. General Survey File # 9, Indusco, Inc.
4. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 18.
5. The newly formed Northwest Region was comprised of Shensi and Kansu; the Southwest included Szechwan and Yunnan; and the Southeast included Kiangsi and Kwangtung. According to Miss Elizabeth Selsbee of the Indusco office, these regional divisions were abolished in 1946, and at present, the A.A.C.I.C. office is in Shanghai.
6. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 47.

administrative staff in Chungking and the regional offices. Since the monthly wage of a staff member equaled \$600,000 per month¹ at that time, one can infer that the staff had been reduced to less than eighty.

Thus, the A.A.C.I.C. proved to be a great improvement over its predecessor. It was a promotional entity and offered technical, statistical, and financial help to the cooperatives². The work of other promotional agencies will now be considered.

2. The Promotional Agencies.

In a war-torn, poverty-stricken society blasted through with an ever more acute inflation and all of its attendant evils, the monetary wherewithal for establishing and carrying on a movement such as this was the ever-present need. Frequently, loans had to be advanced to societies for capital investments, and often those societies which started out without financial support from the committee came seeking funds when one of the adverse circumstances just mentioned overtook them. A promotional program was consequently a necessity.

a. The International Committee.

For this purpose, the International Committee for Chinese Industrial Cooperatives Productive Relief Fund was formed by the Right Reverend R.O. Hall on July

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1. Ibid., p. 46.

2. Ibid., p. 18.

21, 1939 in Hong Kong, where he is the Anglican Bishop.¹ There were twenty-three members, including nine Chinese.² This committee seeks to solicit funds for the C.I.C. on an international scale and distributes them to worthy societies without the political bias found in the Chungking headquarters. The officers include Bishop Hall, Chairman; Miss Talitha Gerlach of the National Committee of the Y.W. C.A., Vice-Chairman; Mr. Theodore Herman of U.N.R.R.A., Acting Treasurer; Mr. Rewi Alley, Field Secretary; Mr. Peter Townsend, Executive Secretary; and Miss Ida Pruitt, Field Secretary.³ Chinese leaders and Westerners representing other internationally-known organizations are also members.

b. The American Committee.

Along with the International Committee, a number of national promotional agencies have been organized throughout the world in such countries as the United States, England, the Philippines, and Australia. The United States agency, organized in 1939 by Miss Ida Pruitt, is called "Indusco, Inc., American Committee in Aid of Chinese Industrial Cooperatives." Its offices are at 425 Fourth Avenue, New York City.

The office staff, headed by Miss Ida Pruitt, Field

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1. Chen Han-Seng, op. cit., p. 40.
2. General Survey Bulletin # 12, Indusco, Inc.
3. Indusco Bulletin, Vol. VII, No. 9-10, Sept., Oct., 1947, p. 1, 3.

Director, and Miss Elizabeth Selsbee, Publicity Chairman, solicits funds and seeks to promote the cause of the C.I.C. The funds received are sent to the International Committee for distribution.¹ Their use may be designated by Indusco. Indusco is cooperating with United Service to China, to which it petitions for an appropriation of funds on the behalf of C.I.C. The four-page Indusco Bulletin is currently published quarterly. Lack of funds has curtailed its former monthly publication.²

The twenty-two-member Board of Directors of Indusco meets monthly to determine policy and financial questions.³ Indusco, Inc. has an advisory board of slightly more than one hundred members⁴ of which Robert M. Field is president. Karl T. Compton and Robert A. Millikan are among the seven technical consultants. Rewi Alley is the China representative for Indusco in China.

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1. By December 31, 1946, about \$3,600,000 (U.S. currency) had been sent to China by Indusco. Cf. Chen Han-Seng, op. cit., pp. 46, 47.
2. The most recent promotional innovation devised is the formation of Gung Ho Guilds in the various United States cities. The only one reported to date is in Washington, D.C., organized November 5, 1948. Cf. Indusco Bulletin, Vol. VIII, No. 9, Autumn 1948, p. 2.
3. The present Indusco letterhead lists the following among the Board of Directors: Maxwell S. Stewart, Chairman; Rev. Dwight J. Bradley, Vice-Chairman; Charles S. Gardner, Treasurer; Rev. William H. Melish, Walter Rautenstrauch, Laurence Salisbury, and Edgar Snow.
4. A few of the significant names among these are: Mrs. Hugo Black, Senator Ralph O. Brewster, J. Henry Carpenter, Rt. Rev. H.W. Hobson, Philip Jaffe, Msgr. L.G. Ligutti, Mrs. Paul V. McNutt, Philip Murray, Stephen Raushenbush, Mrs. Francis B. Sayre, Michael Straight, Betty Gram Swing, Deems Taylor, Jerry Voorhis, and Ray Lyman Wilbut.

E. Statistics of the History of the Movement

With the survey of the beginnings of the C.I.C. movement in the various provinces and its supporting organizations completed, a study of the growth of the movement over a span of years is in order. This will involve statistical tables for the most part.

In gathering these statistics, a number of problems arose, and these will be dealt with first. These will be followed by the statistical tables themselves and a brief interpretation of them. More recent supplementary material will conclude the section.

1. Problems.

The original gathering of data from the far-flung extremities of such a nation-wide organization suffered as a result of the war's disruptions. Moreover, definitions, methods of dating, and lines of demarcation between groups are found to vary among different sources. This makes the compounding of two or more sources impractical. No one source has been able to supply all of the figures desired. Even Indusco, Inc. has not attempted an over-all compilation of the data since issuing the figures found in Tables III, IV, and VII¹ below. Consequently, the tables may appear to be quite unrelated. However, they will serve

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1. Post., pp. 26, 27, and 30.

to give an appreciation of the various trends in the life-time of the C.I.C.

As for interpreting the financial figures in the tables, one must keep in mind the variable inflation of the period. The influence of this inflation cannot be over-emphasized for, perhaps, more than any other single external factor, it accounts for the great number of deaths among the cooperative societies. Table II, below, gives some indication of the terrific rise in prices from 1936

TABLE II

WHOLESALE PRICE INDICES AT THE THREE MAJOR CENTERS WHERE THE COOPERATIVES UNDER THE CHUNGKING C.I.C. WERE CONCENTRATED.¹

| Year | Chungking | Sian | Kweilin |
|------|-----------|-------|---------|
| 1936 | 100 | 100 | 100 |
| 1937 | 102 | 169 | 100 |
| 1938 | 139 | 231 | 127 |
| 1939 | 240 | 357 | 216 |
| 1940 | 654 | 536 | 438 |
| 1941 | 1688 | 1681 | 1003 |
| 1942 | 5030 | 5502 | 3178 |
| 1943 | 17360 | 28437 | 10489 |

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1. Chen Han-Seng, op. cit., p. 42.

to 1943.¹ Such inflation makes it difficult to interpret the money values in the tables. In some instances the rapid changes in money values have prevented computations altogether.

With these considerations in mind, there is no attempt here to defend the absolute completeness or the clarity of presentation of the data. They are merely the best available to the author's knowledge.

2. Statistics.

It will be seen from Table IV that the peak as far as the number of existing societies is concerned was around June of 1941. Subsequently, consolidation or liquidation of numerous societies reduced that number. But while numbers fell, increased efficiency and economy helped to maintain monthly production temporarily.

The variety of industries in which cooperatives were established was great. By early 1940 there were one hundred and fourteen types of cooperatives.² As seen from Tables VII and VIII, the spinning and weaving of textiles has been the most common. Chemical industries, including soap and dye works, ranked second.

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1. "Before the war \$1.00 U.S. equaled about \$4.00 (Chinese). At the beginning of 1947 the black market rate was \$1.00 U.S. to \$7,500 (Chinese)." Chen Han-Seng, op. cit., p. 14, footnote.
2. News Release. The China Information Committee, July 15, 1940, cited by Paul M.A. Linebarger, op. cit., p. 227.

The "Share Capital" listed in some of the tables is the amount which the individual members pledge to their local societies. It is the product of the number of shares held and the price of a single share.

TABLE III

C.I.C. STATISTICS, June 30, 1942¹
Classified by Regions

| Regions | No. of Societies | No. of Members | Share Capital Subscribed \$ | Paid Up \$ | Loans Outstanding \$ | Monthly Production \$ |
|------------|---------------------|-------------------|-----------------------------------|---------------|----------------------------|-----------------------------|
| Northwest | 325 | 4,019 | 1,214,715 | 728,194 | 3,618,041 | 5,774,845 |
| Chuan-Kong | 247 | 4,800 | 2,194,775 | 1,921,432 | 3,152,112 | 4,411,285 |
| Southeast | 433 | 5,395 | 715,755 | 572,963 | 3,519,715 | 1,774,616 |
| Southwest | 246 | 3,485 | 408,868 | 327,055 | 2,155,441 | 9,471,517 |
| Dien-Chien | 158 | 2,497 | 839,324 | 785,124 | 2,082,444 | 2,027,765 |
| Ching-Yu | 118 | 1,610 | 183,748 | 167,217 | 616,597 | 327,052 |
| Che-Wan | 63 | 874 | 88,373 | 51,407 | 583,507 | 235,864 |
| Total | 1,590 | 22,680 | 5,645,558 | 4,553,392 | 15,712,857 | 24,022,944 |

NOTE: (1) The provinces included in these Regions are as follows:

Northwest—Shensi, Kansu, Ninghsia and Chinghai
Chuan-Kong—Szechuan and Sikong
Southeast—Kiangsi, Fukien and Kwangtung
Southwest—Hunan and Kwangsi
Dien-Chien—Yunnan and Kweichow
Ching-Yu—Shansi, Honan and Hupeh
Che-Wan—Chekiang and Anhui

(2) The figures given above are based upon reports of the Regional Headquarters for June, 1942. These need to be amplified by data from other sources.

(3) Data in connection with the army blanket program is not included in the figures given above.

(4) All figures in National Currency (Chinese).

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TABLE IV

GENERAL STATISTICS OF C.I.C.¹
Dec. 1938 to June, 1942

| Year | No. of Societies | No. of Members | Share Capital Subscribed \$ | Paid Up \$ | Loans Outstanding \$ | Monthly Production \$ |
|------------|---------------------|-------------------|-----------------------------------|---------------|----------------------------|-----------------------------|
| 1938, Dec. | 69 | 1,149 | 16,292 | 10,206 | —* | —* |
| 1939, June | 724 | 9,534 | 163,188 | 91,842 | —* | —* |
| 1939, Dec. | 1,284 | 15,625 | 416,108 | 236,122 | 2,607,302 | —* |
| 1940, June | 1,612 | 21,330 | 714,996 | 488,214 | 5,469,862 | 5,783,450 |
| 1940, Dec. | 1,739 | 25,682 | 1,219,347 | 843,245 | 6,000,850 | 9,392,154 |
| 1941, June | 1,867 | 29,284 | 1,835,793 | 1,357,858 | 12,520,365 | 14,246,595 |
| 1941, Dec. | 1,737** | 23,088 | 2,348,084 | 1,972,204 | 13,893,045 | 14,478,892 |
| 1942, June | 1,590** | 22,680 | 5,645,558 | 4,553,392 | 15,712,857 | 24,022,944 |

NOTE: All figures in National Currency (Chinese), about \$19.75 to one U. S. dollar.

*Data incomplete.

**Consolidation of cooperatives into larger units, and losses due to inflation, brought figures down late in 1941 and 1942.

TABLE V
STATISTICS OF C.I.C. JANUARY 1944¹ AND MARCH 1945²

| Date | New Region | Number of Depots | Number of Societies | Number of Members | Monthly Production |
|-----------------|------------|---------------------|------------------------|----------------------|-----------------------|
| January 1944 | Northwest | 23 | 339 | 3,656 | \$29,289,499 |
| | Southwest | 18 | 457 | 7,096 | 16,577,932 |
| | Southeast | 29 | 478 | 6,529 | 22,732,784 |
| | Totals | 70 | 1,274 | 17,281 | \$68,600,215 |
| March 1945 | Northwest | | 310 | 4,347 | \$28,050,945 |
| | Southwest | | 303 | 6,245 | 23,053,357 |
| | Southeast | | 453 | 6,668 | 23,687,085 |
| | Totals | | 1,066 | 17,260 | \$74,791,387 |

* Ante, p. 18. Note: All money values are in Chinese National Currency.

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1. General Survey File # 8, Indusco, Inc.
2. China Handbook 1937-1945, p. 380.

TABLE VI
TABULATION OF THE C.I.C. FEDERATIONS. DECEMBER 31, 1945¹

| New Region* | Number of Federations | Member Coops | Share Capital Paid Up | Total Loans Outstanding | Average Monthly Production |
|----------------------------------|--------------------------|-----------------|--------------------------|----------------------------|----------------------------------|
| Northwest (Shensi-Kansu) | 10 | 174 | \$5,731,570 | \$55,953,347 | \$28,038,000 |
| Southwest (Szechwan-Yunnan) | 5 | 78 | 1,810,945 | 7,323,500 | - - - |
| Southeast (Kiangsi-Kwangtung) | 11 | 118 | 921,900 | 10,261,855 | 4,633,213 |
| Total | 26 | 370 | \$8,454,315 | \$73,537,702 | \$32,671,213 |

* Ante., p. 18.

Note: All money values are in Chinese National Currency.

--- Figures are not available because of the confusion in the immediate postwar situation in this region.

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1. Chen Han-Seng, op. cit., p. 48.

TABLE VII

C.I.C. STATISTICS, June 30, 1942 ¹
Classified by Industries

| INDUSTRIES | No. of Cooperatives | | | | | | | Total | % | No. of Members | Loans Outstanding \$ | Monthly Production \$ |
|-----------------------|---------------------|------------|-----------|-----------|------------|----------|---------|-------|-------|----------------|----------------------|-----------------------|
| | Northwest | Chuan-Kong | Southeast | Southwest | Dien-Chien | Ching-Yu | Che-Wan | | | | | |
| Machine & Metal Works | 12 | 7 | 20 | 6 | 4 | 3 | 5 | 57 | 3.6 | 1,011 | 1,600,786 | 1,458,340 |
| Mining | 73 | 8 | 21 | 1 | | 8 | | 111 | 7.1 | 972 | 196,836 | 42,883 |
| Textile | 101 | 141 | 44 | 142 | 97 | 45 | 14 | 584 | 36.7 | 10,449 | 5,233,985 | 12,157,056 |
| Tailoring | 32 | 20 | 35 | 22 | 15 | 23 | 12 | 159 | 10.0 | 1,718 | 1,209,852 | 2,768,038 |
| Chemical | 40 | 46 | 160 | 31 | 13 | 22 | 10 | 322 | 20.2 | 4,494 | 4,083,906 | 3,310,663 |
| Food Stuff | 15 | 6 | 25 | 5 | 7 | 9 | 3 | 70 | 4.4 | 707 | 610,965 | 1,008,249 |
| Stationery Supplies | 7 | 6 | 17 | 1 | 4 | 6 | 2 | 43 | 2.7 | 749 | 929,090 | 901,431 |
| Carpentry & Masonry | 22 | 5 | 63 | 8 | 4 | 1 | 3 | 106 | 6.7 | 1,090 | 589,739 | 453,744 |
| Transportation | 2 | | 2 | 3 | | | | 7 | 0.4 | 67 | 46,750 | 15,400 |
| Miscellaneous | 21 | 8 | 46 | 27 | 14 | 1 | 14 | 131 | 8.2 | 1,423 | 1,225,948 | 1,907,140 |
| TOTAL | 325 | 247 | 433 | 246 | 158 | 118 | 631 | 1,590 | | 22,680 | 15,727,857 | 24,022,944 |
| % | 20.4 | 15.6 | 27.2 | 15.5 | 9.9 | 7.5 | 4.0 | | 100.0 | | | |

NOTE: All figures in National Currency (Chinese).

1. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 29.

TABLE VIII
FOREMOST INDUSTRIES REPRESENTED IN C.I.C.
DECEMBER 31, 1943¹

| Type of Industry | Number of Societies | Per cent of Total | Number of Members | Per cent of Total |
|----------------------|---------------------|-------------------|-------------------|-------------------|
| Spinning and Weaving | 589 | 46.23 | 9,398 | 54.38 |
| Chemical | 256 | 20.09 | 3,272 | 18.94 |
| All Others | 429 | 33.68 | 4,611 | 26.68 |
| Total | 1,274 | 100.00 | 17,281 | 100.00 |

3. Supplementary Data.

The 1947 status of the cooperatives is given in a report released by the International Committee at its annual meeting in September of that year.

"Forty-one cooperatives have been added to the more than 300 already in central, northwest and south China. A number of other cooperatives have been reorganized or revived in areas that suffered destruction in Japanese attacks. Approximately 700 more cooperatives are operating in north China."²

The 1948 figures³ list 316 cooperatives in

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1. General Survey File # 8, Indusco, Inc.
2. "International Committee Meets in Shanghai." Indusco Bulletin, Vol. VII, Numbers 9, 10, September, October 1947. Note that the statement given in the present tense regarding the scope of the C.I.C. and found on p. 511 of the World Almanac and Book of Facts for 1948 is found identically in at least five previous annual issues of that publication.
3. This and the remaining information in this section is adapted from a table in Shantan Bailie School 1948, p. 46.

existence in twelve provinces. There were fourteen federations, not more than three of which were in any one of the provinces. The greatest local concentration of societies is at Likiang, Yunnan, where thirty-seven are located. Shensi, Yunnan, and Szechwan have a total of 175. Fourteen of the fifteen silk-weaving cooperatives are at Chen-sing, Honan, and more than half of the nineteen leather-goods shops are at Likiang.

The types of industries included represented more than eighteen general fields. These were, in the order of their popularity, cotton textiles, paper making, tailoring, woolen textiles, leather goods, agricultural processing, silk weaving, leather tanning, machine tooling, metal works, furniture and printing.

It is thus seen that the movement as a whole has decreased in its scope.

F. Summary and Conclusion

This chapter has presented an historical review of the Chinese Industrial Cooperative movement. From the account given of the early beginnings of the cooperatives, it can be seen that they enjoyed great success in their geographical expansion. This called for the organizing of administrative and promotional agencies, and the history and nature of these organizations have been discussed. Finally, a series of tables has been presented to show the progressive rise and fall of the movement. The

1948 data revealed the enterprise as being considerably curtailed in comparison to its peak, reached in 1941.

CHAPTER II

OUTSTANDING FEATURES OF THE
CHINESE INDUSTRIAL COOPERATIVE PROGRAM

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OUTSTANDING FEATURES OF THE CHINESE INDUSTRIAL COOPERATIVE PROGRAM

A. Introduction

As the number of participating units in the Chinese Industrial Cooperatives increased, the details of management were developed in an effort to cope with the problems which arose. Whereas Chapter I dealt with the quantitative aspects of the movement, chronologically arranged, Chapter II will be concerned with some of the noteworthy qualitative features of the enterprise.

An objective study will be made of the aims which the system was to attain, the constitution under which the societies were operated, and the techniques employed in the procuring and training of personnel. The welfare work which was instituted and, finally, the methods of financing the entire program will be set forth.

This study of the strategy used will aid in better evaluating the movement as a whole in Chapter III.

B. The Organizing Aims of the C.I.C.

Against the background of a Chinese culture in which the people are accustomed to doing things together in small groups and of a Chinese economy which was decentralized and cellular and in the process of carrying on a war, it is easily seen how the idea of starting

small industrial cooperatives was conceived and motivated in 1938.

Although the original proposals of the first group of organizers have not been procurable, there are subsequent statements of the purpose to be found in the Indusco files. The following, dated January 21, 1942, is quoted in full:

"The principal aim of the Chinese Industrial Cooperatives is the rehabilitation of China's dispossessed workers and refugees by providing them with permanent means of livelihood in C.I.C. workshops and thus, by the utilization of the country's vast resources in man-power and raw materials enable China's means of production to function for the benefit of the Chinese people.

"Derivative aims are: to help rebuild and modernize China's backward economy; help adjust workers' skills to the changing conditions of the industrial revolution; provide the Chinese people with essential, everyday consumer needs; support the material and medical needs of the army; and rehabilitate disabled soldiers, widows and war-orphans."¹

Thus it is seen that the principal purpose for forming the C.I.C. was to help bring relief to a war-ravaged population. It was on the basis of this fundamental humanitarian ideal that the movement gained such wide support from the government from the very start.

The C.I.C. was to be nation-wide, keyed to the needs and facilities of the village communities, open to both men and women of all religions.

For accomplishing this purpose a network of

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1. History of C.I.C. File # 3, Indusco, Inc.

30,000 cooperative societies throughout the country was envisioned.¹ The country was divided into three zones, corresponding to the front, middle, and rear military zones and the cooperatives in each were to be adapted to the conditions which prevailed. Those in the rear zone could afford to be of the more immobile, heavy-industry type, while those in the front zone were necessarily of a portable nature such as could be moved if a hasty evacuation required it.

C. The Constitution Governing the C.I.C. Societies

The items which follow are the noteworthy points of the "Model Constitution for Chinese Industrial Cooperative Societies, Revised July 7th, 1940" issued by the Indusco Office in New York. All direct quotations are taken from that document, the article numbers being indicated beside the caption of each section. The constitution is still in effect.

1. Membership Qualifications. Article 7.

To become a member in a cooperative, a person had to be a local resident, honest, of good character, and at least twenty years of age. (Junior membership began at eighteen years of age.) He was not to be an opium smok-

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1. History of C.I.C. File # 1, Indusco, Inc. Less than 10 per cent of this ambitious goal was ever actually realized. Cf. Table IV, ante, p. 27.

er, drug addict, or gambler. Bankruptcy, loss of civil rights, and membership in another C.I.C. society also barred one from membership.

2. Membership Admission and Termination. Articles 9,10, 11, and 13.

A would-be member had to be introduced and guaranteed by two members of the society and had to have the approval of a majority of both the Board of Directors and the General Meeting. It was then necessary that he subscribe at least one share, making a down payment of 25 per cent, and paying the balance within a year. Until this was paid, he could not vote. No single member could subscribe more than 20 per cent of the total share capital of the society.

Members were free to resign at the end of any fiscal year if notice had been served two months previously. Loss of membership resulted as soon as one of the qualifications (Section 1, above) was lacking or when a member ceased to hold at least one share of capital. A member could be expelled by vote at the General Meeting if guilty of "uncooperative conduct or conduct detrimental to the interests of the Society."¹

3. Transfer and Redemption of Shares. Articles 12, 14, and 15.

Transfer of shares between members was subject

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1. Article 13, Section 1.

to the Directors' approval. Shares could not be used for payment of or surety for debts owed the Society. Payment of shares to a resigning member or to the proper executors in case of insanity, death, or bankruptcy was to be within a year of the severing of membership.

The value of the shares redeemed was determined by the Directors in light of the previous year's prosperity, but in no case could this exceed the value at the time of subscription.

4. General Meeting. Articles 19 and 20.

The General Meeting of the Society was to be held annually and upon the call of either the Board of Directors or the Board of Supervisors. Twenty per cent of the members was sufficient for requesting the Directors to call a meeting. The Board of Directors could demand attendance if a 51 per cent quorum should be lacking. For dissolution of the society and for amalgamation with another society, a three-fourths vote was required. Each member had only one vote, irrespective of the number of shares held. Directors and Supervisors were elected at the General Meeting. The latter determined all salaries.

5. The Board of Directors and the Board of Supervisors.
Articles 21, 22, 23, and 33.

The Directors met monthly and elected a chairman, secretary, and treasurer, annually. They were empowered to appoint a general manager for the Society who was

responsible to them. They discharged the administrative business of the Society and dismissed or suspended all workers in the Society.

The Board of Supervisors met monthly, alone, and quarterly, with the Directors. Its chief duty was to keep a check on the Board of Directors and to annually audit the financial record of the Society.

6. Binding Agreement. Article 28.

Every member at the time of joining had to agree to "sell through the Society all goods manufactured wholly or partly by him on the Society's premises or with materials or equipment supplied by the Society" except as otherwise agreed upon by the Society.

7. Division of Surplus. Article 29.

The rate of depreciation, determined by the Board of Directors could never be less than 20 per cent on equipment and 10 per cent on buildings. Accumulated losses were brought forward from the preceeding year. A Share Transfer Fund was to be maintained for covering redemption of terminating shares. Dividends were paid on paid-up shares at the local current long-term interest rate, provided that this did not exceed 10 per cent per annum.

Any remainder was the net surplus and was to be disposed of thus: at least 20 percent was for the General Reserve Fund; at least 10 per cent was for a Common

Good Fund to be disposed of as the General Meeting designated; 10 per cent was for the payment of federation directors and staffs; 10 per cent was for shares in a local Industrial Cooperative Fund administered jointly by the local federation and the local C.I.C. office. The remaining 50 per cent was to be divided among the members and non-member workers in proportion to their yearly wages with the possible reservation that two-fifths of the amount due any member could be retained by the Society. This was to be credited to his paid-up share account. This policy was to continue until 50 per cent of the Society's total capital existed in paid-up shares of members.

8. Handling of Loss. Articles 5, 30, 31, and 1.

In case there was a net loss rather than a surplus, outstanding obligations were to be met at all costs. No share dividends were to be paid. The loss was to be covered by drawing upon the following resources in the order listed. (a) The Share Transfer Fund. No minimum balance in this fund was required in such an emergency. (b) The General Reserve Fund. This was used only for such occasions. (c) The Paid-Up Share Capital Account. Members could be required to pay up unpaid balances on subscribed shares proportional to the balance due. (d) The Guaranteed Liability of the several members prorated to meet the loss. Each member had to assume a liability for the debts of the society to non-members proportional

to the number of shares he held. This was to be binding for two years after his membership had been terminated. For this reason, the cooperatives were officially known as the Guaranteed Liability Industrial Cooperative Societies.

9. Complaints, Suggestions, and Dismissals. Article 33.

Members and employees who had complaints or suggestions were to submit them to the Manager or Board of Directors.

Suspensions or dismissals of employees, including both members and non-members, were voted upon by the Board of Directors, and their decision was final.

D. The Procuring of Labor

In China, with its 460,000,000 people, one would expect to find no shortage of laborers in the Societies, especially when the war had demolished so many factories and had thereby increased unemployment. This was generally the case, and the C.I.C. organizers, after once making themselves known in a community, usually had more applicants than they could accommodate.

To help the towns-people grasp the concept of working together, a program of publicity usually preceded the formation of a cooperative. After formation, the members were further educated in cooperative ideals and theory by means of evening classes and the monthly meetings of the society.

The C.I.C. was under no obligation to establish a fixed number of cooperatives in a particular town. That is, the cooperatives were made to fit the skills, needs, and resources of the local community rather than the populace having to be conscripted for work in a huge new industrial plant that forced itself upon the community. A minimum of seven members seriously desirous of instituting a particular cooperative was the primary requirement for the establishment of a unit.

The majority of the employees were tradesmen or those wishing to learn a trade. However, two significant additional sources of labor were the disabled war veterans and women.

1. Disabled Soldiers as a Labor Source.

The C.I.C. addressed itself to the task of aiding the wounded soldiers as one expression of its relief work. At the same time, the soldiers supplied a labor market for certain types of industry. Disabled men often found their homes demolished upon their return from the fighting front, and they were consequently forced to migrate. Employment was hard to find in a strange locality, especially for one with a physical handicap. The C.I.C. sought to relieve this situation by loaning to the veterans the capital necessary for establishing their own cooperatives. The "C.I.C. Disabled Soldier" label was soon to be found on cigarettes, candles, uniform cloth

blankets, and bags of flour.¹ At one time there were fifty-one of these societies with a membership of 1,300 the largest part of which was in the Southeast Region.²

2. Women in Cooperatives.

Madame Chiang Kai-Shek was the first to suggest that women be mobilized for production through the C.I.C. to support the fighting men on the battle front. Her New Life Movement, the Y.W.C.A., and other similar organizations gave their support to the C.I.C. in promoting such an enterprise.

Women came to play a prominent role in the work of the C.I.C. They were often in the majority in the textile cooperatives. In some cases a local unit, including manager and board of directors, would be comprised entirely of women. The number of women who spun and wove the yarn in the spectacular army blanket project³ is placed by one enthusiastic source at "tens of thousands."⁴

As a sample of the sex equality enjoyed by women cooperators, a story from Peking will illustrate. Last year a women's sewing cooperative passed a resolution to the effect that "when one member was ill-treated by her

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1. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 11.
2. China Handbook 1937-1943, p. 462, Table 42.
3. Ante, p. 9.
4. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 10.

husband, all the other members should rally to her support, that such action was an effective and integral part of the cooperative movement."¹ Such equality of rights for women was revolutionary in the Chinese culture.

Women were also given an active part in the educational and health program of the C.I.C. Miss Jen Chu-Ming, a returned student from England, was a leader in this work, particularly in the Northwest Region.²

A presumably impartial testimony indicating the impact of the C.I.C. in general, and of the women's work in particular, is found in the words of Dr. Irma Highbaugh of the Methodist Rural Service Center at Kienyang, Szechwan. Some years ago she said:

"The cooperatives bring not only a new mode of production but a new mode of life, and women's clubs have been organized to bring about better relations between local women and refugee families. The impact of these city-bred factory women and of training in co-operative thinking and working has been tremendous."³

E. The Training of Personnel

The training of the personnel was of major importance to the effectiveness of the C.I.C. There had first to be the field representatives and well-trained organizers who would plant the seeds for a community cooper-

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1. Bickerton, Max: "Women Cooperators," Gung Ho News, Vol. III, Number 8, August 1948, p. 2.
2. Chen Han-Seng: Gung Ho!, p. 20.
3. Dr. Irma Highbaugh in Price, Frank: Wartime China as Seen by Westerners, p. 146.

ative in places where the cooperative idea was entirely foreign. Further, instruction had to be given to the apprentices and members of the cooperatives in the cases where they lacked skill in their trades. Also, a more general curriculum of literacy was made available in some places. Eventually schools, somewhat equivalent to Western trade schools, were begun for carrying on a long-range training program for future leaders. Each of these three aspects of the program of education will now be discussed.

1. Leadership for Organizational Work.

With the prestige and influence of the original promoters¹ the infant enterprise was able to engage the services of well-educated Chinese and capable Westerners. Missionary-educators, university professors, and Y.M.C.A. leaders served in key positions. A number of the early Chinese executives had had training in the Ford cooperative at Dearborn, Michigan.² College graduates were preferred.

Thus, most of the early field workers and technical specialists received their training outside of the cooperative educational framework.

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1. Ante, pp. 3, 4.
2. The present General Secretary of the A.A.C.I.C. spent nine months in America last year visiting the Nova Scotia cooperatives, the T.V.A., etc. He was sponsored by the Rockefeller Foundation. "From China," Indusco Bulletin, Vol. VIII, Numbers 1, 2, January, February, 1948, p. 2.

However, their ranks had to be supplemented, and, therefore, many others had to be trained in cooperative techniques. Practical business management experience was the biggest lack in the early period.¹ Table IX, below, indicates the scope of this program during the first few years.

TABLE IX
TRAINING OF C.I.C. PERSONNEL²

| Year | Administrative Personnel | Technical Personnel | Training of Members | Total |
|-------|-----------------------------|------------------------|------------------------|-------|
| 1939 | 485 | 216 | 70 | 771 |
| 1940 | 148 | 95 | 1,139 | 1,382 |
| 1941 | 195 | 224 | 734 | 1,153 |
| 1942 | --- | 140 | 516 | 656 |
| Total | 828 | 675 | 2,459 | 3,962 |

2. Training of Cooperators.

The average age of cooperators was lowered by the great number of boys and young men who were within their ranks. Although one could not become a full member until twenty years of age, he could serve as an apprentice while younger than that. His apprenticeship might last from three months to two years, and during the period he

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1. History of C.I.C. File #2, Indusco, Inc.
2. China Handbook 1937-1943, p. 460, Table 42.

would receive a wage, a practice quite unheard of in China, according to Hubert Freyn.¹ There were more than 10,000 apprentices and probationary members² at the end of 1943.³

The members of a local society, besides receiving instruction in their particular skills as needed, were given additional education in the cooperative. With many of the members being illiterate, reading, writing, and counting were taught. In addition, lessons in cooperative living were given.⁴

3. The Baillie Schools.

By far the biggest educational investment made by Rewi Alley and his cohorts was that of the six Baillie Schools. The boys trained in these were to help in bridging the gap between (1) the well-trained technical experts and the mass of common laboring cooperators, (2) the handicrafts and the mechanized industry, and (3) individual cooperatives by advancing the promotion of the federations.⁵

The schools took their name from Joseph Baillie, an American missionary who had a great desire to industrialize China. Six schools were established, but Japanese

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1. Freyn, Hubert: Free China's New Deal, p. 57.
2. Probationary members were those who had not paid in full one share. Cf. ante, p. 38.
3. Irma Highbaugh in Price, Frank: Wartime China as Seen by Westerners, p. 146.
4. General Survey File # 14, Indusco, Inc.
5. General Survey File # 13, Indusco, Inc.

invasion, local famine, or lack of teaching personnel has closed five of them.

The only remaining one is at Sandan (Shantan), Kansu, where Rewi Alley has been acting-headmaster since the death of his predecessor, George Hogg, in 1944. According to Miss Elizabeth Selsbee of Indusco, the Sandan school, because of its potentialities, receives the largest percentage, if not the entire sum, of Indusco's contributions currently.¹ Alley voices the same philosophy thus:

"At a time like this when rapid expansion of the work of cooperative organization is not possible, it has been considered all important to hold together the training of cadres for future work, consolidate the essential experimental plants for small scale village industry and to carry on further research and experimentation. . . . It [the school] has become one of the most important pieces of field work in the CIC, and the reserve of knowledge and personnel will make possible a new stage in the CIC when stable economic conditions allow further field development."²

As of June 1948, there were 325 students, including ten girls, many war orphans and peasant children.³ Ages of students ranged from twelve to twenty.⁴

The boys served a six months apprenticeship, working on one of the farms and taking evening classes, before being enrolled in the school proper.⁵

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1. Interview, March 16, 1949.
2. Field Secretary's Report, December 1948, p. 1.
3. Shantan Bailie School 1948, p. 45.
4. Ibid., p. 2.
5. Field Secretary's Report, December 1948, p. 2.

The school was staffed by twenty-two Chinese and foreign teachers, assisted by some of the older students. These together comprised the Executive Committee. Nine classes were taught daily and subjects included English, history, geography, mathematics, and science. Requirements for graduation could not be ascertained.

Practical training was to be had in the twenty-seven projects which included work with pottery, textiles, machine tools, electrical engineering, agricultural and pastoral farming, mining, irrigation and surveying, chemistry, glass, paper making and transport.¹ These units brought in some revenue as the trainees sold their products, but this amounted to only 37 per cent of their cost for the month of July 1948.² For the school as a whole, 1948 was largely a year of bare subsistence.³

Three farms and a hospital, the latter begun in 1947, are also part of the school. Supplies, such as string, chalk, ink, paper, and glue often have to be made if they are to be used.

F. Welfare Projects

Another significant part of the earlier C.I.C. program was the welfare work it undertook. Various as-

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1. Shantan Bailie School 1948, p. 45.

2. Ibid., p. 48.

3. Cf. Field Secretary's Report, December 1948, pp. 1, 3.

pects of this work are tabulated in Table X. It was carried on for the benefit of the cooperators chiefly, although often the hospital and clinical services were available to the entire community.

Hospital drugs were supplied by the Bureau of Public Health and the International Red Cross, while bandages, cotton, and some drugs were often forthcoming from a local cooperative.¹

In three of the seven regions there were village community centers which are said to have consisted of perhaps a recreation hall, a library or reading room, a nursery, a clinic, or a primary school for children.²

It is apparent from Table X that the Northwest and the Chwan-Kang Regions had developed these social projects to the greatest extent among the regions. The medical clinics and the recreation clubs were the most common. With many of the cooperatives consisting of women,³ the nurseries were a valuable, if not necessary, addition to their program.

This welfare work of the C.I.C. has been curtailed along with other aspects of the shrinking movement. In July 1948, there were only two hospitals and

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1. China After Five Years of War, p. 107.
2. Ibid., pp. 106-107.
3. Cf. ante, pp. 44, 45.

TABLE X
WELFARE PROJECTS OF THE C.I.C.¹

| Region | Hospitals | Clinics | Nurses series | Consumer's Coops | Hostels | Cafeterias | Clubs | Primary Schools | Totals |
|----------------------|-----------|---------|---------------|------------------|---------|------------|-------|-----------------|--------|
| Central Headquarters | --- | 1 | --- | 1 | --- | --- | --- | --- | 2 |
| Northwest | 2 | 5 | 2 | 4 | 3 | 3 | 4 | 5 | 28 |
| Southwest | --- | 2 | 1 | --- | 1 | --- | 11 | 3 | 18 |
| Southeast | 1 | 3 | 1 | 2 | 1 | --- | 4 | 1 | 13 |
| Chwan-Kang | 1 | 4 | 1 | 2 | 2 | 4 | 4 | 1 | 19 |
| Tien Chien | --- | 2 | --- | 1 | --- | --- | 2 | --- | 5 |
| Tsin-Yu | --- | 4 | --- | --- | 1 | --- | 3 | 4 | 12 |
| Che-Wan | 1 | 2 | --- | --- | --- | --- | 2 | --- | 5 |
| Totals | 5 | 23 | 5 | 10 | 8 | 7 | 30 | 14 | 102 |

1. China Handbook 1937-1943, p. 460, Table 41, adapted. Date not given.

eleven clinics under the C.I.C.¹ Seven of the latter were subsidized by a special grant of funds from the China Relief Mission in the United States, while one of the former is at the Sandan Bailie School.²

G. Finances

A thorough study of all the financial aspects of the C.I.C. seemed impracticable. Therefore, the following is presented merely for giving a general picture of the situation as it existed from time to time.

1. Receipts.

Individual cooperatives which were a part of the C.I.C. were seldom self-supporting entities. Since the minimum number of subscribed shares required by the constitution for membership in a local society was so low,³ there was a strong possibility that only a small part of the necessary capital would be received. This required the cooperatives to seek subsidies and loans from any of several sources.⁴ Thus, a study of these sources is in order.

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1. "Cooperatives Develop Medical Program," Gung Ho News, Vol. III, Number 7, July 1948, p. 1.
2. Ante, pp. 49, 50.
3. Ante, p. 38.
4. According to George A. Fitch and Hubert Liang in China After Five Years of War, p. 111. of the total capitalization up to 1942, only about 10 per cent was supplied by the paid-up shares, whereas 35 per cent came from government sources and the rest from the banks.

a. The Central Government.

One of the sources which supplied loans and grants to the C.I.C. was the Kuomintang government. Feeling that the movement deserved government backing on the merits of its proposed program, the Central Government provided \$5,000,000 (Chinese) to be used as loan capital for operating expenses.¹ Of the total of more than \$179,000,000 received by the enterprise from the time of its inception through December 1945, more than \$45,000,000 was provided by the government.² However, during 1945 the government supplied only \$1,140,000.³ The diminishing of the government support has continued up to the present time, it is believed, although exact figures are unattainable.

b. The National Banks.

It was through the influence of the government and the interest of T.V. Soong of the Bank of China that the cooperative program succeeded in getting loan credit established at the banks in China. In December 1943, more than one-fourth of the total loan-capital of the cooperatives was supplied by the banks.⁴ Altogether,

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1. Ibid., p. 104.
2. Chen Han-Seng; op. cit., p. 46.
3. Ibid., p. 47.
4. General Survey File # 8, Indusco, Inc.

up to December 1945, the government banks advanced about \$12,500,000 to the C.I.C. movement.¹

c. The Promotional Societies.

The role played by the several promotional committees in supporting the cooperatives has already been touched upon.² Available figures are not comprehensive enough to give a clear picture of the contributions made by the individual national committees and the International Committee at any one time or over any given interval of time.

It can be said, however, that the United States citizens contributed the largest sum.³ From June 3 to December 31, 1943, individual United States citizens gave \$19,502,606.53 (Chinese) to the C.I.C. cause, while England gave only \$4,512,979.69.⁴

In an over-simplified listing of receipts for administrative purposes during 1945 totalling \$45,557,647.30 (Chinese), the United States is credited with \$33,895,312.50 (Chinese).⁵ All of this money received from the United States has been in outright contributions rather than in the form of loans, although in

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1. Chen Han-Seng, op. cit., p. 46.
2. Ante, pp. 19-21.
3. General Survey File # 1, Indusco, Inc.
4. General Survey File # 8, Indusco, Inc.
5. Chen Han-Seng, op. cit., pp. 47, 48. Note that on the basis of the context, the total figures should probably read \$47,557,647.30.

1942 a strong but unsuccessful attempt was made to obtain a United States government loan for the C.I.C.¹

d. Other Sources of Income.

Besides the loans and gifts received from the government, banks, and promotional bodies, administrative revenue was supplied by interest from loans and bank deposits and by the sales of commodities produced.

During 1945, the interest on the loans and bank deposits totaled slightly more than \$12,500,000 and comprised more than 25 per cent of the total receipts.² The loans were made by the C.I.C. central and regional offices to the individual societies. The rate of interest is not known.

Almost every tabulation of figures discovered by the writer includes monthly production figures. The latter give an indication of the output of the shops, but since neither the kinds of articles produced nor the Chinese market prices are cited, it is hard to gain a concrete picture of their significance.

2. Disbursements.

The problem of balancing the budget continually faced the C.I.C. The fact that the cooperatives were seldom self-supporting caused the ever-present conflict between high expenses and low capital. Often the

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1. Economics File # 2, Indusco, Inc.
2. Chen Han-Seng, op. cit., p. 47.

societies had to sacrifice economy in order to carry on at all. That is, being the beggar, they could not be the chooser, and often the creditors showed no mercy. Interest rates on short-term loans were exorbitant, and long-term loans were usually not available.¹

The matter of inflation was another strong factor against which the cooperatives had to struggle.² Prices soared so rapidly that often the cost of new raw material was higher than the price for which the finished product had been sold. Small capitals prevented the societies from buying reserve supplies in advance. The capital of an average cooperative was estimated to be about one-seventh of what it should have been to be adequate.³

In the midst of these adverse conditions, the strictly local nature of the societies was one of their chief advantages. Both the raw materials and a market for the finished products were usually near at hand, so that transportation costs were at a minimum. In addition, the consolidation of the societies within the federations helped to cut the purchase price of raw.

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1. By the end of 1943, the average interest rate was 28.8 per cent per year. General Survey File # 8, Indusco, Inc.
2. In 1942, the rate of exchange was about \$19.75 (Chinese) to \$1.00 (U.S.); in 1944, it was \$150 to \$1.00. General Survey File # 12, Indusco, Inc.
3. General Survey File # 8, Indusco, Inc.

materials.

Table XI gives an idea of the costs which were sustained by the Central Headquarters at Chungking and later by the A.A.C.I.C. The figures cover a period of fifteen months and are in Chinese National Currency. The items are self-explanatory.

TABLE XI

PAYMENTS RECEIVED BY PROJECTS
JANUARY 1, 1942 TO MARCH 31, 1943¹

| | |
|---------------------------------------------------------------------------------------------------------------------|----------------|
| Industrial Experimentation (New machines for cooperatives and development of processes.) | \$4,169,157.08 |
| Bailie Schools (Salaries, equipment, upkeep.) | 1,536,281.75 |
| Institute (Staff training, technical and organizational assistance.) | 1,313,281.36 |
| Members (Individual cooperatives and cooperative members, welfare and promotion, training of disabled soldiers.) | 646,577.85 |
| Development of New Cooperatives | 344,858.64 |
| Emergency Loans | 400,000.00 |
| Total | \$8,410,156.68 |

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1. Finances File # 12, Indusco, Inc., adapted.

The total budget approved by the International Committee for the period of July 1, 1943 to June 30, 1944 was \$1,645,570. This included such costs as the following: \$31,800 for establishing an iron and coke plant; \$25,000 for a new farm machine cooperative; and \$15,000 for establishing a new C.I.C. depot.¹

Dividing the expenditures according to the geographical regions, Chen Han-Seng indicates that during 1945 the central A.A.C.I.C. office received almost three-eighths of the total spent on the vague entity entitled "administration."² This was more than the combined sum invested in the Southwest and Southeast Regions during the same period.

H. Summary and Conclusion

In this chapter, it has been shown that the Industrial Cooperative program was undertaken for the purpose of easing the economic difficulties of the war-refugee and of aiding in the proper functioning of China's production system. The constitution under which the local units were organized was presented as the code by which the system was to operate. The essential need for a publicity and educational program for presenting the cooperative concept to the Chinese people was then

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1. A Nation Rebuilds. The Story of Chinese Industrial Cooperatives, p. 33.
2. Chen Han-Seng, op. cit., p. 47.

briefly discussed. Following this, the recruiting of the labor force was taken up. Along with the tradesmen employed, were disabled veterans and women, and the place of these two groups was then touched upon. It was shown that, to manage all the aspects of the program from the central administrative and promotional offices to the caring for babies while their mothers worked in the village unit, a great corps of leadership personnel had to be trained. Individual cooperators were given training in their specific fields as necessary. In addition to this, the Bailie Schools were presented as the long-range training program among the youth for future leadership. The promotion of welfare projects was next considered as an integral part of the over-all program. This was followed by a brief study of the financial system of the movement. For supplementing the receipts from the monthly production of the societies, funds were shown to have been procured from the government, the banks, and the C.I.C. promotional agencies. In conclusion, high interest rates and crippling inflation were shown to have been two of the major financial liabilities.

With this objective study completed, the next chapter will seek to evaluate the Chinese Industrial Cooperatives.

CHAPTER III

EVALUATION OF THE
CHINESE INDUSTRIAL COOPERATIVE MOVEMENT

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EVALUATION OF THE CHINESE INDUSTRIAL COOPERATIVE MOVEMENT

A. Introduction

This chapter will set forth an evaluation of the Chinese Industrial Cooperatives. The historical development of the movement as traced in Chapter I and the various aspects of its program and policy as objectively set forth in Chapter II will be the main bases for this evaluation. The opinions of numerous authors will be weighed also in making this evaluation. Since the sources used in the main heretofore have been those found in the files of Indusco, Inc., the possibility of their being opinionated is not to be overlooked.

The procedure will be to discuss first the elements of strength in the C.I.C. and then the elements of weakness and failure. Within the lifetime of the movement, both elements have been in evidence as the early phenomenal rise gave place to subsequent decay. Lastly, a personal evaluation of the movement will be given.

B. The Elements of Strength

As a movement, the C.I.C. has passed its peak and is in a considerably weakened position today. Yet, it has made some valuable contributions, and it is

these which shall now be enumerated and discussed.

1. It Promoted Small-Scale Industry.

One of the features of the C.I.C. movement which received widest commendation was the fact that it operated within a small-scale, decentralized, industrial framework in contrast to the Western factory system which has established its roots in most of the major Chinese cities. This is felt to be a strong factor in its favor, because it is the typically Chinese way of operating. It eliminated the foreign element in style of organization to an unobjectionable minimum; it fitted into the Chinese social philosophy; and it was by far the more practical system under the circumstances which prevailed. Since there has been considerable contention, however, on the relative merits of the urban factory system and the small, community-centered type of industry, some consideration will now be given to these points.

In the first place, the factory system is definitely foreign to the old Chinese culture. Bringing it to China had some advantages, but it has always been considered an intruder. It is no doubt true that the rural areas are over-crowded to such an extent that the tiny, individual farm cannot support the farmer, and that, consequently, the opportunities for bettering his condition are erased. Yet, the city factory does not seem to be the best answer. The average Chinese is not

ready to forsake his familiar home community for employment in a huge, impersonalized, city factory which is often operated by a foreigner, run according to foreign rules and practices, and implemented with unfamiliar foreign machinery.

The factory is all very strange to the Chinese mind, especially to the older minds who do not have the youthful spirit of adventure. This is so for a number of reasons. In China, the individual is replaced by the group, whether that group is comprised of the entire village, the neighborhood, co-workers in a particular trade, or the family circle. The last, though the most ancient social unit, is still very influential in China's society. Because of it, the young men are often obliged to stay at home and support the elders and keep the family circle unbroken. Moreover, the worth of men ranks above the worth of either equipment or land in Chinese philosophy. Consequently, the native worker rebels at the idea of becoming simply a cog in a huge factory. He does not have the sense of security and satisfaction in an urban factory that he would have in a small business in which he would have at least part ownership.

Finally, the matter of practicality must be considered in discussing the merits of the factory. Transportation facilities do not warrant the building of factories in the interior of the country. The matter of

training farm youths in factory methods has been found to be more costly than for city-bred youths. If the rural areas are over-crowded in China, the slums of the city are not much of an advancement. The capital outlay for establishing any extensive chain of factories would be tremendous. The farmers, being able to farm only about one half of the year, are often free to take other work during the remainder of the year; but large factories are not prone to hire such a spasmodic crew of laborers.

These several reasons for discouraging the factory system are at the same time reasons for promoting the cooperatives. Thus, it seems far more suitable to have the cooperative type of local, small-shop manufacturing than the centralized, big-scale type in China. This is not to deny that in due course of time China may experience industrial revolution. Nor should the traditional way of doing things be given unconditional priority over more modern methods. The point is that in endeavoring to fulfill their initial aims, the organizers were wise to have chosen the cooperative system.

2. It Promoted Democracy.

Perhaps the one feature which has received more repeated praise from several of the Western writers is the democratic nature of the cooperatives. David Crockett Graham of the West China Baptist Mission

and a professor at the West China Union University is a typical example. He says, "It is true also that industrial cooperatives, which were started after the war began, have introduced democracy in production in a remarkable way."¹

The extent to which such a statement is true can be ascertained by noting the C.I.C. constitution, its administrative framework, the very nature of cooperation, and a comparison of the C.I.C. with other contemporary movements of the same sort.

As far as the constitution is concerned, certainly the equality of voting power among the members, regardless of the number of shares which are held or the salary received is a noteworthy sign of democracy.²

Moreover, the institution of the monthly meeting as provided by the constitution permitted the members a voice in determining their society's policies and officers. The privilege of complaint and suggestion were further democratic characteristics.³

As to the manner or extent to which these specified, theoretical requirements were carried out in practice, information was not found. The fact, however, that the same constitution has been in effect

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1. David Crockett Graham in Price, Frank: Wartime China as Seen by Westerners, p. 28.
2. Ante, p. 39.
3. Ante, pp. 39 and 42.

for more than eight years indicates that its merit has not likely been reduced.

It is the democratic elements of equal vote and self-determination which make the cooperative system an adequate substitute for labor unions.

However, when one turns to the organization of the administrative staff, a somewhat different picture is to be seen. Prior to the formation of the A.A.C.I.C. in June 1943¹, there was no real democracy. One man had supreme control in the Central Headquarters Office, and there was no effective voice to curb him. Similarly, the regional headquarters and the depots had single chiefs.² Thus, there were the possible threats of policies being laid down by a single individual and of that individual being persuaded by selfish pressure groups. The probability of this latter was increased by the presence of so many government party members on the pay roll. However, it was to reduce this danger that the A.A.C.I.C. was formed in 1943.³

The lone apology found for the rule-from-the-top practice was that of J.B. Tayler who worked part-time for the C.I.C. According to him, it was not an un-

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1. Ante, p. 17.
2. Though authentication is not available, it is believed that these were all appointed rather than elected positions.
3. Ante, pp.16 and 17.

common practice in China for a promotional body to operate a system of cooperatives from above.¹

This practice is illustrated by the Communist attitude toward the cooperatives. In the Shensi-Kansu-Ninghsia Border Region, the Communist government was most solicitous of cooperatives as being "a nucleus of secondary self-government."² "The task of the cooperatives from now [1944] on is to organize all the people into production."³

Although it was advocated that all become cooperative members, it was far from being on a democratic basis. Instead of remaining small, autonomous societies, the cooperatives were often combined into large unified industries, able to handle complete manufacturing processes. Though still cooperatives insofar as the members subscribed shares, they took on the appearance of big industry with large memberships.

Such large units required supervisory staffs and the statement that "only the best persons in every village [should be allowed] to run the cooperatives"⁴ savors strongly of party politics.

With a strong emphasis on "Production First" the policy set forth in a pact drawn up at the

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1. History of C.I.C. File # 2, Indusco, Inc.
2. Border Region File # 8, Indusco, Inc.
3. Border Region File # 4, Indusco, Inc.
4. Ibid.

Cooperative Conference in July 1944 was expressed thus:
"Operate by the People with the Help of the Government."¹
This "help" was more than mere financial support. It was
at least intended to include the privilege of deciding
whether cooperatives were efficient, inefficient, unnec-
essary, or a failure, and of supporting them accordingly.²
Thus, the Communists were not as democratic as they would
have had the people believe.

In Free China, in the cooperatives them-
selves in contrast to the superstructure of promotion
and of the Communists' policy, democracy was more in evi-
dence. The federations of cooperatives were to be in the
hands of the participating societies. Officers were e-
lected by them, and their function was to serve the needs
of the societies.

In addition to the constitutional and ad-
ministrative provisions for democracy within the C.I.C.,
the very nature of cooperation itself is a democratic
concept. Where there is real cooperation, workers share
their wealth and jobs. A spirit of give and take on a
level of equality is an essential for smooth-running co-
operatives. In order to foster this sharing attitude,
the society members were often instructed in the princi-

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1. Border Region File # 15, Indusco, Inc.
2. Border Region File # 48, Indusco, Inc.

ples of cooperation.

This leads one to a comparison between the cooperative system and the alternative types of industrial organization. In contrast to the factories wherein the individual's personality and originality are suppressed, as pointed out in the preceding section, the cooperatives give a certain freedom of self-expression which is in conformity with the Chinese conception of the dignity and worth of man. Labor unions are not needed in a cooperative society.

At the other extreme, there is the traditional type of shop which may be either a part of an individual's residence where he works alone on his handicrafts, or a slightly larger center where a master craftsman employs a corps of workers. In contrast to this, the cooperatives are progressive, both in their breaking across clannish family circles and in the elimination of the sad relationships which often existed between a master craftsman and his employees.

It can be said, therefore, that democracy, though absent in the administrative work, was at least potentially a strong point in the cooperatives.

3. It Met the Problems of the War.

Not the least among the selling points for the cooperatives was their real contribution to the war effort. This will now be touched upon from the view-

point of the work done for and with refugees and the production of much needed war materials.

a. The Provision for Refugee Employment.

It has already been pointed out that the principle aim of the C.I.C. was to rehabilitate the refugees by providing them with employment.¹ The movement began in the midst of a war and was to be geared to the war-time situation. Although no break-down of figures into the classes of people employed is available, it is safe to say that a large portion of the membership was comprised of these dispossessed people. Paochi, Shensi, the village where the first society was organized² and which later became the headquarters for the Northwest Region, was a refugee center located at the end of the railroad line.

It was not the purpose of the organizers to put these men into trades with which they were unfamiliar. The soliciting of members was done on the keynote of working together ("Gung Ho") in familiar trades rather than on learning new trades. Farmers who were rejected in the factories because of the undue cost of training, found that they were welcome in the cooperatives. The special interest taken in disabled veterans was a ramification of meeting the refugee's problem.

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1. Ante, p. 36.
2. Ante, p. 5.

Finally, the poor refugees were accommodated by the low financial requirement for membership in a local cooperative. This was the payment of one share, with only 25 per cent of this required as a down payment and a year in which to pay the balance. It is clearly seen, therefore, that the refugee was not faced with an initiation fee that was totally beyond his means. While one of the main reasons for having this requirement was to screen from membership those who were not serious in their intentions and who sought to join the societies simply in order to live at the expense of the other cooperators, the stipulated sum was set this low so that those who were serious-minded could join. That is, the fee was set with the inability of the new member to pay in mind rather than in an attempt to secure the full necessary capital with which to establish the unit.

Thus, the C.I.C. provided refugees with employment by making it their primary aim, by establishing cooperatives in the trades familiar to the refugees, and by making the cost of membership nominal.

b. The Provision of Necessary War Materials.

The contribution made to the total war effort was one of the great merits of the C.I.C. organization. Its work was notable, not only in the employment of refugees and displaced persons, but also in the manufacturing of necessary war materials. With the stringencies of a war economy upon them, the societies included

in their production output items which were either directly used by the armed forces or which indirectly contributed to the war effort by supplying the home front needs.

Yet, it must be said, that this was not on a strictly altruistic basis as one might be led to believe from some of the statements pertaining thereto.¹ The range of items produced was predetermined by such external factors as the resources of the locality, the local market demands and possibilities, skills of the natives, and the prospect of invasion or air-raid.

Another external factor influencing the kind of items produced deserves special mention. This was the Central Government which in various official pronouncements promoted the cooperatives as participants in the national war-time economy. One such declaration is found in the "Three Year Plan for Wartime Reconstruction," a manifesto adopted April 2, 1941 by the Kuomintang Central Executive and Supervisory Committee, and states: "Cooperative enterprises should be established and cooperative organization extended to expedite the progress of war-time social economy."² Although the C.I.C. societies comprised only a small percentage of the total number of cooperatives in the country,³ such proclamations are apt

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1. Cf. Ante, p. 36, as an example.
2. Freyn, Hubert: Free China's New Deal, p. 246.
3. Cf. Ho, F.L.: Rural Economic Reconstruction in China, p. 41.

to have caused the societies to make sure their products were essential.

That a notable contribution was made to the production of war materials, however, is not to be denied. The greatest single contribution was the army blanket project which was undertaken and completed quite successfully in spite of the handicaps in the way.¹ A large proportion of the workers in the project were women who did their spinning in their homes and then brought the wool to local centers where it was made into the blankets. The management of such an enterprise called for the concerted effort of the administration at a time when the cooperatives were expanding most rapidly. As concern was centered on this single enterprise, the over-all up-keep of the organization deteriorated. In fact, it is possible that the all out effort to meet the government contracts for army blankets proved to be almost fatal to the expansion movement of the C.I.C. The shortage of personnel rather than of funds was the snare. (In the absence of any information to the contrary it is assumed that the army blanket program was a profitable undertaking.)

Nor is the work done in the guerrilla areas to be overlooked. There, the cooperators supplied the fighters with items such as gun holsters, overcoats, swords, canvas, surgical gauze, ammunition cases and

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1. Ante, p. 9.

camouflage paint, and all this under the most difficult circumstances.

4. It Gave Equality to Women.

The C.I.C.'s treatment of women was phenomenal when viewed against the background of the Chinese culture. For centuries, women have been held in a very subservient position in the Chinese home. Education and independence have been denied them. But fortunately, that situation is gradually changing, and the C.I.C. has not been slow in doing its part in bringing about the change. As women are given employment in a village shop which is respected and on equal standing with other local shops, they gain that self-respect and confidence which will eventually lead to their assuming equality with men. For those who are not fortunate enough to have a college education and to hold responsible positions in such places as are being opened to women in the city banks or government offices today, the cooperatives offer a valuable step toward freedom. The variety of trades in which women could participate and the predominance of the textile industries established by the C.I.C. indicate the possibility that the percentage of women members could have been quite sizeable. Certainly, if not in membership, at least among the employed workers, the women played no small part.

The educational and medical centers connected with the C.I.C. units added further opportunities for

the once-suppressed womanhood.

5. It Provided a Welfare Program.

The welfare work of the C.I.C. consisting of the hospitals, clinics, nurseries, literacy classes, and the like as cited above¹ is unique for such a movement. It indicates a genuine interest in the general well-being of the cooperators. But such aspects of the movement were few in number because the individual projects were usually dependent upon the Central Administration's approval and allocation of funds if any great outlay of money was required. That is, this aspect of the program, while valuable and serving its purpose in the few localities which benefited from it, was restricted by shortage of funds from developing into what it might otherwise have been. Usually the cooperatives had trouble maintaining themselves as business organizations so that such extra features as welfare work were not even considered. Then too, there was the additional obstacle of having to overcome the lethargy and indifference of a people who were firmly entrenched in the traditions of the past.

The fact that, in some cases where there were welfare projects, they were made available to the entire community is commendable. This, no doubt, served

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1. Ante, p. 50.

to dispel some of the contempt and lack of confidence on the part of the natives toward the cooperatives.

6. It Created Wide Sympathy for the Chinese Peasant.

The C.I.C. is unique among cooperative movements in respect to the international recognition it has received. A study of the ways in which this has been brought about and of its evidences will help to evaluate its importance.

From its very birth the C.I.C. movement had the highest political backing. An enterprise which received such large and repeated grants from the Central Government would naturally come to the notice of public officials as well as of the local populace in the midst of which one of its units had been established. Newspapers and magazines, both Oriental and Western, carried feature articles during the early auspicious years of the movement's history.¹ George Hogg, former headmaster at the Sandan Bailie School, wrote a book on the C.I.C. entitled I See a New China, and Rewi Alley's attempt to interest Western technicians in the project, "China's Industrial Future", appeared in the Free World, August, 1944.

Evidences of the extent to which the enterprise had captured a focal spot in the economic scene are to be found in several books written both by Chinese and

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1. Cf. Linebarger, Paul M.A., The China of Chiang Kai-Shek, p. 223 footnote.

Westerners.¹ Entire chapters in some cases were devoted to a study of the movement. The China Handbook 1937-1943, somewhat comparable to the World Almanac, gives several pages of small print to a discussion of the movement.²

The international sympathy created on behalf of the Chinese laborers is best measured by the contributions made in personnel, supplies, and money.

Rewi Alley acknowledges specifically the following parties in addition to the national promotional committees in England, New Zealand, and the United States: UNRRA, the Women's Cooperative Guild of London, the International Relief Committee, the American Red Cross, the Friends Service Unit, the China Relief Mission, the Canadian Relief Committee, the Coalminers of New Zealand, and the C.I.O. of the United States.³

These are sufficient to indicate the variety of groups which have considered the C.I.C. a worthy project. People who have had no interest in Christian Missions or in China itself have given to this humanitarian cause. The list of names on the Board of Directors and the Advisory Board of the American Indusco, Inc.,⁴ shows who in general in the United States have shown concern

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1. Cf. Bibliography.
2. The corresponding article in the China Handbook 1937-1945 was appreciably shorter, showing the waning esteem at the later date reflected in this later account.
3. Shantan Bailie School 1948, p. iv.
4. Ante, p. 21.

in the enterprise.

7. Additional Elements of Strength.

There are several miscellaneous items which should be cited in giving full recognition to the commendable features of the C.I.C.

Chief among these is the untiring effort of the few Westerners who have been the backbone of the movement and who remain undaunted even today. Rewi Alley is by far the foremost of these. His convictions on the soundness of the cooperative idea in Chinese economy have remained consistently strong. He believes that though an outgrowth of the war days, the C.I.C. is an enterprise of permanent enduring quality. Today, with the belief that the education of an adequate leadership personnel is the surest guarantee of the C.I.C.'s future success, he is giving his entire effort to the Sandan Bailie School.

Other pioneers have been the Reverend R.O. Hall, H.H. Kung, George Hogg, and Miss Ida Pruitt. Without the inspiration and hard work of these leaders, the movement would most assuredly have totally capitulated.

In addition to its leadership, another commendable feature of the C.I.C. was the constitutional provision for guaranteeing coverage of the debts of the societies. This no doubt spared many bitter feelings on the part of one-time creditors. It must be said, however, that although nothing was found indicating that debts were not

paid, the difficulty of the societies in establishing credit for other than short-term loans may be a reflection on this as well as on the quick-rising inflation.

The fact that such a large percentage of the administrative and promotional personnel were Chinese is not of too great merit, since foreigners were scarce and Chinese were employed of necessity.

However, that Chinese were given on-the-job training and some of the places of responsibility in the organization is certainly meritorious. The training which the Baillie Schools offered is a contribution to Chinese industry as a whole as well as to the C.I.C. Certainly, the latter, as a movement, has had a great influence on the Chinese conception of cooperation.

C. The Elements of Weakness

Some of the commendable features of the C. I.C. having been considered, there are a number of weaknesses and causes for decay of the movement that should be made clear. They can be classified in terms of (1) the underlying defects of moral character and (2) the physical, organizational defects which are apparent in the structure of the project. A fair appraisal of the factors contributing to each will now be attempted.

1. Underlying Defects of Moral Character.

Notable among the things lacking in the

C.I.C. program is Christianity. Whatever the reason, the religion of the West was at least effectively, if not purposefully, eliminated. Consequently, the benefits were also lacking. This is seen particularly in the realm of morals. The results will now be discussed.

Writing in the first person, and thereby identifying himself as an affiliate of the C.I.C., an otherwise unknown author, in a discerning article, holds that "the dishonest motives for organizing societies" were the first and basic reason "why many of our societies collapsed and [for] the corruption and derangement of our existing societies."¹ This article is enough to indicate the general corruption found in many spots in the C.I.C. organization. Coming from a background in which the master craftsman was his own employer, it was difficult for the members to learn to give and take. Competition and jealousy were bound to exist among fellow workmen. The elective manner of selecting officers could cause friction in case of a divided vote.

Another way in which selfishness was all too evident was in the number of speculators among the membership ranks. They are said to have been in the majority.² Rascals who were hoarders and others who did not know the trade but joined the local society simply with

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1. General Survey File # 2, Indusco, Inc.
2. Ibid.

the hope of benefiting from the war-time profits were far from scarce. Still others joined the societies with the exemption from government taxation as their chief aim, there being a law granting exemption to members of cooperatives.

The internal corruption was augmented by the number of government workers who managed to stay on the C.I.C. administrative pay roll without making any worth-while contributions to the movement. The case of the Tai Ying Chu and its corruption has already been cited.¹ It was so full of graft that ultimately there was a general purge and the Central Headquarters was converted into the entirely new entity, the A.A.C.I.C. Such costly graft cannot be matched in Christian enterprises.

There were a number of factors which led to this graft and stealing. In some cases it was, no doubt, sheer poverty which drove some to foul practices. For quite a different group it would be the temptation of making license out of the new-found freedom granted. Lacking sensitive consciences, many men fell prey to the lure of a soft job.

In reading the literature on the C.I.C it was interesting to notice in many cases, the political

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1. Ante, p. 17.

sympathies of the writers. This was particularly true of the Chinese writers and especially of those in Communist-held territory, who, either by choice or under threat of censorship, could say nothing but the most complimentary things about the local government. Typical of this is an extract from a letter written by a staff member of the Yen-an depot. "Now our work here are getting on good every day, because the Border Region government helps us very much, especially on experiences and some other things too."¹ This is disconcerting, though not conclusive evidence against the veracity and moral stamina of the typical cooperators.

The organizers of the C.I.C. recognized the depravity of the native Chinese and the problem which it posed. Their solution was an external emollient rather than a cure. It was in the form of a list of character qualifications and habits which had to be met by all would-be members. As cited previously, these included honesty, abstinence from opium, drugs and gambling, and good character.² These are seen to be at once both lax and stringent, depending upon the definitions given to the terms and the honesty of those who passed judgement. Perhaps these restrictions would appear to be more virtuous than they do if the prevalence of the vices ex-

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1. Border Region File # 6, Indusco, Inc.
2. Ante, pp. 37 and 38.

cluded were more fully known. As it is, it seems that, granted the will to minimize the moral standards, the qualifications for membership could be loosely interpreted. This is substantiated by the very existence of the character problem inside the ranks.

This internal corruption was costly, and had its outward manifestations, as will be seen in the following section.

2. Organizational Weaknesses.

Some of the organizational weak points of the C.I.C. will now be discussed. The influence of the external factors, such as inflation, is not to be minimized, but these would not have had such an impact on the movement if there had not been certain essentials lacking.

a. A Lack of Education.

There was first of all the lack of necessary education. Because the principles of democracy were not better understood, erroneous ideas played havoc in the ranks. Dictatorial leaders were to be found as well as a general immature democratic consciousness among the masses of cooperators.¹ Cooperation was a new concept to many, and until it was better understood, there could not be the ideal cooperative. Even at the Bailie School,

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1. General Survey File # 2, Indusco, Inc.

where the boys had the most direct contact possible with Rewi Alley and others like him, the matter of learning to live together with fellow students was the biggest unsolved problem, according to Alley himself.¹

Finally, there was the tremendous problem of dealing with illiterates, for since literacy was not a membership requirement, illiteracy was to be encountered. Literacy or illiteracy could well have been a divisive factor by drawing a line of demarcation between the "haves" and the "have-nots." The few society schools established could not cope with the problem adequately.

b. A Lack of Leadership.

The second great organizational weakness was in terms of leadership personnel. College graduates were sought at first because of their supposed leadership and technical abilities. However, they were found to be of the wrong type, often, insofar as they did not understand the people of the rural hinterland where the cooperatives were located. In fact, one of the strong reasons in favor of the Bailie School program is the fact that it seeks to train rural boys for the places of leadership. But the efficacy of this is largely lost when so few of the graduates actually reach such positions.

As corruption in the staff was uncovered

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1. Shantan Bailie School 1948, p. 37.

and offenders dismissed, it was difficult to find replacements. As a result of the strong affiliation with the Central Government, party policy, rather than a merit system, often dictated the placement of applicants. The fact that there were, whether of necessity or not, so many Westerners in the very chief positions was a liability for a movement which sought to identify itself with the people.

The way in which the movement spread so rapidly in the first three years proved to be a contributing factor to its subsequent disintegration. Being spread over such a wide geographical expanse, the cooperatives required a large amount of duplication in the regional headquarters that could have been reduced had they been more concentrated. The extended area also added to transportation costs of the traveling supervisors.

c. The Lack of Funds.

The third lack of the C.I.C. organization was that of funds. This was an increasingly crippling factor and has led to the gradual reduction of all phases of the work. As the adverse external circumstances took their toll of societies and projects, the money for replacing them was not available. In this connection, there is first to be considered the poor use of the funds that were available and then a statement regarding the shortage, or non-existence, of funds.

The management was at fault in its use of funds in a number of instances. The same writer who pointed out the moral lack in the movement lists the shortage of good, practical business-managing ability as one of the reasons for the break-down of the cooperatives.¹ According to him, the misuse of capital was one of the evidences of such moral poverty. Local societies had the weakness of making such a large initial investment for fixtures that the funds would be lacking for operating capital. Further, the lack of federations, and the general poverty of the societies required them to deal directly with their creditors, often on an individual basis and often to their own disadvantage.

Another fault which lessened the economy of the cooperative societies was the poor distribution of work among members. Inefficiency in production and waste were sizeable, and consequently the selling prices were high.

Again, the administrative office was guilty of spending an excess of money in order to sustain an unnecessarily large staff. Probably this staff had been increased to accommodate the anticipated 30,000 societies which were the initial aim of the movement. But from all indications it was a great, unnecessary cost. It is

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1. General Survey File #2, Indusco, Inc. Cf. also ante, p. 81.

probable also that the situation was not corrected sooner because it was the government grants which were supporting it for the most part. As long as they were forthcoming, economy was not essential. The staff would have felt more responsibility for the success of the movement if they had been required to own shares in some of the societies and had been held responsible in case of collapse. As has already been shown¹ the central A.A.C.I.C. offices, much improved as their efficiency was, were costing more than 25 per cent of the total funds available for expansion even as late as 1945.

With the information available it is not possible to say how much of the remainder of this sum was actually used for positive advancement and improvement among the societies themselves.

The shortage of funds which has been such a handicap for the movement especially in recent years was due to many factors. The misuse of the available funds as just listed was one reason for the shortage. Moreover, poor workmanship--a result of indifference--lack of advertizing, and high prices--the result of the absence of planned economy--all contributed to a reduced number of sales. In turn, capital was diminished and bank loans had to be obtained.² With good credit being hard to ob-

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1. Ante, p. 59.
2. Finances File # 9, Indusco, Inc.

tain, the loans were usually for short periods only with a consequent high rate of interest. This further diminished the net profits. Frank Gerard, an auditor of the American Red Cross who had studied the C.I.C. finances, stated that they were "...a considerable departure from sound principles. The very high degree of dependence upon short-term borrowings and the general inadequacy of subscribed capital constitutes a highly unstable and even precarious situation."¹

In an attempt to make membership in the co-operatives as appealing as possible and thereby to more readily attain the goal of 30,000 societies, the constitution had made the share capital subscription specifications too lenient. While the number of societies was thus increased, they were being established on weak foundations. While the individual societies may have been able to issue meagre dividends to their members, the amount contributed to the bulky central administration through the local Industrial Cooperative Fund² was never sufficient to make the movement as a whole self-supporting.

Added to these features of internal weakness were the crushing external factors, chief of which was the inflation. This not only made it difficult to buy supplies at a price which conformed to the selling

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1. Ibid.

2. Ante, p. 41.

price, but also caused a general confusion in the keeping of records, with the result that it was difficult to get a true picture of the seriousness of the organization's predicament before it was too late. This was complicated further by the geographic variableness of prices. A recent indication of the seriousness of the inflation problem is found in a letter from Rewi Alley, written in June 1948.¹ At that time eggs were selling for \$5000 each in Sandan and \$30,000 each in Lanchow, Shensi. Even contributions received from sources outside of China steadily decreased in worth as the rate of exchange mounted.

The other main item which was disadvantageous in the absence of adequate funds was the general rural location of the societies. Throughout its history the C.I.C. has operated chiefly in the remote interior villages. Although good in many respects, this has been costly, for lack of cheap transportation forced the units to purchase their supplies in the local high market where prices were not restricted by the competitive factor of a large city. Here again the organization would have been more stable if it had concentrated on a smaller area of operation.

Thus, it is seen that the lack of money was a vital factor and led to the decline of the C.I.C. The

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1. "Eggs--\$360,000 a Dozen." Indusco Bulletin, Vol. VIII, Numbers 7, 8, July, August, 1948, p. 3.

problems which it raised were manifold and forced many cooperatives out of existence.

D. Evaluation

With these elements of strength and weakness clearly in mind, a final word can be said about the over-all worth of the C.I.C. movement.

On the whole, the movement was of positive benefit to China. In bringing a practical democracy into the vocational life of the small tradesman of Free China in a manner not too foreign to his way of thinking, the cooperatives did a most notable work. Although they never reached proportions which made them of significance to the vast multitudes of Chinese scattered throughout thousands of cities and villages, they did make their impress on the communities where they were established. In helping to meet the war-time needs of the people, in the standing given to women and in the several welfare projects undertaken, the cooperatives brought to the small, inland, and, therefore, often neglected villages a better way of living.

But this ray of light was not without the dark shadows of moral corruption and faulty organization. Both of these reduced the potential good of the movement. Without discounting the effect of the devastating inflation on the outside and the elements of good on the inside, it can be said that the results would have been

much more gratifying and permanent had the same investment been made with the same objectives in mind but with the undergirding of a more sure foundation.

E. Summary and Conclusion

In this chapter, several of the merits and demerits of the Chinese Industrial Cooperatives have been cited in order to give a basis for better evaluation of the movement.

The strong features of the movement were first evaluated with the reasons for such evaluation. The first of the features thus considered was the small-scale-industry dimensions of the local C.I.C. It was pointed out that such industry is much more suitable to the Chinese culture than the Western factory system. The next feature discussed was the place of democracy in the governing constitution, the administrative structure, the Communistic regions, the very concept of cooperation, and the local units. One of the strong features of the movement was found to be the contribution made to the war effort, both in providing employment for refugees and in helping to supply necessary war materials. The ways in which the C.I.C. gave equality to women and attempted a well-rounded welfare program were next discussed and evaluated. After showing how wide a sympathy for the Chinese peasants had been created by the C.I.C., a few miscellaneous items in which the C.I.C. was out-

standing were cited. These included the factors of a devoted leadership, the coverage for debts provided for by the constitution, and the large percentage of Chinese personnel employed and trained.

The second part of the chapter brought out some of the weaknesses in the inner, moral caliber of the organization. These were followed by an evaluation of the three main organizational deficiencies, they being the lack of education, leadership, and financial backing for the organization.

In the final evaluation, it was concluded that although defects in respect to moral corruption and organization were not lacking, the cooperatives as a whole were of definite, positive benefit to China in bringing in democratic concepts, in meeting the needs of the people in a way acceptable to them, and in holding up the cooperative way of life and work to many.

CHAPTER IV

THE SIGNIFICANCE OF THE
CHINESE INDUSTRIAL COOPERATIVES
TO THE CHRISTIAN CHURCH

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A. Introduction

With the survey and evaluation of the Chinese Industrial Cooperatives completed, this study will be carried one step further in order to ascertain in what ways the movement can be of benefit to the Christian Church and in what ways the Christian Church can aid the C.I.C. Since both organizations are interested in serving the Chinese village workman, it will be of interest to see how the work of one supplements or hinders the work of the other in this common aim. Thus, the C.I.C. will be dealt with chiefly on the local unit level rather than on the nation-wide, administrative level.

In the absence of direct information telling of actual contacts made between the two organizations, this chapter will be founded on inferences made from the preceding study.

Contributions which may be made by the C.I.C. to the efforts of the Church will be cited first, as well as some possible negative aspects of a relationship between the two organizations. Then the contributions which the church can make to further the work of the C.I.C. will be reviewed. These should be sufficient

grounds for evaluating the significance of the C.I.C. to the Christian Church.

B. The Possible Contributions of the C.I.C.
to the Church

The C.I.C., as it reached into the more isolated villages of China's hinterland, brought with it both the good and the bad. Were a small church or mission outstation to be located in one of these villages, it would be apt to find the local cooperative shop a source of both blessings and curses. The good features to be found will be enumerated first.

1. The C.I.C. as an Asset to the Church.

The village church would find the local cooperative to be a place where a number of valuable cultural and personal character traits were being developed among its members.

Among the advancements in the native culture that might be noticed would be the following.

Democracy, at least in the blue-print stage, would be in existence, thanks to the cooperative and its ideals. The members with their equality of voting power, freedom to suggest and complain, and self-government would be learning, if only imperfectly, the fundamentals of freedom. A new sense of inter-dependence, as well as this independence, would be developing as the cooperative members learned that they were members of a group

the welfare of which depended upon each member's doing his part. Whereas, prior to the existence of a cooperative there had been the strong, traditional family bonds, the arrival of the cooperative had brought about a new group loyalty. Men worked together as partners on the same team rather than as master craftsman and craftsman. A new light had come to the meaning of "the worth of the individual."

In addition to these changes in the philosophy and practices of the community, the local cooperatives would also have helped to foster numerous personal character traits, the development of which was most advantageous to the church. In the first place, the cooperative members learned to cooperate. The competitive spirit was gradually replaced by the sharing spirit. Thus, the local church body would have a better chance of working as a team. With the privileges of democracy, the cooperators had learned self-confidence and self-expression. The quality of lay-leadership in the church would be strengthened if the layman had had his training in a cooperative. There was also developed as a by-product of the cooperatives, a feeling of confidence in one's fellow men. The healthy sense of pride which a cooperative member had in the products put out by his society would give him, as a church member, a feeling of self-respect and poise. Tools were often crude, and the cooperators learned to know what it meant to work under

handicaps. Resourcefulness was consequently developed.

It would be natural for the nationals at least at first to hold the church in the same general esteem as they did the cooperative, since both were foreign innovations. Thus, depending upon how good a reputation the cooperative had, the new church would be judged accordingly. Unfortunately, the cooperatives were not always praiseworthy.

2. The C.I.C. as a Liability to the Church.

Some of the features of the cooperatives which caused them to be held in ill-repute will now be considered along with other factors that would make them a detriment to the furtherance of Christ's kingdom.

The corruption within the general structure of the C.I.C. was one of the reasons why townspeople would point the finger of scorn at the cooperatives. The reputation of the local society might even be in jeopardy for this reason. Unfortunately, it was often true that members were also found guilty of stealing, hoarding, and dishonesty. The feeling of indifference on the part of some of the members toward the success of the society led to slipshod workmanship. Many factors, some of them avoidable, often conspired together to cause the sale price of the cooperative products to be higher than that of their competitors. Such high prices and inferior goods was another reason why the good will of the community was lost. Boycotting naturally resulted, and before

long the cooperative would not be paying dividends on its shares. Depending upon how well informed the nationals were regarding the C.I.C.'s past record, there would be the fear of possible insolvency in the local society, especially in the more recent years, when so many of the societies have capitulated. If the Church were to become identified with such an organization, such items must needs be weighed heavily.

Moreover, there was the possibility of jealousies between members becoming stronger than the willingness to cooperate. If the cooperative grew to such dimensions that it threatened to monopolize the entire labor force of the town, as was the case in Communist-held territory, the Christian pastor would find additional problems arising in his congregation.

Finally, the absence of Christianity in the over-all program of the C.I.C. is not to be overlooked. From all indications, the C.I.C. was not at all interested in fostering Christianity per se. In the Bailie Schools, Sunday was just another day of the week. A Buddhist temple was at least frequented by the boys of the Sandan school if it was not right on the campus itself.¹ Notwithstanding all of the missionary educators who served in administering the C.I.C. program, no indication was discovered of any work having been done ei-

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1. Shantan Bailie School 1948, p. 36.

ther officially or incidentally in the spiritual realm.

(In judging the C.I.C. in this way, it must be remembered that there was some justification for the lack of religious emphasis. The C.I.C. was never intended to be a Christian mission program. Nor did the close connection with the Central Government permit it. Personnel were hired on their technical qualifications, presumably, not on the basis of their theology. However, in estimating the movement's significance to the Church, this factor must be taken into consideration.)

Thus, the C.I.C. is seen to be both an asset and a liability to the Church. After a brief discussion of the contributions which the Christian Church has to offer the C.I.C., an attempt will be made to determine whether the assets or the liabilities are in the preponderance and what this means to the Church.

C. The Possible Contributions of the Church to the C.I.C.

The Christian Church can offer both material and spiritual aid to the C.I.C. No doubt the latter organization could put to good use Christian churches and schools in which to conduct their educational and training work, and thereby expand that phase of their program. From the very early days of the C.I.C.'s history, there have been missionary leaders who have served in official positions. The movement would profit immensely if a

vast army of Christian laymen were available for distribution throughout the existing societies, consecrated to the task of putting their Christianity into practice.

But it is in the spiritual realm that the Church can make its unique contribution to the C.I.C. Without this, the material contributions of the Christian movement are of little worth to any beneficiary. For this reason, money is not to be included among the possible contributions of the Christian Church to the C.I.C. The indigenous church is not able to give help financially. Further, the mere giving of money has not helped and will not help to improve the moral caliber of the C.I.C, which is its basic lack.

One of the ways in which the Church can give spiritual help to the C.I.C. is in the counseling of maladjusted cooperators. Further, in the time of financial crisis, when the worker sees his savings vanish as his place of employment is shut down because of lack of funds, a man needs spiritual help which an organization such as the C.I.C. cannot provide, but which the Church is fully able to provide.

The spiritual element which the Church can offer the C.I.C. is the sole cure for the great, underlying ailment which has cost the movement such grief. Apparently it has been overlooked by the missionaries who have given of their time and substance to the C.I.C. Until the men who make up the rank and file of both the

administrative staff and the producing societies have been regenerated by the power of Christ, one cannot be sure of their moral integrity. The substitutes for it such as education in democracy and cooperation, or more stringent standards of character for membership have proven themselves unable to produce the cure. Christianity as it changes lives of men will engender in them firm loyalty, honesty, and true cooperation, and give them convictions to replace their rule of expediency.

D. Summary and Conclusion

Basically, the C.I.C. has been a social movement which seeks to bring to the Chinese peasant a program for establishing his financial independence. The Church has offered a plan of personal redemption. The one is centered on the material needs of life; the other on the spiritual needs. The cooperatives make no attempt to dictate or provide in the spiritual realm; while the Church has taken steps toward making provisions in the material realm. The C.I.C. has kept from involving the Church in its program; the Church has sought to a limited degree to adopt the cooperative system within its framework. The C.I.C. offers group fellowship around a mutual form of livelihood; the Church offers a mutual fellowship as children of God. The C.I.C. offers present economic security dependent upon members working

together; the Church offers eternal security dependent on faith in a Divine Master. In the C.I.C., membership is granted upon recommendation plus payment of a fee; the Church grants membership upon recommendation and payment of no fee. The C.I.C. depends upon the practice of cooperation; the Church sows the seed from which cooperation can develop.

From this series of statements, one gains a picture of the supplementary relationship existing between the local units of the Chinese Industrial Cooperatives and the Christian Church.

Ideally, the two should be able to co-exist and add to the work of each other. While it is not recommended that the Church become a financial supporter of the movement, it does seem feasible that the local cooperative be given the encouragement of the local parish.

If the society is deficient in Christian ethics, it offers a challenge to the Christians belonging to it as a place for applying their religion.

The Chinese Industrial Cooperatives appears to have no inherent features which are objectionable, even to the high standards of Christianity. Its great weaknesses have been those present even in the Church, namely, the frailty of its clientele and lack of adequate support. However, it lacks the one essential which the Church can provide. For the Church has the

means for changing that frailty into strength if the Church uses the power put at its disposal by its Lord.

GENERAL SUMMARY AND CONCLUSION

GENERAL SUMMARY AND CONCLUSION

The purpose of this thesis has been to study the Chinese Industrial Cooperatives in an effort to see their possible relationship and significance to the Christian Church.

Chapter I sought to give an historical study of the cooperatives. The movement had its birth in the spring of 1938, within nine months of the beginning of the lengthy Sino-Japanese War. Mr. Rewi Alley of New Zealand soon became the motivating dynamic who spurred the enterprise on from that day until the present. Organizational facilities were established and the support of the Central Government was assured by the work of Dr. H.H. Kung.

The first cooperative was established in the Northwestern section of China. Subsequently, the movement was organized throughout the major part of China, around seven regional offices and a central headquarters.

A study of the manner of operation of this administration and of the two promotional agencies which were established then followed.

A series of tables was presented to give an indication of the magnitude of the movement in terms of membership, monthly production, and variety of industries at successive dates. Some gleanings of recent data concluded the chapter. Together, they indicated a general

expansion and growth up to 1941, with many varieties of industry developed by the various cooperatives organized. After that time, the movement has dwindled in numbers and today operates on a much curtailed program.

Chapter II enumerated several of the notable features of the C.I.C. movement as found in the statement of purpose of the organization and the constitution under which the local societies operated. A study of the manner in which a labor force was procured through the enlisting of the help of women and disabled soldiers followed. The three-fold training program, aimed at the individual cooperators, the leadership personnel, and the development of future leaders through the Bailie Schools was next discussed. The welfare work carried on by the C.I.C. was also seen to be a significant feature of the organization's program. The sources of income and the way in which funds were distributed were the final items touched upon in the chapter.

With the information gained from the studies made in the first two chapters, an evaluation of the C.I.C. was made in Chapter III. This attempted to point out the main elements of strength and weakness in the organization. The fact that the cooperatives set forth to industrialize China by promoting the small shops instead of large factories was one of the strongest features of the movement. Democracy as the very fiber of cooperation was seen to exist in a large degree in the coop-

erative societies themselves, though in the administrative part of the movement, its presence was not so noticeable.

The way in which the C.I.C. helped to relieve the war-time problems of refugee unemployment and shortage of essential materials is commendable, as is also the way in which women were given equality with men. The welfare work, though small, was seen to be noteworthy.

The major weaknesses of the C.I.C. were seen to be in deficiencies in the moral caliber of its members and in some faulty organizational factors.

As a whole, the movement has been an agency which made positive contributions to the Chinese laborers, but which never attained its full potentialities because of the deficiencies cited above.

Chapter IV was concerned with reaching an evaluation of the Chinese Industrial Cooperatives specifically in terms of their relation to the Christian Church. It was found that the C.I.C. has been both an asset and a liability to the Church, but that the points of its weakness were those for which the Church had the only adequate answer.

Thus, this study has presented reason for believing that the Chinese Industrial Cooperatives merit the interest and limited support of the Christian Church. Since the movement lacks a positive Christian message

it is not worthy of great expenditures of money. But insofar as the individual, local cooperative is a quite ideal place for putting Christianity into practice, it is deserving of the promotion of the Christian Church.

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