

made for credits for the State subsidy to invalidity insurance. Assuming that the whole adult population joins the sickness insurance scheme, an assumption which is unlikely to be realised in fact since the scheme is voluntary, the additional State contribution in respect of invalidity benefit would amount to about 12 million kr. a year.

## The Co-operative Movement in China <sup>1</sup>

While the co-operative movement was not recognised in Chinese national legislation until the passing of the Co-operative Act by the Legislative Yuan in February 1934, it had already existed in China for fifteen years. During this period two stages may be distinguished.

During the first stage, from 1919 to 1927, the movement was mainly confined to the province of Hopei in North China, under the auspices of the China International Famine Relief Commission (C.I.F.R.C.), which since its foundation in 1921 has always played a prominent part in guiding co-operative activity in famine-stricken and inundated areas.

During the second period, beginning with the establishment of the National Government in Nanking in 1928, a leading part was taken by the various provincial Governments in the South under the Nationalist flag, with the C.I.F.R.C. rendering active assistance through the technique and experience acquired in the course of its first few years of field work.

### CO-OPERATION UP TO 1927

Under the promotion and guidance of the C.I.F.R.C., the co-operative movement in Hopei had a slow but steady growth during the first stage from 1923 to 1927. During this period of five years the number of credit societies increased from 8 to 561, the membership from 256 to 18,190, and the paid-up share capital from \$286 to \$20,698. The growth was put on a fairly sound basis by the Commission's policy of granting loans to societies "recognised" by the Commission. The number of these societies, which was only 9 in 1924, grew to 129 in 1927, with a total membership of 4,354 and a total paid-up share capital of \$7,985; they were highly superior, in respect of both membership and resources, to the unrecognised societies.

### CO-OPERATION UNDER THE NATIONAL GOVERNMENT

Since the establishment of the Nanking Government in 1928, considerable attention has been given by the Government authorities

---

<sup>1</sup> Summary of: *The Co-operative Movement in China*, by H. D. FONG, Ph.D., Research Director, Nankai Institute of Economics, Nankai University. Tientsin, Nankai University, 1934. 30 pp.

to the promotion of the movement, owing to the fact that the Kuo-mintang Party, under Dr. Sun Yat Sen's "principle of livelihood", has all along advocated co-operation as a means of relieving the economic distress of the masses. In 1928 the Kiangsu Provincial Government, besides promulgating Provisional Regulations for co-operative societies in Kiangsu, proceeded to organise a Provincial Farmers' Bank for the financing of co-operative societies, and a training class for co-operative education.

These initial activities were soon followed by the authorities in adjoining provinces, and in 1929 the Hangchow Branch of the China Agricultural and Industrial Bank was entrusted with a capital of \$500,000 and a loan fund of \$380,000, both of which were raised for the purpose of organising a Chekiang Provincial Farmers' Bank and financing the co-operative societies. In 1933 the Farmers' Bank for the Four Provinces (Honan, Hupeh, Anhwei, and Kiangsi) was established in Hankow for similar purposes.

Meanwhile, a provincial co-operative law was passed for Shantung and Chekiang in 1929, one for Kiangsi and Hopei in 1930, and one for Hunan in 1932. In April 1931 the Ministry of Industry promulgated Provisional Regulations for rural co-operative societies, which were recently replaced by the Co-operative Act passed by the Legislative Yuan.

Legal and financial assistance for various societies in the provinces hitherto mentioned is rendered more effective by the establishment of Co-operative Departments or Committees in the Bureaux of Reconstruction or of Industry in Kiangsu, Chekiang, Kiangsi, Hupeh, Hunan, Shantung, Hopei, and other provinces, as well as by the work of the C.I.F.R.C., which includes, besides the granting of loans to co-operative societies, the promotion and guidance of the co-operative movement by means of the training and appointment of co-operative field workers, the publication of co-operative literature, the compilation of co-operative statistics, etc.

Another significant development has been the organisation of the China Co-operators' Union in 1928. Since its formation this organisation has rendered useful services to the co-operative movement by holding annual congresses of co-operative workers, and by issuing regular and irregular publications, at the head of which comes the *Co-operative Monthly*, issued since March 1929. Following this, other societies of similar character have been formed, in Kiangsu, Hupeh, Shantung, and Tientsin, and in view of the growing interest of the public in the co-operative movement it may not be long before a national co-operative union actually comes into being.

It may be noted that since the rise of the Nanking Government the principal developments of the co-operative movement have been in Kiangsu and Chekiang, the two provinces from which the National Government derives most of its support. During the five-year period 1929-1933 the number of co-operative societies increased from 309 to 1,897 in Kiangsu and from 143 to 1,072 in Chekiang, with an increase in membership from 10,971 to 56,192 in the former province and from 4,524 to 29,078 in the latter.

Outside these two provinces, the co-operative movement is essentially an outcome of the relief works for the inundated areas in 1931, when five provinces along the Yangtze River (Anhwei, Hunan, Hupeh, Kiangsi, and Kiangsu) were affected by one of the greatest floods in history, with a total loss of 1,933 million dollars. In these five provinces different types of relief work, at a total cost of about \$70,000,000, were undertaken under the auspices of the National Flood Relief Commission, which was organised on 14 August 1931.

During the first stage, before the flood had subsided, emergency relief for the maintenance of human life, in the form of free food, clothing, and shelter, was given to the refugees in the flooded area. This was changed when the water subsided, and labour relief in the form of repairing and constructing dams was given.

Following these relief measures, loans for farm rehabilitation purposes, such as the repair of private dams, drainage, the purchase of ploughs, cows, and seeds, and even the repair of farm houses and acquisition of household effects, were provided for through a wheat loan of 48,270 short tons from the United States, which was distributed among the five provinces. With the exception of Kiangsu, the granting of farm rehabilitation loans was mostly entrusted to the C.I.F.R.C., especially in Kiangsi and Anhwei, where the procedure adopted was to make loans to the refugees at a low rate of interest (usually 4 per cent.) through the mutual aid societies, which undertook to guarantee the safe return of the loan with collective responsibility. This procedure was also applied in Hunan and Hupeh in 1932, in the North China War District of Hopei and Chahar in 1933, and in the Yellow River flooded areas of Hopei, Honan, and Shantung in 1934. It was planned at the beginning that these mutual aid societies should ultimately transform themselves into co-operative societies. This transformation caused a sudden growth of the co-operative movement in the four provinces of Hunan, Hupeh, Kiangsi, and Anhwei, where the number of societies increased from 39 in August 1932 to 2,225 in October 1933, and the membership from 9,741 to 94,096.

In the province of Hopei the co-operative movement has made steady progress since 1928, though somewhat slowly in comparison with the central provinces. From 1928 to 1933 the number of societies, as reported by the C.I.F.R.C., increased from 604 to 914, and the membership from 15,301 to 23,197.

During the last few years several leading banking institutions in North China have shown their interest by placing funds at the disposal of the Commission. In 1931 an agreement was concluded between the Commission and the Shanghai Commercial and Savings Bank, under which the latter offered a sum of \$20,000 for financing co-operative societies in Hopei, a sum which was increased to \$50,000 in 1932 and \$100,000 in 1933. Early last year the Bank of China also joined the enterprise with a fund of \$20,000 and the Kinchong Banking Corporation with \$50,000. Briefly, in the early part of 1933 a total fund of \$170,000 had been placed at the disposal of the Commission by these three banks for financing co-operative activities in Hopei, and

the total was raised to \$200,000 by a new agreement between the banks and the Commission on 16 December 1933.

In June 1929 the Shantung Provincial Department of Agriculture and Mining organised a co-operative training class with about 70 pupils, and in October a Co-operative Directing and Supervising Committee was established in the Department. In November the Shantung Provisional Co-operative Regulations were passed. At this juncture the assistance of the C.I.F.R.C. in the neighbouring province of Hopei was called in, and, according to its report for 1931, 35 co-operative societies, located in the eight hsiens or districts of Shantung, were formed and applied to the Commission for assistance. In July 1931 plans were worked out between the Commission and the Shantung provincial authorities for extending the movement throughout the province; but unfortunately the work had to be suspended owing to the disastrous floods in the Yangtze and Hwai valleys, which drew many members of the Commission to the affected areas. Nevertheless, the co-operative development of the province has already attained commendable success. In 1932 there were 114 societies in the province with a membership of 6,882; the number increased to 225 in 1933 with 14,800 members.

Outside the eight provinces hitherto mentioned, co-operative societies may be found in such provinces as Shensi, Suiyuan, Szechuen, Chahar, and Chinghai, but they are too few to be of practical importance. Co-operative societies, principally of the distributive or consumers' type, also exist in the municipalities of Shanghai, Nanking, Canton, Peiping, Tientsin, and Tsingtau, but they too are of little significance, as in the co-operative provinces it is the agricultural societies, especially of the credit type, that predominate.

#### THE PRESENT SITUATION

In 1933 the eight provinces already mentioned (Hopei, Shantung, Kiangsu, Chekiang, Anhwei, Kiangsi, Hunan, and Hupeh) had 6,834 co-operative societies in 267 hsiens, with a total membership of 229,075 and a total share capital of \$1,265,724, or an average membership of 34 and an average share capital of \$185 per society.

The geographical distribution of the members was as follows:

Province	Number of members	Per cent. of total
Kiangsu	56,192	24.5
Anhwei	50,408	22.0
Hopei	40,263	17.6
Hunan	30,367	13.3
Chekiang	23,724	10.3
Shantung	14,800	6.5
Kiangsi	10,981	4.8
Hupeh	2,340	1.0
Total	229,075	100.0

As regards distribution by type of society, credit societies predominate by a large majority, accounting as they do for more than four-

fifths of the total number of co-operative societies in China in each of the three years 1931-1933. Among the remaining fifth the more important are, in order of relative importance, producers', consumers', purchasing, marketing, utilisation, etc., societies.

#### NATURE AND EXTENT OF CREDIT ACTIVITIES

Credit societies are usually understood in China to be "borrowing" societies, i.e. societies by means of which loans can be secured or "borrowed" from the central institutions (the provincial banks or relief organisation). For the majority of the credit societies in China, indeed, the share capital constitutes the only part of the total working capital which is raised by the members. Member deposits and non-member deposits are practically non-existent. In Hopei, where the credit co-operative movement has been slowly but carefully fostered under the auspices of the C.I.F.R.C., savings and deposits, largely from members, constituted only 3 per cent. of the total working capital in 1925; but their gradual increase from this figure to 15.2 per cent. in 1930 and 27.9 per cent. in 1933 is an exceptional yet encouraging sign.

The C.I.F.R.C. loans constituted a very large proportion of the total working capital at the disposal of the recognised societies in Hopei, ranging from 74.7 per cent. in 1926 (the highest point) to 48.8 per cent. in 1933 (the lowest). Elsewhere, however, the picture is much less bright. In Kiangsu, for instance, the loans granted to co-operative societies by the Kiangsu Provincial Farmers' Bank amounted to \$3,026,240 during the fiscal year July 1931 to June 1932, or 6.2 times the total share capital (\$483,519) of the co-operative societies in Kiangsu in August 1932. In Hopei the ratio of C.I.F.R.C. loans to share capital in 1933 was only 2.7 : 1, as against 6.2 : 1 in Kiangsu. In Chekiang the ratio is even more unfavourable than in Kiangsu. In this province the total amount of loans granted to co-operative societies is hard to estimate, as here, in the absence of a provincial farmers' bank, the Hangchow Branch of the China Agricultural and Industrial Bank on the one hand and the hsien farmers' banks and hsien loan offices on the other, both of which are organised with public funds raised mostly from a land surtax, are entrusted with the function of granting loans to co-operative societies. In 1933 the loans granted by the Hangchow Branch of the China Agricultural and Industrial Bank and the hsien banks and loan societies amounted roughly to an estimated total of one million dollars, or 9.4 times the total share capital of the co-operative societies in Chekiang.

As regards the purposes to which the loans have been devoted, statistics are available only for Hopei and Kiangsu. Out of the total amount of loans granted by the C.I.F.R.C. to the recognised societies in Hopei during the period 1924-1932 (\$285,382), 32.8 per cent. was devoted to the purchase of seed grain, food, and fodder, and cultivation expenses; 31.9 per cent. to buying carts, animals, and implements, and repairing houses; 2.5 per cent. to dikes, irrigation, and drainage; 3.0 per cent. to social expenses, such as marriages, funerals, etc.;

19.9 per cent. to repaying debts ; and 9.9 per cent. to other purposes, including village trades and industries such as weaving. In other words, nearly one-fourth of the loans in Hopei (22.9 per cent.) are consumptive in character, being devoted to unproductive purposes such as repayment of debts and social expenses, while the remaining three-fourths, although largely productive, are used primarily for the maintenance of the *status quo*, and not for permanent improvements in agriculture.

In Kiangsu the percentage of loans devoted to consumptive purposes, including repayment of debts and redemption of land mortgages, is larger than in Hopei, being 28.5 per cent. in 1928-29 and 30.5 per cent. in 1929-30. For the other items the distribution in these two years was as follows : seed grain, food, fodder, hired labour, and taxes, 23 per cent. in 1928-29 and 32.6 per cent. in 1929-30 ; animals, agricultural implements, building and repairing houses, 13.4 per cent. and 15.5 per cent. ; dikes and irrigation, 0.4 per cent. and 0.8 per cent. ; marriage and other items, 3.4 per cent. and 2.2 per cent. ; other expenses, including by-industries and sericulture, 31.3 per cent. and 18.5 per cent.

Loans granted by the C.I.F.R.C. up to the end of October 1933 to co-operative societies in Anhwei and Kiangsi, two of the provinces affected by the Yangtze flood of 1931, have been mostly devoted to the purchase of seed grain, food, fodder, fertiliser, materials, etc., and wages (29.91 per cent. in Anhwei, 52.38 per cent. in Kiangsi), and to buying carts, boats, animals, and implements, and repairing houses (63.47 per cent. and 44.03 per cent. respectively).

As regards the duration and size of loans, in both the provinces of Hopei and Kiangsu over four-fifths of the loans granted have a term of one year or less, and borrowers applying for loans of \$100 or less make up over nine-tenths of the total number of borrowers

#### OTHER ACTIVITIES

As stated above, the co-operative movement in China has been, strictly speaking, a credit movement, but beginnings of other activities could be discerned even during the first stage, from 1919 to 1927. During the second stage, from 1928 onwards, there has been a real development of non-credit societies. The number of these societies, which are mostly of the agricultural type, rose from 29 to 620 during 1929-1933 in Kiangsu, and from 29 to 214 during 1930-1933 in Chekiang. In addition, credit societies may also engage in non-credit activities.

The need for credit societies to take up other activities has been increasingly realised. The local unions of credit societies in Hopei, which were first organised in 1927, and have grown from 3 in that year to 28 in 1933, may in the near future constitute a nucleus for the development of other activities, such as sales, purchases, utilisation, etc.

The function of purchasing has been taken over by the co-operative societies organised under the auspices of the Tingsien Experiment of the National Association of the Mass Education Movement since

December 1932. These societies, of which there were 88 at the end of 1933, undertake other functions besides credit, such as purchasing, production, and marketing. Up to the present, production has been confined to cotton spinning and weaving, embroidering, willow-ware making, grain milling, improved breeding of pigs, and collective farming, but on the whole it is of small extent. Some beginning has been made in the marketing of cotton fabrics, and it is hoped that the large-scale marketing of cotton will soon begin under the auspices of the North China Farm Products Marketing and Research Institute, of which the Tingsien Experiment is a charter member.

### CONCLUSION

On the whole, Chinese co-operation is primarily a policy, not a movement. In view of the almost hopeless situation to which the Chinese peasants have been reduced by incessant civil warfare and natural disasters, co-operation could not have been fostered as a movement from below, but only as a policy from above. The Chinese peasants have a great need of organisation for the improvement of their economic position, but, being illiterate and destitute, they are incapable of organisation on their own initiative. It is here that a stable and efficient Government can help to educate as well as to finance the peasants by means of a State policy of promoting co-operation. It was precisely in the absence of such a Government that the China International Famine Relief Commission undertook the task in 1923. Since the establishment of the National Government in Nanking in 1928 co-operation as a national economic policy has been given a trial, but it is still faced with many difficulties.

Nevertheless, signs of new development have become visible, especially in the last two years (such as the growing interest of private commercial banks in the financing of rural co-operative societies, the organisation of co-operative classes and courses, the publication of co-operative literature, the rise of non-credit types of societies), and it is hoped that before long Chinese co-operation, even as a policy, will be able to stand on its own merits.