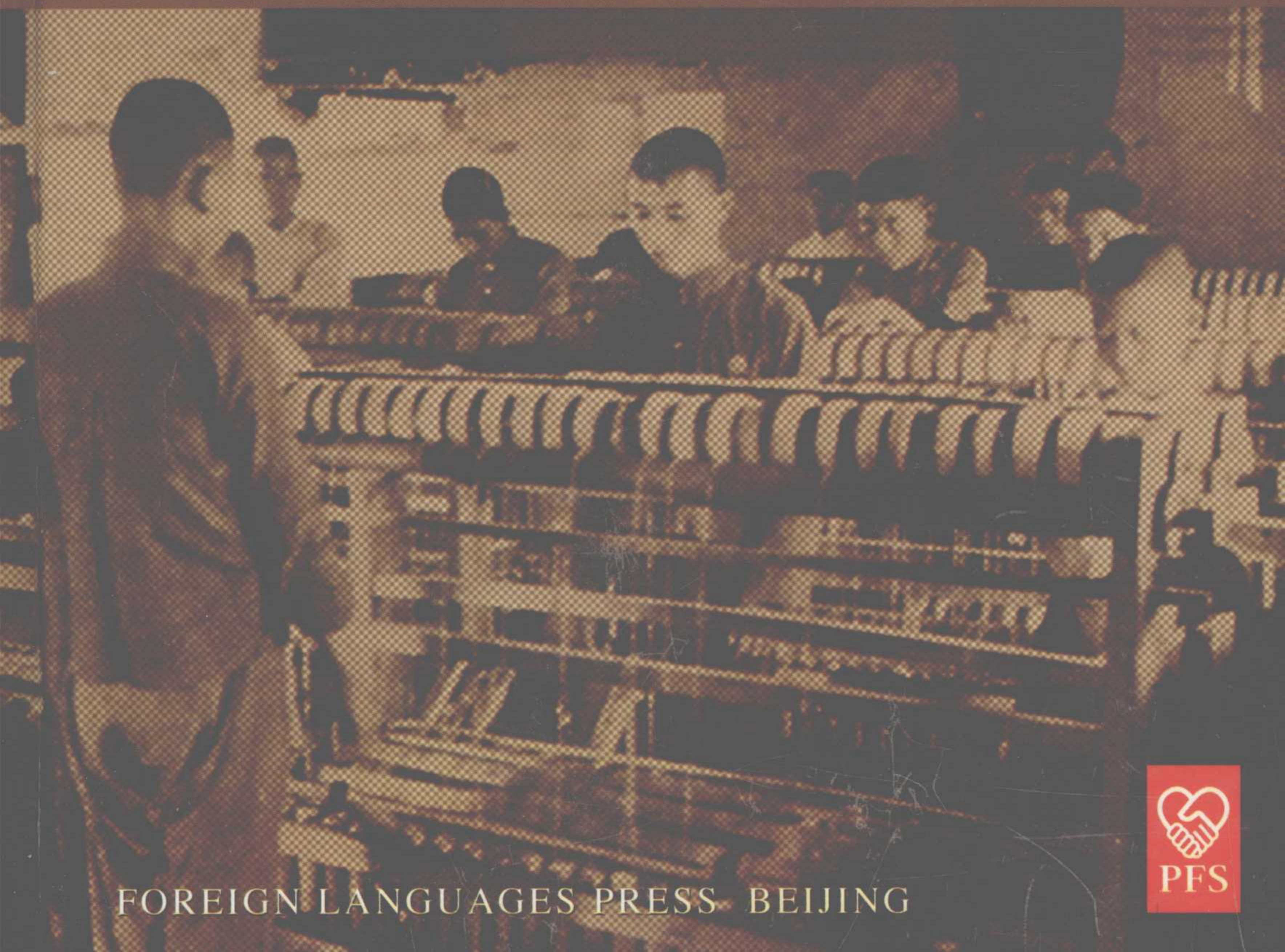


*Nym Wales*

# China Builds for Democracy: A Story of Cooperative Industry

*"Working Together"*



FOREIGN LANGUAGES PRESS BEIJING





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## PREFACE

*Huang Hua*

It is a great honor for me to write a preface for the new, PFS (China Society for People's Friendship Studies) 50-book series under the general title of *Light on China*. All these books were written in English by journalistic and other eyewitnesses of the events described. I have read many of them over the seven decades since my student days at Yenching University. With some of the outstanding authors in this series I have ties of personal friendship, mutual regard, and warm memories dating from before the Chinese people's Liberation in 1949.

Looking back and forward, I am convinced that China is pursuing the right course in building a strong and prosperous country in a rapidly changing world with its complex and sometimes volatile developments.

The books in this series cover a span of some 150 years, from the mid 19th to the early 21st century. The numerous events in China, the sufferings and struggles of the Chinese people, their history and culture, and their dreams and aspirations were written by



foreign observers animated by the spirit of friendship, equality and cooperation. Owing to copyright matters and other difficulties, not all eligible books have as yet been included.

The founder of the first Chinese republic, Dr. Sun Yat-sen wrote in his Testament in 1925, “For forty years I have devoted myself to the cause of the people’s revolution with but one end in view: the elevation of China to a position of freedom and equality among the nations. My experiences during those forty years have convinced me that to attain this goal we must bring about an awakening of our own people and ally ourselves in common struggle with those people of the world who regard us as equals.”

Chairman Mao Zedong declared, at the triumphal founding of the People’s Republic in 1949, “The Chinese people have stood up.” Today, having passed its 53rd anniversary, we see the vast forward strides that have been taken, and note that many more remain to be made.

Many foreign observers have traced and reported the real historical movement of modern China, that is: from humiliation — through struggle — to victory. Seeking understanding and friendship with the Chinese people, their insight and perspective were in basic harmony with the real developments in China. But there have been others who viewed China and the Chinese people through glasses tinted by hostile prejudice or ignorance and have invariably made irrelevant observations that could not stand the test of time. This needs to be better understood by young people and students, at home and abroad. The PFS series *Light on China* can help them gain an overview of what went before, is happening now,

and will emerge in the future.

Young students in China can additionally benefit from these works by seeing how foreign journalists and authors use fluent English to record and present historical, philosophical, and socio-political issues and choices in China. For millions of students in China, English has become a compulsory second language. These texts will also have many-sided usefulness in conveying knowledge of our country to other peoples.

Students abroad, on their part, may be helped by the example of warm, direct accounts and impressions of China presented by their elders in the language that most readily reaches them.

Above all, this timely and needed series should help build bridges of friendship and mutual understanding. Good books long out of print will be brought back to strengthen the edifice.

My hearty thanks and congratulations go first to ex-Premier Zhu Rongji, who has been an effective supporter of this new, PFS series. They go to all engaged in this worthy project, the Foreign Languages Press, our China Society for People's Friendship Studies, and others who have given their efforts and cooperation.

Chairman Mao Zedong has written: "So many deeds cry out to be done, and always urgently. The world rolls on, time presses. Ten thousand years are too long. Seize the day, seize the hour."

The hour has come for making these books available to young people in China and abroad whose destiny is to build a better world together. Let this series add a small brick to that structure.

*Beijing, Autumn 2003*



## NOTE

All money mentioned in this book is in Chinese currency unless otherwise noted. Since 1938 exchange has ranged from five to 25 to one for the United States dollar, exchange being higher in the interior than on the coast. In estimating the value of US \$1.00 in general terms, I have used an average of ten to one, unless otherwise indicated. Costs are going up rapidly in the interior due to inflation, exchange, wartime prices, etc., but in any case one American dollar has an exchange value of at least ten Chinese dollars. During July, 1940, exchange had recovered to fifteen to one. It varies widely from month to month. It must be pointed out, however, that one dollar Chinese in interior China is still worth as much or more than one American dollar in the United States in terms of internal purchasing power and production value. Thus ordinary monthly wages in industry range from Ch. \$10 to \$30, and food for one worker averages from \$10 to \$15. The Industrial Cooperatives sell a woollen blanket for from Ch. \$8 to \$10—or less than seventy cents U.S. Soldier's uniforms are sold for from Ch. \$6 to \$10. Medicated cotton is sold for Ch. \$1.20 per pound. The total *volume* of production of the Industrial Cooperatives is greater than the financial figures indicate, while this Ch. \$7,000,000 monthly production as of May, 1940, has about the same value in China as the same figure would have in the United States.

Several Chinese terms occur infrequently in the book:

*Li*—approximately 1/3rd of an English mile.

*Catty* (or *chin*)—a measure of weight corresponding to a pound.

*Tan* (or picul)—a variable measure of weight usually equivalent to 133.33 English pounds.

*Hsien*—a county in the provinces.



## PREFACE

My Chinese cook carries a little chart which he pulls out whenever anyone makes disparaging remarks about his country. It shows how many days it took for the conquest of Czecho-slovakia, of Austria, Poland, Belgium, Holland, Denmark, Norway, France and so on. Opposite this tragic list is China—over a thousand days of constant fighting since July 7, 1937. He considers this item a victory in itself. In his opinion, poor old China is not only teaching the world how to fight but how to build in the midst of war, and he accompanies his chart with a lecture on the Chinese Industrial Cooperatives, to which he and thousands of other overseas Chinese have already contributed over \$850,000.

There are wars on all continents to engage the attention of those interested in studying foreign affairs, but they are unhappy wars. There are not many new creative movements in the world today that one can write about with enthusiasm and point to with hope. In this period of destruction, construction is news. In this period of Fascist conquest, the rise of democracy anywhere is great news. In this period of disintegration, intelligent and workable methods of change are a phenomenon. That is why I have made this study of the development of cooperative industry in China.

Having lived in China and travelled in the Far East for nine years, I am convinced that this particular subject should be of special interest to Americans and British, for we are now obliged to look for practical ways and means of holding back the advance of aggression in the Far East and of strengthen-



ing democracy wherever it may be found, preferably without having to go to war about it. We shall do well to look carefully into the potentialities of this movement which is building democracy and industry in China, and to judge the fighting value of putting large amounts of our money to work in such an enterprise before it is too late. We need allies, and if money will build them for us, it is a wise investment. We also need to think of the economic depression that will come after the Second World War and to take measures to raise the purchasing power and standard of living of 450,000,000 customers on the other side of the water. As a question of immediate diplomacy, we need to find some healthy "middle way" common economic program to prevent a civil war between the Right and the Left in China. If the Industrial Cooperatives spread to all areas quickly enough, they can do this and make war supplies sufficient to keep two or three million Chinese soldiers and guerrillas in the field in the meantime, thus giving us a breathing spell for European affairs. Even if we decide to "appease" Japan, it is to our interest to help build up the economy of interior China to counter-balance Japanese hegemony on the coast.

The subject is also of interest to other peoples. Cooperative management and finance has been demonstrated by the Chinese to be a surprisingly effective method of industrializing a backward economy. It has already achieved the first successful attempt to bring the forms of modern industry to the Chinese village. How many semi-colonial, poverty-stricken, agrarian lands will follow is an interesting speculation. We in the United States are now anxious to see industry built in South America for a number of reasons. It could be started quickly and on a large scale by cooperative methods, reviving a stagnant economy before the post-war depression sets in.

Inspired by the Chinese movement, the Philippine Commonwealth Government is now sponsoring an industrial cooperative program as part of what Manuel Roxas, Secretary of the Bureau of Economics, calls an attempt to establish a "Producer-Consumer Society." President Manuel Quezon, a canny politician who understands economic necessities, gives his official support. The first cooperative, of Marikina shoe-makers, produced 50,000 pairs of shoes within a few weeks. José A. Lansang, the well-known Filipino radio



news commentator, has remarked in an article that "the C.I.C. of China may become in the years of reconstruction to come all over the world, after the present wars, the most significant contribution of the Chinese people to the new Far East."

During his trip to China at the end of 1939, Jawaharlal Nehru took a very particular interest in the Chinese Industrial Cooperatives. Cooperative management in India might turn Gandhi's famous spinning wheel forward instead of backward. Burmese travellers to China are also promoting the idea at home.

Indo-China, Java, Malaya, Mexico and other agrarian countries are now all similarly struggling with economic problems that can never be solved except by a form of industrialization which balances the national economy and improves the purchasing power and standard of living of the mass of the population.

The European War has already caused many economic dislocations and many more are to follow, particularly if British industry and trade suffer severely. Both Australia and New Zealand are considering a plan for cooperative industry to meet the wartime emergency. Through the cooperative method of capitalization, and perhaps with Government loans, such countries should be able to purchase a good deal of machinery from England before it is too late, and set up an efficient mechanized production, particularly in woollens etc., as well as a certain amount of war industry for defense. Rewi Alley, the cooperative expert in China, is anxious to see this done. His father spent the last twenty years of his life advocating the cooperative factory-farm for New Zealand. Alley recently wrote to me in a letter: "I can see so plainly that my old Dad's ideas of the factory-farm must be worked in conjunction with Indusco. Cannot run normal hours on a factory-farm; if you have nothing for such a large staff to do during the off-seasons, rainy weather etc. With a HF Spinning and Weaving Set hooked up to a nearby waterfall, all the throw-out wool could be changed to socks, blankets, etc. and marketed through the already existing farmers' consumer coops in the townships. But first New Zealand would have to double its population with European and British refugees. The country would take twenty million instead of a million and a half, easily."



Even in England there is renewed interest in the cooperative "self-governing workshop", due to the need for self-management of decentralized industrial units during the war. A newspaper item states that the Mechanics Union intends to organize small cooperative plants to hurry the production of airplane parts, for example. The trade unions could easily organize and manage small industrial units to speed up production and protect it from the blitzkrieg. There are said to be about forty-four cooperative factories in England now.

It is now becoming a matter of mere survival in self-defense to build industrial self-sufficiency by the quickest and most feasible method. China's new Industrial Cooperative Institute in Chengtu will probably soon be receiving delegates and students from many countries, including Japan.

In this Power Age, decentralized industry and more humane conditions of factory work are an immediate possibility through the widespread use of electricity, as Henry Ford has pointed out. In highly industrialized countries at war it has already been found necessary to decentralize due not only to the fear of bombing in a "total war", as in China, but to paralysis and expense of transportation (gasoline shortages etc.) High smokestacks are only an invitation to destruction. One can well imagine what would happen to Tokyo and Osaka after a few incendiary bombing raids from the Aleutian islands or Vladivostok. The mere threat should be enough to make the Japanese revise their industrial concentrations. Japan should be a fertile field for cooperative industry. Nearly half the works in her manufacturing industry are in workshops employing under five persons, and about 70% are in plants with under fifty persons. This is how the diversification of industry is carried out. Unfortunately these are all sweatshops concentrated in a few cities, and none of the benefits of cooperative sharing go back to the workers to increase home consumption of goods now being dumped abroad.

Not a few Japanese are watching the progress of the Chinese Industrial Cooperatives. The military in China have already launched both a bombing and propaganda campaign against it. It definitely interferes with their plans for colonizing China and is even supplying war equipment for the opposing



troops. Other Japanese, however, who fear the instability of their top-heavy monopolist economic structure and seek for methods of democratization, take an alert scientific interest in the experiment. In 1926 real "producing" societies in their own country were dropped due to a conflict with private capitalist enterprise. In 1936 Japan had 15,457 cooperatives numbering 6,197,000 members with over two billion yen in capital, and the movement has grown during the war. These societies have been of definite importance in ameliorating agrarian conditions recently. Even Korea and Manchuria have a few agricultural cooperatives in operation—they improve the raw material supply for Japanese factories. Japan is hardly a good advertisement for cooperative internationalism at the moment, but one must never forget that her present imperialist venture was started largely to prevent such progressive, and other more active, tendencies from gaining strength at home.

The cooperative movement in the United States is also concerning itself with producers' societies, rather than being content with merely consumers', marketing and credit organizations. They have not only their own gas stations but their own oil refineries and blending plants, as well as making tires and batteries. Oil cooperatives alone did a business of \$110,000,000 in 1937. There are cooperative farms, cooperative health associations and cooperative insurance societies. Twelve percent of all farm purchasing is done through cooperatives. The Department of Labor figures show that in 1936, the total number of distributive and service cooperatives was 4,100, with 830,000 members and a total business of about \$190,000,000. In 1938 the consumers' cooperatives sold \$500,000,000 worth of goods.

We may also mention Russia, which had in 1936, not only 39,000,000 members of consumers' cooperatives, but 2,350,000 owner-producers in co-operative industry—surviving from the old *artels* which produced half the manufactured goods of Russia in 1914, then totalling 2,400 million roubles annually. Even Italy still has 6,000 labor-contract cooperative societies which built the public works of which Mussolini boasts.

Since the Rochdale weavers fathered the modern cooperative movement in 1844, the International Cooperative Alliance, which includes agricultural



and industrial producers' societies, credit unions and cooperative banks, as well as consumers' societies, has become affiliated with a membership of 70,000,000 in 38 different countries. These cooperatives are estimated to do about twenty billion dollars worth of business annually.

The history of this new cooperative industry in China is one of the most dramatic stories that has come out of the Sino-Japanese war. One can never give up hope in China somehow. As soon as you feel that all is lost, some meteoric phenomenon like this appears and you realize again the immense vitality lying immobile in this vast nation. This is a story of pioneering on one of the last frontiers, a frontier that stretches from Inner Tibet and Inner Mongolia in a vast continental crescent to the southern China sea.

In the midst of the wars and social upheavals that characterize our era, this dynamic movement now stirring in the heart of interior China is of no small significance. Its potentialities are very great and the mere struggle to rebuild industry on a democratic base in the middle of a battle field is an exciting one that has already captured the imaginations of hundreds of observers interested in social and economic change and in the fate of China. A titanic fight has been waged between China and Japan since July of 1937, yet today the outcome is as much a question as ever. The answer is not to be found in statistics on battles won and territories occupied. It is to be found in the underlying economic factors which determine Japan's powers of perseverance and China's powers of resistance. One learns a great deal about actual conditions in the interior of China by a study of the progress and difficulties attending the Industrial Cooperative movement.

What is to be the form of Chinese society after the war? Will it be a colony monopolized by Japan? A colony controlled by international high finance under Japanese suzerainty? A divided nation, half-slave and half-free, that cannot stand? A Communist state? A cooperative commonwealth? At present there is a high-powered little engine running fast along the "middle way", and unless the locomotive of history takes a sharp turn or is wrecked in its tracks, there is some possibility that China may become a democratic cooperative society moving toward prosperity and peace on its own momentum.



The material for this book is taken from personal experience, first-hand information gathered by my husband, Edgar Snow, during an inspection tour of the cooperatives in China, letters from and recent conversations with Rewi Alley and other staff members, and various reports from the field.

The writer wishes to thank the editors of the following magazines for permission to include parts of her published articles on the subject: *Pacific Affairs*, *The Nation* and *The China Weekly Review*.

N.W.

Baguio and Hongkong,  
November, 1940.



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