

BOMBAY

THE CO-OPERATIVE MOVEMENT  
IN CHINA

*(Report on Observations made during a trip to  
China, 1934-1935)*

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# THE CO-OPERATIVE MOVEMENT IN CHINA

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## OBJECT OF THE VISIT

My visit to China on behalf of the Universities' China Committee in London extended over ten months, from my arrival in Shanghai on August 25th, 1934 to my departure on June 30th, 1935. Two months, from the middle of November to the middle of January, were occupied with teaching two classes of students at the University of Nanking: a fourth-year class of undergraduates in the College of Agriculture, and a special class of older men, educated to the Middle School standard, who had been selected by the government for a short course of intensive training in Rural Economics. My subject was Rural Finance and Co-operation. The former class was taught in English, and was attended by some members of the Faculty and a few interested persons from other institutions in addition to the undergraduates; the latter in Chinese, Mr. Chang Lü lwan of the Agricultural Economics Department acting as interpreter. My general impression was that whereas the fourth-year undergraduates had not, in most cases, a sufficient knowledge of English with which to digest and analyse (apart from hearing) what was said to them, the special group of Middle School men who were taught in Chinese do not require advanced teaching of this kind at all. Their business is practical field-work, for which only a moderate amount of theoretical instruction is necessary; and this can be given in a course of two or three months, held in each province by the fully-trained co-operative leaders of that province. The

full training of leaders is the task of a University, but such training can only be given to them in a post-graduate course, after their undergraduate course has been completed, and when, perhaps, they have already been engaged for a year or two in some definite occupation. Undergraduate students of a University are not yet fit for a full co-operative training, and the "credit" system of teaching, where this is in force, makes it peculiarly difficult for an undergraduate to assess, and concentrate his mind on, the real value of what he is reading or hearing.

## UNIVERSITY LECTURES

My lectures given at the University of Nanking are being published in Chinese by the University, and in English by either the University or the National Economic Council. Since they cover in detail the ground of co-operative credit, with chapters also on other types of co-operative society, they will have some utility for purposes of reference among Chinese co-operators, and may serve to guide those of the existing co-operative staff who have enjoyed no opportunity of studying co-operative theory and practice. I have to acknowledge very gratefully the help given to me by the University of Nanking, both during this period of lecturing and throughout my stay in China, and also the courtesy and assistance of the central and provincial departments of government, and of very many private institutions and persons, Chinese or foreign. The remainder of my time was spent in travelling to various provinces and studying co-operative societies with the aid of the official and non-official persons and bodies which are organizing, advising, or financing them. Mr. Chang Lü Iwan accompanied

me on the majority of these journeys, which could not have been performed at all without such a colleague. Wherever a university existed I approached it in the first place, and in addition to the larger educational centres—Peiping, Shanghai, and Nanking—lectures were delivered at Tientsin, Hankow, Hangchow, and Anking. Formal lectures and informal talks were given also on fifty or sixty occasions, to groups of co-operative workers (official and unofficial), schoolmasters, bankers, soldiers, agricultural experts, civil officers, and missionaries. There were further opportunities, at Rotary and similar lunches, of emphasizing a few leading points, and the Press, though sometimes puzzled, was constantly interested and helpful. My travels covered nine provinces, but I was unfortunately prevented by illness from visiting the southern provinces of Kwangtung and Kwangsi. Advice was given to the Hong Kong government as to co-operative organisation among the agricultural Chinese of the mainland and the urban population of Victoria and Kowloon.

The subject of Co-operation can, in a single lecture, only be treated in the most general way; and since enthusiasm for Co-operation is already high in China and the pace of organisation is dangerously rapid, single lectures to large bodies of university undergraduates are not always beneficial. A lecture to a selected group of economic students, on the other hand, and still more a series of lectures, is likely to be profitable, since in such cases it is possible to be more accurate and to guard against misinterpretation. A course of six lectures to the staff of the Shanghai Commercial and Savings Bank, which is active in the co-operative field, provided an opportunity for discussion with men who had financial experience and a defined point of view and were able to present the banker's case. A

conversation with the staff, especially the agricultural and economic members, of a university may also be good. I do not therefore recommend the delivery of single lectures to the general body of students on any subject on which indistinct ideas are already widely entertained in the country. There is no time to clear away the fog.

## CO-OPERATION AND PROFESSOR HSIEH

Though there may previously have been minor experiments in Co-operation under the leadership of foreign missionaries or Chinese philanthropists, the co-operative idea was first made known to the educated Chinese public by Professor S. Y. Hsieh, who after studying the movement abroad and teaching in Chinese universities, succeeded in organizing a Co-operative Savings Bank in Shanghai in 1919. Though this institution no longer survives, the influence of Professor Hsieh and of his weekly paper (*Ping Ming*) was felt in many provinces, and the Chinese National Party (*Kuomintang*) still supports his policy of multiplying propagandists in the co-operative cause throughout China, and setting up important organs with official aid to convey the message to the people. The China Co-operators' Union in Nanking is an instrument of the Party in carrying out this policy. The Union enjoys the support of a large number of educated members and this serves to maintain the interest of the government and the public in the subject of Co-operation. It also offers, through its library and publications, a centre of study. There can however be little doubt that if Professor Hsieh<sup>1</sup> had lived longer, he would have adapted his teaching to the new situation created by the recent

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1. ob. 1929.

progress of the movement; and would have preferred co-operative quality to quantity. The field is no longer bare, as when he wrote, and it is essential to produce good co-operative societies and fully trained leaders, rather than to spread more and more widely an imperfect knowledge of co-operative doctrine and an ever greater host of semi-co-operative institutions. Imperfection in the beginning of a movement is natural, and is common to every country; but Professor Hsieh would not himself have wished to overlook its existence in China or to turn away from the remedy.

### CHINA INTERNATIONAL FAMINE RELIEF COMMISSION & HOPEI

An independent source of co-operative activity was found in the province of Hopei. Here the China International Famine Relief Commission, believing that prevention is the best method of cure for famines, embarked on a plan of co-operative teaching in the villages, but then left the villagers to take the next step. Societies were organized, not always on correct lines, by the farmers themselves, and were only "recognized" by the Commission when their book-keeping and management were such that a loan, from funds first set apart by the Commission and later supplemented by the Chinese banks, could safely be advanced to them. The Commission has, within the limit of its means, employed a staff of inspectors to teach the societies, both by touring in the villages and by means of longer training classes at convenient centres; but the societies, being (until recently) only engaged in the collection of funds and the issue of small loans to members, were of a simple "credit" type, and the farmers were encouraged to manage them, so far as

possible, by themselves. The latest available figures (August 1934) show 474 societies recognized by the Commission (i.e. in receipt of loan-money) and 607 unrecognized. In 1934, however, the policy of passivity was to some extent abandoned by the Commission in Hopei, and an active campaign on behalf of new societies was carried on in several districts. A few experiments had been made in a previous year in the co-operative sale of cotton, and the societies were now invited to gin their cotton in the villages, instead of selling it to merchants in the raw state, while co-operative unions, formed by all the societies of a district (hsien) or sub-district (chū), undertook the baling, pressing and sale of the lint.

Another organization, the Association for the Improvement of Agricultural Products, was founded during the same year with the support of the Kincheng Banking Corporation, Nankai University (Tientsin), and the Mass Education Movement of Tingsien. This body stimulated cotton-sale societies, which also granted credit, and a certain competition developed between it and the Famine Relief Commission.

An official commission was appointed in the winter of 1933-4 to assist the farmers of the Hopei and Chahar provinces which had suffered from the military conflict between China and Japan. The Famine Relief Commission itself opened a similar campaign in the flooded areas of Hopei beside the Yellow River. The work in both places began with unregistered "mutual aid" societies, which are described below, but some of these have subsequently been registered as co-operatives, and the process continues. There were thus 2,000 co-operative societies, promoted by the various agencies which have been mentioned, in the whole province of Hopei at the end of the year 1934.

## KIANGSU PROVINCE

It was not until the Republican successes of 1927 had brought the Yangtse valley and northern China under nationalist control, that the provincial authorities seriously undertook the business of co-operative organisation. The Farmers' Bank of Kiangsu province, established in 1927, was the most ambitious venture of that period. Its first funds were accumulated by means of taxation, and were lent out by enthusiastic agents to societies which they had hastily organized. It is unlikely that all these early loans will be repaid in full. After reconstruction, however, the Farmers' Bank worked in collaboration with a Bureau of the Kiangsu government, and the position has improved. At the end of 1934 Kiangsu province had 3,000 societies.

No other Agricultural Bank<sup>2</sup> was created before 1933, when the Farmers' Bank of Four Provinces (Anhui, Honan, Hupeh, Kiangsi) was established at Hankow.

## AGRICULTURAL BANKS

The title of this bank has now (1935) been changed to the National Farmers' Bank; offices have been opened in Fukien and Shensi provinces, and further extensions are proposed. Smaller financial bodies of a similar kind have been set up in Chekiang province. None of the banks here described are co-operative. There are as yet no co-operative banks in China. In many provinces, on the other hand, an official

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2. A Farmers' Bank is not a co-operative bank, but an Agricultural Bank which finances co-operative societies and also does commercial business.



Bureau (of Agriculture or Finance or Industry) includes a co-operative section, while in Shensi the Bureau of Co-operation stands on an independent footing. Elsewhere (Anhui, Honan, Hupeh, Kiangsi, Kwangtung), Co-operation is under a Co-operative Committee, appointed by the provincial government and containing official and unofficial representatives.

### BUREAUX AND COMMITTEES

The Bureau or Committee in each such province employs a touring and a headquarters staff of inspectors and organizers, and either itself finances approved societies, or recommends them to a Farmers' or a commercial bank.

### OTHER AGENCIES

Propaganda is carried on by various other agencies in addition to governments and the Famine Relief Commission. Several commercial banks, among which the Shanghai Commercial and Savings Bank and the Bank of China are prominent, employ their own organizers and grant loans directly to village societies. The propriety of such direct relations will be discussed below. Three of the banks have lent \$200,000 to the Famine Relief Commission in Hopei, but have no direct relations with the societies to which it is advanced.

Mass education groups, Christian missions, universities and colleges, agricultural stations, and private persons also organize societies and sometimes undertake to educate and guide them. The most vigorous of these is the Mass Education Movement of Tingsien (Hopei).

## MUTUAL AID SOCIETIES

A great impulse was given to Co-operation when after the Yangtse flood of 1931 the China International Famine Relief Commission was asked to distribute relief loans for farm rehabilitation to the distressed farmers in Anhwei, Hunan, Hupeh, and Kiangsi provinces. The procedure followed was to lend to "mutual aid" groups, each of which consisted of a few neighbours under a leader, jointly pledging themselves to repay the whole sum. There were no bylaws or constitution in such groups, but the idea of a co-operative credit society would naturally appeal to farmers who had enjoyed this benefit. A mutual aid society received assistance only once, and is then dissolved if no co-operative society is born of it. The Famine Relief Commission distributed very large sums of money in small amounts to thousands of mutual aid groups, and its procedure has been imitated by the provincial governments of certain provinces (Kiangsi, and Hunan).

## GROWTH OF CO-OPERATION

The result of this sudden development is that whereas at the end of 1933 there were 5,300 registered co-operative societies, at the end of 1934 there were 14,600. At the time of writing (August 1935) there must be 20,000 or more, and expansion is continuing at the same rate. At the end of 1934, five provinces (Anhwei, Chekiang, Hopei, Kiangsu, and Shantung) contained a total of 10,600 societies, while Honan and Kiangsi contained each 1,000 more. Nine other provinces had only 2,000 between them, and seven provinces are not mentioned in the lists<sup>3</sup>. Everyone, with the exception of some of

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3. No account has been taken of areas which are not under direct Chinese administration.

the more conservative bankers, believes in Co-operation, and there may well be 100,000 societies at the end of another ten years.

## COMMUNISM AND CO-OPERATION

It is as an alternative to Communism on the one hand, and to uncontrolled Capitalism on the other, that Co-operation makes its strongest appeal to Chinese thinkers. It would be incorrect to describe Chinese civilization as breaking up, as African society is tending to break up, under the impact of Western ideas and the pressure of a machine economy. Yet great changes have already taken place in the outlook and customs of the educated, while the life of the smallest farmer or rural artisan has been affected and upset by the invasion of mill-made goods (usually from *Chinese* factories) and the fluctuation of agricultural prices. These forces, together with natural disasters and internal or foreign disorders, have raised the expenditure and lowered the net income of the peasant, and are gradually depriving him of his livelihood and his land. In ancient China, when conditions became intolerable, a national upheaval would shake off the dynasty and the landlord, thus enabling the peasantry to make a new start. It is doubtful whether an *unscientific* upheaval will now suffice. There is no dynasty, and the peasant finds himself compelled forthwith to recall the landlord whom he has ejected, if the operations of farming are to be carried on at all. It is only the landlord, the merchant, the official or exofficial, who can supply the farmer with the cash which has become indispensable. Communism claims and attempts to substitute a scientific for a scrambling world, and while the impoverished tenant or labourer may be attracted towards it by the hope of sharing

in an abundance which has hitherto been denied to him, the educated Chinese reformer may welcome Communism as providing a constructive plan in a world which needs re-shaping. This is no place to discuss the merits and demerits of Communism. As an organized power it has been overthrown, and China has, I think, no intention of returning voluntarily to a social experiment which involves the elimination of large numbers<sup>4</sup> of her intelligentsia, and which imposes on the farmer and labourer a heavier burden, with a less secure return, than they have borne during the civil wars of the last twenty-five years.

### CO-OPERATION AND CAPITALISM

Many of the most thoughtful, on the other hand, dislike the picture of a "modernized" China in which Capital—not only the big Capital of industry in the cities, but also the small Capital of the landlord, merchant and official in the countryside—will extend its power, add to its possessions, and perhaps dominate the political as well as the economic life of the nation. Co-operation is acclaimed by many, because it, like Communism, appears to be a plan of national life, midway between the extremes of an unchecked Capitalism and the red holocaust. It does not seek to destroy Capital but to use it, raising the poorer men and women (by uniting them into voluntary groups) to an economic equality with richer men and women, and releasing them from that miserable insecurity which surrounds the poor man so long as he is isolated. Professor Hsieh undoubtedly grasped this function of Co-operation in China, and Dr. Sun Yat-sen appears to have appreciated it more fully in

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4. The list of proscribed persons under the Communist regime, recently destroyed in Kiangsi, included all those who wore foreign clothing or used spectacles, and all whose hair was smoothly brushed.

his later years.<sup>5</sup> And just because Co-operation is a national plan, real knowledge of co-operative theory and practice throughout the world must be acquired by co-operative leaders, if they are not to fail in its application.

### THE GUILD AND THE HUI

Both Chinese and foreigners are apt to refer to the professional guilds of merchants labourers etc., as being almost co-operative societies and therefore a suitable foundation on which a co-operative structure may be raised. Others point to the Hui (or Hwei or Wui), the indigenous "contribution clubs" which are spread throughout China, and have been reproduced in Japan, India, and various parts of Africa. It is however a mistake to look for a co-operative principle in either the guild or the Hui. These institutions prove (what there was never reason to doubt) that the Chinese are capable of association for a common purpose; but whereas the guild lacks: (1) voluntary membership and withdrawal, (2) publicity of procedure, and often (3) democratic management, the Hui ordinarily lacks (4) a careful control over each member's use of his money, and (5) external audit to ensure the safety of the funds. But these five points are the essence of Co-operation. The guild has vocational functions with which the co-operator is not concerned, while the Hui tends, in a large proportion of cases, to wasteful expenditure and is adverse to co-operative principles. The Japanese Mujin has been controlled by legislation, and it may in the future be possible to limit similarly the evil effects of the Chinese Hui.

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5. Co-operation assumes greater importance in Dr. Sun's later teaching as he turned away from Communism. It is to be regretted that some of his followers deny any growth or evolution in his ideas. He would have been a smaller man if he had been incapable of it.

Three elements in the national life of China today are favourable to the co-operative movement, if a prudent use is made of them. They are (1) the general faith of the public in Co-operation, (2) the active support of the government, and (3) the character of the Chinese farmer. I have dealt with the first of these, and will now turn to the part played by the government.

### STATE SUPPORT

The first duty of a State which wishes to introduce or facilitate Co-operation is to pass a law which will provide for the registration and incorporation of societies, for an annual audit by an external auditor, and for the observance of such conditions as will allow only a truly co-operative society to remain on the register.

### THE CO-OPERATIVE LAW

A Chinese law on Co-operation was passed by the Legislative Yuan early in 1934, but has not yet been declared in force. The movement is in the meantime proceeding under diverse sets of provisional regulations issued by the Ministry of Industry, by the military headquarters of the anti-Communist campaign, and by certain provinces which have not accepted either of these two sets. The various regulations are in conflict with one another on questions of considerable importance, while they do not cover all the ground which should be covered by a satisfactory law. A National Co-operative Conference held in March 1935 recommended to the government that the law of 1934 be declared in force. If action is taken on this recommendation, it is desirable that a uniform set of regulations be issued by the Ministry of Industry, supplementary to the law but not (as at present) in substitution for it.

The law of 1934 has the great merit of definitely separating co-operative societies from joint stock companies and banks, and requiring that they be duly registered. It does not, on the other hand, lay the duty of registration on a single competent officer in each province, but allows the provincial governments to entrust it, if they wish, to district magistrates who have no competence whatever for this particular task. Several provinces therefore, as already stated, have appointed a Co-operative Committee, which may or may not consist of competent persons, and the same uncertainty is attached to the controlling Bureau in other provinces. In practice, where there is a Co-operative Committee, the district officer has little more than a recording function, but under a Bureau it is often he who decides the question of registration. Further, the law of 1934 requires no external audit of the societies to be conducted, and the articles dealing with liquidation do not sufficiently ensure that an insolvent or un-co-operative society will be removed from the register, with or without its own consent, and its affairs wound up in a business-like manner.

### ORGANIZING AGENCIES

After passing a co-operative law, a State which wishes to promote a healthy system to Co-operation has to consider the method of organisation and education of the societies. These functions may be performed directly by the servants of the State itself or indirectly by unofficial institutions, to which financial and other assistance from the State is usually given; or these two methods may be simultaneously employed. In Japan and among the Jews of Palestine an unofficial agency is for the most part used, in Siam and Ceylon the agency is official only, but in British India and in a smaller degree in Malaya,

## 6. The China International Finance Relief Commission.

unofficial bodies now stand side by side with the official departments and take an increasing part in co-operative work. In China the tendency towards official action is growing, and in my opinion there cannot be full success without official support. Competent unofficial bodies, also, are necessary for full success. Nearly all the advanced provinces have now an official staff of organizers, sometimes also a few inspectors of higher rank; but with the striking exception of the relief funds distributed on behalf of the government in the flooded Yangtze provinces by the C.I.F.R.C.,<sup>6</sup> there has been little utilization of unofficial agencies by the authorities. Large numbers of officials are still being recruited, and there is a genuine and widespread desire to help the people, especially the farmers. This zeal, wisely directed, is an asset of great value to China, but it is advisable to (1) raise the standard of the co-operative staff and (2) keep down the cost to a figure which China can afford. To some extent it may be possible to secure both these advantages by supporting or creating unofficial institutions for co-operative organization and education rather than by the employment of officials. An unofficial co-operative institution is one which rests on the support of co-operative societies affiliated to it, and is entirely, or to an annually increasing extent, controlled by the societies themselves. An unofficial or semi-official institution which exists only to carry out the policy (however wise or benevolent) of a government, a political party, or a philanthropic institution, is not itself co-operative and does not meet the ultimate needs of a co-operative movement. It should aim at rendering itself superfluous by building up representative co-operative bodies to take its place.



With the exception of some local unions, there are at present no secondary co-operative institutions of the desired type in China. The local unions are still too weak to influence policy, but should gradually be drawn together to support policy-guiding unions or Federations on a provincial and a national scale. The value of free institutions, representing the societies and capable of guiding co-operative development in collaboration with the official organs, has not yet been appreciated by those provincial governments which are themselves active in organisation and propaganda, and the unions, which are created in such areas, sometimes enjoy only the shadow of independence.

### CHINESE BANKS

It is perhaps for this reason that the entry of the Chinese commercial banks into the business of co-operative organisation and finance has excited comment and sometimes a marked hostility. The insecurity of rural life in recent years has caused a flow of funds from the villages and country towns to the big cities, overfilling the banks with deposits and depleting the countryside of the money required for agriculture. Several of the major banks have sought to serve the national interest, and also to relieve their own congestion, by turning back this current towards the villages, and have therefore sent out their own representatives, organized societies for credit or marketing or for both purposes, and opened "warehouses" for the deposit of agricultural produce, implements, and farmers' clothing, and for the issue of advance on this security. The last class of establishment amounts in certain cases to little more than a pawnshop. The rate of interest on advances is high, and the benefit to the farmer extremely doubtful. The financing of

credit societies or marketing societies is on the other hand very valuable, provided that the societies organized or assisted by the banks are business-like and solvent, and also work on co-operative and democratic lines. These requirements are by no means always fulfilled. The field-organizers of the banks have, as a rule, only a scanty and "rule of thumb" knowledge of co-operative principles in general and of the methods found successful or unsuccessful in other countries or in other parts of China. They fail too to realize the final consequences, on the morale of the individual farmer, of the rules which they impose upon him and the guarantees which they exact. While therefore these credits have not been unhelpful to the farmers in the absence of other aid, the banks are losing a great opportunity. If their field-representatives were trained in Co-operation, if the societies were annually audited (not necessarily by the banks themselves but to their satisfaction), and if more frequent visits were paid to the societies by the representatives in order to advise them on questions of business and instruct them in Co-operation, the benefit to the farmers would be enhanced, the money of the banks would be very much safer, and the national purpose would be better served.

The banks are charged with selfishness and greed by the younger political enthusiasts, and this is the real cause of the animosity felt against them. The charge is groundless. The banks are not selfish in this matter but lacking in vision.

The real function of a commercial bank in respect of Co-operation is not to organize societies but to finance them. Organisation is the task of governments and other agencies, co-operative or philanthropic, which employ a qualified staff and cannot be accused of making a financial profit for themselves. A bank will naturally wish to assure itself, when

invited to finance primary societies directly or through a secondary body, (1) that the societies are properly organized, i.e. that the registering officer knows when to grant and when to refuse registration; (2) that they are regularly audited and are solvent, and will be forcibly liquidated if likely to become insolvent; and (3) that their advisers have an adequate knowledge of co-operative principles and business-like practices. Chinese banks have shown a remarkable readiness to finance rural Co-operation <sup>7</sup> in China, and deserve high commendation on this account; but unfortunately, instead of pressing the official and unofficial organisations to employ a qualified staff and to arrange for audit, in order that they might safely finance the movement, the banks have entered into competition with the existing organisations and attempted to do the work themselves.

## STATE FINANCE

Partly for this reason, and partly because they believe, on principle, that Co-operation should be financed by the government or by semi-official agricultural banks,<sup>8</sup> many of the political intelligentsia urge the central and the provincial governments themselves to raise the funds which the societies

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7. The attention of the banks has hitherto been confined to rural Co-operation, to the exclusion of the urban branch. This is in my opinion an unnecessary limitation. A banker tends to look for material and tangible security, such as an urban society may often be better able to provide, than a group of farmers. Farmers cannot usually provide security of this kind, and a rural society expects the bank to rely on the moral guarantee of its own integrity and good management. Urban Co-operation should not therefore be neglected by the banks.

8. Professor Hsieh's teaching is largely responsible for this, but the financial position has been entirely changed since he wrote.

are to borrow. Action has been taken accordingly, and money has been collected either by special taxation (Kiangsu, Chekiang) or by the issue of public loans. A loan issue was inevitable in disturbed regions (Chahar, Northern Hopei, Hupeh), in which a commercial bank could not be expected to risk its funds; but in the present circumstances of China the effective rate of interest on an internal loan ranges from 10% to 16% and even higher. A bank lends to satisfactory co-operative bodies at 8.4% (7% monthly) or at 10.8% (9%), and it is clearly to the national advantage to use this cheaper money. For the most part the governments have preferred to raise dearer funds by loan-issues. There are now indications of a wholesome change of opinion.

Special taxation is in any case to be deplored. The farmer (on whom the tax falls) cannot bear new burdens. These taxes have, I believe, been abolished where they existed, but there is a danger that other provinces, embarking for the first time on a co-operative campaign, may revert to a discredited device.

### THE CHINESE FARMER

The character of the Chinese farmer is the third great asset of Co-operation in China. This very remarkable person supports himself and his family, perhaps six individuals in all, on a farm which will, on the average not exceed 5 or 10 mow (1 or 2 acres) of land. Holdings in the north are larger, and crops less frequent and less secure than in southern China. Tenancy is on the whole more general in the south, where 60% or more of the cultivators pay a rent in cash or kind to a landlord; owner occupancy prevails to a large extent in the northern provinces, three quarters or more of the farmers in

certain areas being of this type. Rents are not standardized and vary from the grossly extortionate<sup>9</sup> to those traditional payments which are kept low by family relationship or a long and customary tenure. Taxes too are variable, whether the variations be due to the legitimate demands of a civil administration or the illegitimate greed of a military governor. The case of Szechuan province, where the land tax of many *hsiens* had been collected 70 or 80 years in advance, is the most notorious. Under these conditions the greatest achievement of the peasant farmer is to have survived at all. Millions have died, but the Chinese peasant plods on and multiplies. There are still wide regions of past devastation, and others of present disorder. These are, however, being steadily contracted by civil and military action.

## RURAL DEBT

Naturally enough, the farmer, thus harassed and overloaded, is in debt; to landlords, grain merchants, money-lenders, and officials. The most cruel and the most lenient creditors are found among the landlords. Moneylenders who have no other profession are few in comparison with India or Egypt. Officials are said to lend principally on mortgage, and to have bought land largely in recent years. Grain-merchants also lend money to farmers, in order that the produce of the fields may be brought to them for sale. But they lend at high rates of interest on account of the high risks involved. For the farmer has seldom a secure title to his land, bandits may destroy cul-

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9. The estimation of rates of rent-payment in China is difficult. As in other Asiatic countries, feudal dues, which may be willingly paid, or the unjust levies of an oppressive landlord, have often to be added. Such items cause social friction and economic loss. But they are not universal.

tivator and crop together, and the courts of law are somewhat uncertain as regards quality and procedure. Yet these very afflictions of the farmer, by limiting his credit, limit also his indebtedness. The total rural debt in China must be, so far as I can judge after inquiry, far lighter per farmer or per acre than the swollen debts (frequently unproductive) of other Eastern countries or the heavy borrowings (usually for productive purposes) of Europe or northern America. Given a controlled form of credit at moderate rates, an efficient system of purchase and marketing, and an orderly and progressive government, the Chinese farmer should be able, in all but the most deeply embarrassed cases, to pay off what he owes and avoid future entanglements. Co-operative credit is controlled credit, and will teach him to borrow no more than is really necessary (for funerals as well as for agriculture). Large loans are not required by an owner of 5 or 10 mow. Lend small sums frequently for objects which his neighbours think prudent, and let his neighbours be the lenders. His honesty and his common sense, as measured by repayments to the existing credit societies, exceed the standard of any non-European race which I know, and are equal to those of the best European peasantry. Co-operative marketing and purchasing on a sound system—employing a qualified personnel and avoiding every kind of speculation—will procure for him a fair price on the market, and make it worth his while to produce more, produce it better, and prepare and sell it better.

### HIS HONESTY AND GOOD SENSE

The three outstanding qualities of the Chinese farmer are (1) his honesty, (2) his common sense, his fitness for understanding simple business, and (3) his community spirit. I have seen few countries in Europe and none in Asia, in which a sum

of money, lent to a handful of peasants with so little prior training or subsequent guidance in its management, would be divided so fairly, repaid so punctually, and so seldom misappropriated, as by the co-operative farmers of Hopei province. Hopei has longer experience of Co-operation than the rest of China, but elsewhere too the societies, where allowed a reasonable discretion by the officials or the banks, have shown themselves worthy of trust. The failures appear to me to be due either to excessive interference in details from above, or to inadequate teaching of co-operative principles and methods; and usually to both these causes.

### THE SPIRIT OF THE VILLAGE

Still rarer and more precious than honesty or sound sense is the community spirit. The village spirit in China is not only the family or clan spirit, though in hamlets of a single family or clan (which may include 100 houses or more) the two groups become identical. The same understanding of a common village interest, the same capacity to compromise and work together for a common end, will be found in villages which contain several families or clans: not, of course, everywhere: but often enough to create an entirely different foundation for a co-operative structure from that of countries in which the community spirit has been obliterated by laws and strong administration, or at least lingers only in the sphere of caste or domestic business. In India, for instance, though the community spirit in the village is by no means dead and is now being recalled to activity, the *spontaneity*, with which a Chinese village agrees to carry on an economic enterprise or observe a social rule, is only too often absent. Chinese peasants have not to be persuaded, as Indian peasants will ordinarily have to be,

that it is a wise policy to work together: but only that the specific proposal made to them is advantageous. Further argument will, in a large percentage of cases, be then superfluous.

Thanks to this sense of communal unity, the Chinese farmer behaves fairly towards his co-operative societies and gives them, as a rule, his loyal support, even when their plans are ill-advised, their proceedings unscientific, and the economic results very dubious. If he could obtain better advice beforehand, more continuous advice (without removing all authority from the hands of his elected Directors) for his current business, and a clear audit to show him the results of his action at the end of the year or season, he would learn to manage his own affairs and to become daily more efficient. His natural business capacity is excellent, but needs gradual development. In only too many cases at present, he is either given orders and allowed no discretion, or is left to his own resources and given no advice.

### ILLITERACY

Illiteracy, which prevails throughout the Chinese villages, is a handicap to progress but not an insuperable obstacle. Illiterate farmers are quite capable of understanding simple operations which concern their daily lives. If a village can find one man, or even a child, to make entries in the simple accounts and minute-books, a single-purpose co-operative society (or several societies each having a different single purpose) can be directed easily by illiterate men. The society of multiple purposes, on the other hand, falls into the hands of a literate oligarchy, and ceases to be democratic.

I have described, then, the three main elements in Chinese national life, which should, if rightly used and combined, create



a strong and successful co-operative movement. These are the general faith of the public in Co-operation, the zeal of the government and certain important banks, and the wonderful character and capacity of the Chinese farmer.<sup>10</sup> I have described also the growth of the existing societies, the agencies which organize and direct them, and the law under which they now function. It remains to indicate the points at which the present system calls for improvement, if the best national results are to be achieved, and to suggest means by which that improvement may be brought about. I shall refer to four subjects in particular.

## CO-ORDINATION AND CONTROL OF THE MOVEMENT

1. Co-ordination and control of the co-operative movement. There is no organ in the national government of Nanking, which is primarily concerned with Co-operation. The law was drawn up in the Legislative Yuan. The provisional regulations proceeded from the Ministry of Industry and Agriculture. Financial arrangements for farm relief and consequent co-operative organisation were made by the National Economic Council for six or seven provinces and by the agricultural office of military headquarters (under General Chiang Kai Shek in the field) for four provinces in the first place and others subsequently. Societies are also directly organized by the Central Agricultural Extension Station in one district and by

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10. Let me repeat that Co-operation is not only for the farmer, but also for labourers, artisans, clerks and professional men in town and country. China should not neglect urban Co-operation as at present. The means of building up a sound urban organisation are, however, the same as those which will build up a sound rural organisation.

the National Agricultural Research Bureau in another district adjoining Nanking.

The provincial governments promote Co-operation or ignore it at their own discretion. Civil disorders have hitherto been responsible for neglect in some regions, which are now being brought under central control. While acknowledging in principle (except in south west China) the validity of the regulations issued by the central authorities, certain provincial governments have, where they thought necessary, drawn up regulations which contravened them. Co-operative affairs have been entrusted to different Commissions and Bureaux in different provinces, and in the larger towns have ordinarily been left in the hands of municipal authorities. Registration is in some places the duty of such Commissions and Bureaux, and in other places of the hsien magistrates. Recruitment and appointment of the personnel in these offices is a matter for the provincial government, and there is no assurance that an adequate knowledge of Co-operation will be required in either the headquarters or the field staff.

Apart from official agencies, co-operative societies are organized by banks and a host of other private bodies, which while acknowledging the force of the official regulations, draft model constitutions of societies which may conflict with them, arrange for the financing of the societies by such means (if any) as they find convenient, and appoint men for their inspection and guidance who may have little or no knowledge of Co-operation.

The situation is, in fact, extremely unsatisfactory, and that in a country in which the government and the public are enthusiastic, the banks are cordial, and the human material is equal to any which I have ever seen.

## NEED FOR A CENTRAL ORGAN

The remedy is that a special organ be created in the National Government to deal with Co-operation. Whether it takes the shape of a Commission or that of a Bureau is an administrative question to be decided by the Chinese government in view of Chinese conditions. The advantage of a Bureau is its permanence, and the continuity of policy which it should ensure. Such continuity is, however, not always preserved in China, where civil officials not infrequently follow a Minister into retirement and are replaced by strangers. A Commission has the advantage of drawing its members from diverse sources, and is able to conciliate all the local and departmental interests which Co-operation will touch. Under the Bureau or Commission will be employed a few Chinese officials who have been trained in Co-operation. The central body should not attempt to direct the entire co-operative movement from Nanking. China is too large for a centralized administration in a field in which local conditions are widely different. The administrative unit in Chinese Co-operation must be the province, and the central organ should occupy itself with:

- (1) Legal matters. The law should be uniform throughout the country, but the regulations under the law, so far as these are issued by the central government, should not enter unduly into detail;
- (2) Expert advice by means of touring officers who will visit the provinces, keeping the provincial staff in touch with the co-operative experience of other parts of China and offering their own suggestions;

- (3) Co-operative education by means of advanced post-graduate courses in Co-operation for those who are to hold the higher posts in the movement. I shall return later to the subject of education.

### PROVINCIAL ORGANS

In addition to a central organ with advisory and educational functions in the National Government, there should be set up a Co-operative Commission or a Co-operative Bureau in each provincial government. It is not reasonable to expect a Commissioner of Construction, Agriculture,<sup>11</sup> Industry, or Finance to direct a co-operative staff and decide technical questions of Co-operation for which he has no training. The duty of the co-operative organ in a provincial government will be to administer rather than to advise. The co-operative staff will be its servants, the registration of societies will be done by it or under its control, and the organisation, supervision and audit of societies will be carried on by its own employees or by non-official agencies which it approves. The provincial office will also undertake the co-operative education of subordinate workers (field organizers etc.) who are not qualified for the post-graduate course.

Subsidiary regulations issued by provincial governments should require the sanction of the national government in order that they may not conflict with the co-operative law or the major regulations issued by the national government.

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11. Co-operation is not a branch of agriculture but a separate subject, as technical as engineering or finance. In some countries Co-operation is scarcely concerned with agriculturalists at all, and in China it should not be confined to agricultural questions or directed by agricultural experts.

A central co-operative organ in Nanking and a co-operative office in each provincial government will secure co-ordination and control of the movement without such a centralisation as would clog its steps. Through its touring advisers<sup>12</sup> the co-operative organ will keep in touch with the provinces, discussing with them the principles of co-operative administration and finance, and urging them to prefer co-operative knowledge to an uninstructed enthusiasm as a qualification for appointment to co-operative duties.

### CO-OPERATIVE STAFF

2. Selection and training of the staff. There is no effective teaching of co-operative principles and methods, whereby the higher staff may qualify itself for its duties. In some provinces, a higher staff is non-existent, and the business of organisation<sup>13</sup> and guidance of societies is conducted by "organizers", employed by the province or by private bodies, who have seldom more than an elementary education. The organizers, nevertheless, are good material for such subordinate duties. Though their pay ranges only between \$30 and \$50 monthly, they are for the most part rural in sympathy, hard-working, and honest. Their co-operative education has been, as a rule, a local course of 1—3 months, which would be sufficient if the teachers themselves had been fully trained. But the inspectors or other superior staff, who should supervise the work of the organizers and solve their more difficult problems,

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12. A foreign co-operative expert has now been selected by the League of Nations, at the request of the Chinese government, who will assist the central and provincial authorities. The advisers mentioned above will be Chinese.

13. There is no audit and no effective system of liquidation.

are few in number, very imperfectly trained, and frequently underpaid (on \$80 to \$120: higher posts are rare). Many of them have been promoted from the organizers' grade, and are hampered by defect of general education. Few have studied any co-operative literature, other than some provincial pamphlets, and still fewer are capable of reading such literature in any other language than Chinese. The literature on Co-operation in Chinese is scanty and of variable quality.

A small group of men have spent a year, sometimes several years, in Europe or the United States of America, and have included Co-operation among the subjects of their interest abroad. In exceptional cases it has been their principal interest. Some of these, on their return to China, have found employment in the co-operative office of a provincial government, and may even hold posts of responsibility in charge of the co-operative section in a Bureau of Construction. They constitute the best nucleus for a co-operative staff, but suffer from three handicaps:

- (1) They are not nearly numerous enough, and have to work with colleagues untrained in Co-operation;
- (2) The co-operative section under a Bureau of some other title has no independence, and is subordinate to a Commissioner who may or may not support sound methods and principles;
- (3) The co-operative officers themselves have only too often studied their subject either in Denmark or in California, where they have seen an advanced form of organisation among fully literate and progressive people. Lessons cannot be directly drawn from these

places to China; and though Danish and American teachers of Co-operation should, after a careful examination of Chinese rural economy on the spot, be able to contribute much to its improvement, the Chinese student who goes abroad should *not* ordinarily spend his time in the United States or Denmark. He will find conditions much more comparative with those of China in the Mediterranean and Balkan countries (Egypt, Palestine, Yugoslavia, Italy etc.), or in Japan,<sup>14</sup> India and Ceylon.

What has been said of the inadequacy, in number and attainments, of the official staff in the provinces, applies with even greater force to the unofficial staff of the institutions (Colleges, Missions, Mass Education Groups) which endeavour to promote Co-operation. For the most part—and there are exceptions—their employees are of lower education and on lower pay than those of the provincial governments. There is compensation, on the other hand, in the greater industry which they sometimes show, and in their freedom from political excess of zeal and political instability. The China International Famine Relief Commission is conspicuous amongst them, and its *best* co-operative work, e.g. in Hopei province, is the best in China. The compensating virtues are also present in Tingsien.

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14. A visit to Japan alone may mislead a Chinese observer. He will there see what has been done by Japanese peasants, and will have cause to admire the result. But he should remember that (1) Japanese peasants are literate, can study literature, and keep accounts; and (2) the temperaments of the Chinese and Japanese peasants are not identical; and even when the Chinese farmers are literate, the multiple-purpose society of Japan may be quite unsuitable to them.

## CO-OPERATIVE ORGANIZERS

The co-operative staff, official or unofficial, should be of three general types. The organisation of new societies, their subsequent guidance in all matters which do not require an agricultural, industrial, or financial expert, and the annual audit<sup>15</sup> of all *simple* societies (which will be the large majority), is within the competence of organizers as at present employed, provided that their pay is reasonable (say \$40—\$50 with a prospect of rising to the rank of Inspector or special auditor<sup>16</sup>) and their training, in a class of 2—3 months, is in the hands of men who have themselves been fully trained to teach Co-operation. Such courses need not be held in a University, and may be left to the provincial staff. The Famine Relief Commission and certain provinces have held classes for organizers, but have been hampered by lack of funds and of a fully qualified teaching staff.

## INSPECTORS

Above each group of organizers should stand an Inspector: ordinarily a university graduate (not necessarily in agriculture), and qualified also by a post-graduate co-operative course of one year in a Chinese university. A *minority* may be recruited from the organizers, provided that such organizers have passed through the post-graduate course for Inspectors, and can read sufficient English to understand the subject. Inspectors will I think be available on a pay of \$80—\$200. An Inspector should be able to supervise 5 to 10 organizers and not more than 5 *boies*, with a total of 500 societies. He should live within his circle of *boies*, not in the provincial headquarters, and

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15. Audit arrangements are discussed below.

16. Audit arrangements are discussed below.



should assist the organizers in planning their campaigns, in guidance and advice to the less simple societies, and in the action to be taken after audit. The lack of these educated Inspectors is the most conspicuous defect in the Chinese co-operative structure. Organizers are not fit to deal with special difficulties, nor, in most cases, are the people themselves, while the headquarters staff will not have leisure to travel to remote parts of the province whenever desired. A Chinese province may, a few years hence, have 10,000 societies or more.

### REGISTRARS

The highest grade of employee should be the expert in charge of the co-operative office in the provincial headquarters, with two or three selected Inspectors as his assistants. For the head of the service a pay of \$200—\$500 will not be excessive. He should not only have passed through the post-graduate course but also have made a tour to study Co-operation (as his principal subject) abroad. The tour need not be made before entering the service. A good Inspector, selected by the provincial government for promotion to this highest rank, may be sent abroad before taking up his duties. This head of the service will correspond in rank and duties to a Registrar or Director of Co-operative Societies in other countries.

### POST-GRADUATE COURSE IN CO-OPERATION

The post-graduate course in Co-operation can only be held with the assistance of one or more universities. A multitude of competing courses in different parts of China will result in a deplorable lowering of the standard, since the men, capable of taking part in such teaching, are not yet numerous in China. The course need not necessarily be held always in the same town,

though Nanking has obvious advantages. The collaboration of the national government will be essential, and a financial grant may properly be given towards the cost of the course. The intervention of the government will also be important, if the right men (graduates of a university, rural in sympathy, broad in their outlook) are to be attracted from the provinces and afterwards accepted for employment by the provincial authorities<sup>17</sup>

It is not possible to enter here into a detailed description of the teaching. Co-operation is now world-wide and a century old. China has much to learn from the experience of so long a period and so immense a field. Every type of Co-operation, urban as well as rural, will come under review, and its suitability for imitation in China examined. This will call for an exact enquiry into economic conditions in Chinese towns and villages, with regard to which an increasing literature is becoming available. Co-operative principles and economic theory, questions of currency, banking, market organisation, and internal and foreign trade should be included. At the end there should be a test, and only those who pass it should be qualified for employment as either Inspector or Registrar. Men who have undergone this training will have opportunities of doing far more for the welfare of China than the sincere and zealous co-operative officers who are now engaged in teaching what they themselves have never—through no fault of their own—been enabled to learn.

### FINANCE OF SOCIETIES

3. Co-operative finance, and the audit of societies. A society may derive its funds from five sources:

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17. Some of them should be chosen by the provinces from their existing co-operative staff.

- (1) The shares and savings of the members;
- (2) Accumulated surplus or reserve funds;
- (3) Deposits of non-members and the public;
- (4) Loans from the government;
- (5) Loans from banks.

Chinese societies have for the most part a lower share-capital than societies in other countries. The share demanded from each member is usually \$2, but sometimes \$5, and it is sound policy to keep the amount down to a figure which a poor man is able to pay. But it is not so sound to call for only a single payment. The Chinese law fixes the maximum value of a share at \$20, and there is no reason why even a poor man should not take up a share of this value, and pay it by ten annual instalments of \$2. The consequence would be that a small party of poor men, say 30 in number in a little hamlet, would at the end of ten years possess a share-capital of \$600 (instead of \$60 as at present), and would be largely or entirely independent of borrowings from outside. There is no difficulty, even for a landless labourer, in subscribing \$2 annually, or \$1 every six months. Members' savings should also be more generally collected than is at present the case. No person, engaged in a useful occupation, is incapable of paying in ten cents monthly to his savings account. He would thus save \$12 in ten years, and the group of 30 men, suggested above, would save \$360. Some of this might have been withdrawn for necessary expenditure, but there would still remain an appreciable sum, perhaps \$200, to be added to the \$600 of share-capital. Savings of members should be paid in regular amounts in order to teach the saving habit,

and thus strengthen the character of the individuals. An occasional and irregular effort is less beneficial than a steady and regular effort.

### OWNED CAPITAL

A society, when using its available funds for loans, or purchasing of supplies or sale of produce, should aim always at securing an annual surplus. In this way it guards against possible losses, and also builds up reserve funds which serve a double purpose:

- (1) Of protecting the members against the risks of their liability in the society, which may be unlimited;
- (2) Of gradually removing the necessity for outside borrowings.

In a credit society of 30 members, for instance, if all the available funds (shares, savings, or outside borrowings) are lent out to members at 3% per annum above the rate of interest which is paid on them by the society, the surplus on a working capital of \$1000 would be \$300 at the end of ten years; or, if all the money had not been on loan throughout each year, it might be \$200. Our imaginary society would thus at the end of ten years own \$600 share-capital + \$200 savings + \$200 surplus, or \$1000 altogether, and would have no need to borrow from outside at all. In reality, the surplus could be much greater than this in a well-conducted society. Many societies are at present paying out unduly high interest on share-money and on savings, and would be much wiser if they reduced this interest to 6% per annum (or even paid no interest at all on shares). A usual rate of lending out is about 12% per annum, and the surplus on the shares and savings

would then be 6% per annum or more. In Indian credit<sup>18</sup> societies, very many of which work on these lines, the accumulated surplus after ten years is ordinarily equal to the share-capital, which was paid up in annual instalments, and the shares and surplus together relieve such societies of all outside borrowings. The same plan should be adopted in China and is quite practicable. No such result is being attained at present, because the societies, though charging a sufficient rate of interest on loans to members, dissipate their surplus every year by paying excessive interest on shares and savings. They therefore have to borrow continually from the government or a bank, and have no hope of escaping from this position.<sup>19</sup>

### OUTSIDE BORROWINGS

Co-operative societies, urban or rural, are seldom able to provide all their own working capital in their earlier years; and since new societies are constantly being founded in a healthy and growing movement, there are always young societies in need of financial aid. Those older societies, too, which undertake any kind of purchase or sale, may find it unprofitable to accumulate large funds, which will be used during only a part of the year. They too, therefore, will wish to borrow much of their working capital. Such borrowing may take the shape of loans from the government, loans from banks, or deposits

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18. The imaginary example described in the text is that of a credit society. The same principle applies to the rate of commission on purchases and sales in a purchase or sale society.

19. Societies are discouraged from increasing their surplus in China by the Chinese law, which requires them to deposit their reserve funds outside the society. If, as in many other countries, they were free to use the reserve fund in their business, they would be more ready to increase it, and to reduce thereby the amount which they must borrow.

for a fixed term from the public.<sup>20</sup> Deposits from non-members are rare in China, since the co-operative movement has won only the approval but not yet the confidence of the public. They will be attracted to the secondary or bigger societies (unions, central banks etc.) when these are efficient. Meanwhile loans are made either by provincial governments through a Co-operative Commission, or by the banks, which may be commercial or agricultural. The Famine Relief Commission and other unofficial bodies finance their societies similarly with money supplied directly from their own resources or advanced indirectly (through the unofficial body or on its recommendation) by a government or a bank. In nearly all these cases<sup>21</sup> the loan is made for the period of a single crop; its amount is based on the actual area sown by each individual (regardless of whether he really needs the money or has enough in his own pocket); little or no discretion is left to the Directors of the Society who are elected by the members to exercise that discretion; and the interest charged to the societies is high. Now in a real credit society loans should be granted for all useful and necessary purposes, not only for a specific crop, and funds should therefore be provided for a longer period on the society's general credit. The same is true of a purchase society, though in a sale society the crop-period is correct. The assessment of the amount, to be allowed to each member, should not be made by an Inspector or a clerk at a distance (or even by such a person in the village), but by the society's Directors who alone know how much each man really needs and for what purpose.

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20. It is dangerous for co-operative societies to accept money from non-members, which has to be repaid *on demand*.

21. The Famine Relief Commission in Hopei is in some respects an exception, and lends for a longer term with less interference.

If the society is to be genuinely co-operative and not a pretence, the Directors must be given authority and discretion: less at first, more and more as time passes.

### WRONG METHOD OF FINANCING

Judged by this standard, very many societies in China are more or less pretence societies. Why is this so? Officials of the co-operative staff, and servants of the banks and unofficial bodies, seem to me to be honest, zealous, and often intelligent, and will not *prefer* bad Co-operation to good Co-operation. But they are *forced* to follow a wrong method, because the financing bodies, official or unofficial, will not trust the societies with money on the right method; and the financing bodies are distrustful because:

#### *Causes of Distrust*

- (1) Organizers and Inspectors, of the banks and of the governments and of unofficial institutions, are too often unqualified for their task. The societies have therefore, in the opinion of the banks, not been properly organized and taught, and their Directors cannot be allowed discretion in the allotment and use of money;
- (2) The staff of the banks and the other financing agencies has seldom an adequate knowledge of the way in which small farmers or their societies can be financed, and treats rural credits as though they were urban credits. Bankers call on farmers to give material and tangible security (which, if nominally given to them, they could never realize), instead of relying on the community spirit, the readiness of

each individual farmer to fulfil his obligations in the common interest, which is the real security offered by a co-operative group;

- (3) The financing agency is dealing with small primary societies, most of which are remote from them and have little idea of business dealings. A big financial and non-co-operative establishment and a small primary co-operative society cannot easily enter into mutual confidence. The distrust is felt by both parties. Primary societies should therefore be brought together in unions, extending over a *bsien* or a larger area according to the nature of their business. The banks and other financing agencies should finance the unions and the unions should finance the primary societies. The unions will be under more capable Directors (drawn from a wider radius) than primary societies, and thus offer better security to the banks. The banks should therefore lend to them at lower rates of interest. Unless they do so, the unions cannot pay their way. The banks should not interfere in the affairs of the primary societies, but should examine only the books and proceedings of the unions, in order to discover whether they are business-like and solvent. The unions will be co-operative, i.e. formed by the societies and managed by their elected Directors, and will lend to the societies on the co-operative plan described above. If a union is too lenient to its less diligent societies, the bank will contract the credit allowed to the union, and the lesson will come home to the societies of which the union is composed.



All that has been here said with regard to the financing of primary societies by banks applies also to the financing of primary societies by a government. Unions should be organized, and should receive loans from the creditor body at a lower rate of interest. The primary societies should be financed through such unions only, wherever they exist.

## AUDIT

I have already pointed out that it is better for China to use the money, which commercial banks are willing to provide, than to finance the co-operative movement from the proceeds of taxation or State loans. Taxation is burdensome, State loans are expensive, and the erroneous system of borrowing, which the banks now impose on the primary societies, may be corrected by the formation of co-operative unions as buffers, by the better training of the staff, and by the introduction of the banker to co-operative ideas. Yet if all these improvements were made, the banker will still feel the lack of detailed knowledge as to the working of the societies and unions which receive his money. A thorough examination of the accounts and operations of each society or union by a qualified individual or firm, once at least in each year, with a report on all important matters, and a certificate that the balance sheet is in order, would give the confidence which the banker and the public may reasonably demand. In other words, there must be an annual audit by a non-member of the society, having enough knowledge of accountancy and business methods to understand all the books and registers, and also enough knowledge of Co-operation to report on the spirit of the members and the likelihood of their continuing to fulfil their engagements. The Chinese law makes no provision for audit at all, and is, with the

exception of the Japanese, the only co-operative law which omits this most essential requisite for a sound system. The elected committee of supervisors, who are supposed to check the accounts of each society, may know the co-operative quality of their fellow-members, but will seldom in China possess a competent knowledge of business methods and accounts. In any case, their "check" is not an audit. The bigger trading societies, and perhaps also the unions of small village societies, will call for the services of a qualified accountant, whether he be a professional auditor or an employee temporarily lent by a commercial firm. The banks may even prefer to detail men from their own offices for the duties; but only for the big societies or the unions. It will be impracticable for banks to send out auditors of this type to all the small village societies. Such a service would be far too costly. Nor would such a commercial employee tolerate, day after day and night after night, the hardships of travelling and living in the villages. The only man who can possibly audit the small village society is a rural organizer who is accustomed to village life; and only such a man will arrive at the truth of the society's working. Villagers do not explain themselves freely to a stranger. If it be felt that the same organizer, who was responsible for forming the societies and thereafter for giving them advice, should not himself be the auditor, then the office or institution which employs the organizers may employ also a staff of auditors, preferably recruited from among the organizers, but in any case men of similar temperament and training. This objection to the use of the same organizer as auditor, however, seems to me to be without importance. If a printed form of audit report, containing questions on all essential points, be filled up by the organizer and submitted through the Inspector

form given in paragraph 7 of Chapter III of the Code. The latter will then compile a revised abstract for all Charges in his District and transmit it to the Provincial Superintendent so as to reach this officer not later than the 30th November.

*The punctual submission of this return is a matter of definite importance, since it enables the Superintendent to check his final estimates for forms.*

**20. Responsibility for preparation of House List.**—It has not been stated above who exactly is responsible for preparing the House List and numbering the houses. These may be done by the Supervisor in person or under his supervision by Village Officers in rural areas and persons appointed for the purpose in Municipal areas. In the larger Cities, it may prove convenient to engage a special staff for the purpose. It is important that this document should be subjected to very close scrutiny by the Supervisor and tested as much as possible by Superior Census Officers.

**21. Summary of House Numbering dates.**—

Appointment and training of Supervisors .. .. .	From 1st September 1940.
Commencement of Numbering	From 1st October.
Preparation of House Lists ..	Concurrently with numbering.
Completion of House List and House numbering ..	By 15th November.
Writing up of Block List ..	On completion of House Lists.

*Dates of submission of corrected return of houses.*

By Supervisor to Charge Superintendent ..	1st November 1940.
By Charge Superintendents to District or State or Municipal Census Officers ..	20th November 1940.
By District or State or Municipal Census Officers to Provincial Superintendent ..	30th November 1940.

## APPENDIX I

## SAMPLE OF THE ENUMERATION SLIP.

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11 (a) (b) \_\_\_\_\_

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14 \_\_\_\_\_

15 \_\_\_\_\_

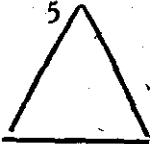
16 \_\_\_\_\_

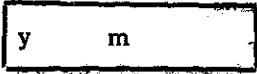
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to the financing agency, there can be little fear of concealment. The Inspector himself visits a certain number of the societies in each year, and will soon discover which of his organizers is neglecting his work or mis-stating the facts. And if it be argued that the Inspector also, a university graduate who has passed through a post-graduate special course in Co-operation in economics and is hoping for promotion to the post of Registrar or Assistant Registrar, may connive at the dishonesty of an organizer, I do not myself believe that this will often happen, or that if it does, the evil can long escape detection. Societies which are in bad order will soon cease to repay their loans, and a special inquiry will obviously follow.

In my opinion, therefore, every society in China, primary or secondary, should be annually audited by an organizer or by a special auditor. The auditor should submit a report on a printed form,<sup>22</sup> and the society should pay an audit fee. Such fees should be paid to the institution which employs the organizers or auditors, not to the auditor himself.

There will be no difficulty in teaching the organizers, during their ordinary period of training before appointment, to carry out their simple duties and prepare or check the simple balance sheet, which will suffice in a village society. Their accounts are usually very elementary, and no more is necessary.

## BANK FINANCE AND STATE FINANCE

Audit arrangements of this kind, together with a more intensive training of the higher co-operative staff, would reassure

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22. Such a form of audit report for a credit or supply society, with a form of balance-sheet, was included in my lectures delivered at the University of Nanking.

the banks. The system of advancing State money to the societies should then, wherever possible, be replaced by loans from commercial banks; preferably to unions rather than to village societies. Such money as the State has already provided or may for any reason hereafter provide, should be devoted to two objects:

- (1) The training and maintenance of organizers, Inspectors, and auditors, or the grant of subsidies to private bodies, such as the Famine Relief Commission, which are fit to undertake these duties. Small organisations in narrow areas should receive no subsidy. They are usually less efficient, and should support themselves or be merged in larger organisations;

#### *Co-operative Banks and Treasuries*

- (2) The development of co-operative Banks.<sup>23</sup> The creation of a Co-operative Treasury has been considered by several provinces, and might lead towards an independent Co-operative Bank. Such a Treasury would receive all the money which a government may have supplied to the movement in any province, and also any surplus money which might from time to time be idle in the *hsien* co-operative unions (or, in the absence of a union, the primary societies); and would lend this money out to the unions or the societies of the province, just as a bank would do. Each society and union, whether borrowing or not, would take a share in it (by annual instalments if

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23. i.e. banks, of which the members are co-operative societies. I do not mean Farmers' Banks or Agricultural Banks.

necessary), and at least half of the Directors should be drawn from the Directors of unions. The other Directors might be appointed by the government or by the banks which had placed money in the Co-operative Treasury, and the representation of the unions on the Directorate would be gradually increased, as the shares held by the societies increased and the representatives of the unions became more experienced in management. The primary societies would be represented in the general meeting by their unions, which would cast votes according to the number of societies affiliated to each, or the number of members in those societies. Such a semi-co-operative Treasury, becoming more and more co-operative from year to year, might eventually be transformed into an independent Co-operative Bank. Where the State money lent to the co-operative movement in any province is not enough to justify the creation of a Co-operative Treasury, the unions may be financed by the commercial banks. There is no need to force the growth of a co-operative bank, wherever the necessary advances can be obtained from a commercial bank on equitable terms.

State money should be applied in the first place to the training and maintenance of staff, and only the surplus, if any, should be advanced as loans to unions or societies. The same applies to the Famine Relief Commission. State or other funds intended for the training and maintenance of staff can be deposited at interest in a commercial bank, and only the interest be expended from year to year. The commercial bank will then be the more willing to finance the co-operative movement.

## UNOFFICIAL INSTITUTIONS

4. Official and unofficial agencies for co-operative work and development.

European observers tend to criticize adversely the large part played by the State in the co-operative movement of non-European countries. The remark is made that "there is no co-operative movement, but only a co-operative *policy*," i.e. the initiative is that of government, not of the people. Such a comment, if intended, as it often is, to be depreciatory, is unjustified, and need cause no concern to the Chinese government or to Chinese co-operators. It is, in the first place, less true of China than of Japan, India, or even certain parts of Europe, since the experiment of Co-operation in China was first made by non-officials, of whom the Famine Relief Commission in Hopei and Professor Hsieh in the Yangtse valley deserve special mention. It would be absurd if, in a period of urgent reconstruction, the government were to ignore so potent an instrument of national welfare as Co-operation, when unofficial experiments have proved it to be effective. In the second place, there would be no impropriety if the government of China were, without a lead from unofficial bodies, to decide on introducing an idea which was novel to its own people but had been found relevant and fruitful in other lands. Critics do not condemn the building of State railways in China, or of a State system of modern education, on the ground that such action proceeds from an official policy, not from a popular movement. An official policy of Co-operation merits no more condemnation than a policy of railway-building or of education.



## LIMITED FUNCTIONS OF THE STATE

For reasons of practical expediency, on the other hand, a government which grants contracts to private persons for the construction of roads and railways, and recognizes and subsidizes schools under the management of private persons or institutions, without insisting on direct State management in every case, should not feel itself bound to establish official agencies for the promotion of Co-operation, when a private body is willing *and qualified* to do the work. The functions of the State in respect of Co-operation should be (1) to legislate; (2) to arrange for the training of staff: through co-operative or educational institutions which are willing and qualified, or by direct action if such institutions are lacking; (3) to make obligatory, by means of regulations, the employment of *trained* staff by bodies which organise co-operative societies; (4) to arrange or control the terms on which co-operative societies are to be financed by commercial banks or other agencies; (5) to ensure that an annual audit of every society is conducted by a competent auditor. It should be noted that the national government of China has performed the first of these functions, has occasionally taken steps in the direction of the second and fourth, and has overlooked the third and fifth. Instead of adopting this policy of education and control, the national and the provincial governments in China have engaged themselves, with the most patriotic intentions, in the business of organizing societies through official organizers and financing them with official funds. Such a policy is inevitable and right only when and so far as there is no unofficial organisation, willing and qualified to organize, and no unofficial financial agency willing and qualified to finance. Such unofficial bodies were indeed lacking in a number of provinces at the time when

the government decided that co-operative societies ought to be formed. The use of official organizers and official money was thus unavoidable in the first stage. But there has been little attempt or inclination to foster or utilize an unofficial organisation at a later stage. On the contrary, there has grown up a kind of official vested interest in the co-operative movement, which is regarded as an important asset to the credit of the government, in evidence of its progressiveness and of good will, and is therefore retained in official hands. And where, as in Shensi province, this attitude has been altered and an unofficial organising agency has been utilized, sufficient measures have not been taken to train the staff, control the terms of finance by the banks, or audit the societies. Such measures were, for instance, urgently necessary and were regrettably omitted when the Famine Relief Commission was invited to undertake the distribution of relief funds in the Yangtse provinces after the flood.

Unofficial bodies of the necessary status and calibre do not exist everywhere; and in my opinion those which exist are defective, whether in respect of training of staff, adequacy of funds, or certain features of their co-operative policy. But these defects could be made good by a government which should provide for the training of staff and the employment of competent men when trained, and should insist on audit, and control the arrangements for financing by banks. A subsidy would naturally be granted to the unofficial organizing and auditing agency, and the Registrar or the Co-operative Commission or Bureau would retain no unofficial *organizers*, and only a minimum number of Inspectors and auditors, who by sporadic visits to a few societies from time to time would collect evidence to show whether the unofficial agency was justifying its grant by doing

good co-operative work. Such an indirect control would be much cheaper for the government than direct organisation through a large cadre of co-operative officials.

### UNOFFICIAL WORK UNDER OFFICIAL CONTROL

It would, moreover, produce better results.<sup>24</sup> Co-operation is not merely an economic machine, but also a moral education. The co-operator is at his best when he is doing as much as possible for himself and is being continually encouraged to do more; but the encouragement must come from trained men, who will show him the right method and dissuade him from the wrong. A large number of co-operative societies in China are either over-ridden and apathetic, or unbusinesslike and rash. The fault does not lie with them. Where no unofficial agency exists, the provincial governments, and the Co-operative Commission in the central government, would be wise to assist in its formation.

### CO-OPERATIVE INSTITUTES

Since primary co-operative societies are now to be found in many provinces, and the idea of local unions is gaining acceptance, there will be no longer a necessity for forming new organising agencies of individuals, such as the Famine Relief Commission and the various Mass Education groups. These institutions were needed before the beginning of a co-operative movement, in order to give it a start; but they naturally work (as does every official agency also), from above downwards, whereas a truly co-operative institution rests on the primary

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24. I do not mean that the societies under unofficial bodies are at present better than those of the official departments. Some are better, others worse. But they *would* be better, if governments aimed at de-officializing, and at the same time insisted on sound work by the non-officials.

societies and their unions and comes into being from below upwards. The primary societies of every *hsien* or other local area should form a union, and the unions of every province should create a provincial co-operative body over their own heads. In my memoranda and lectures I have called this body the Provincial Co-operative *Institute* in preference to using the name of Provincial Union or Federation, because the representatives of the local unions may be unable to handle the more technical questions, which are sure to arise from the wide expanse of a Chinese province, without the aid of a few individuals of higher qualifications and experience. In my opinion, therefore, the Directors of the Provincial Institute should contain a majority of union representatives, while the minority should consist of individuals, elected jointly by the delegates of all the unions and by the individual members (if any) of the Institute in general meeting. The minority should also include one nominee of the provincial Registrar of Co-operative Societies. The functions of this Institute would be to employ all the organizers, Inspectors and auditors of the province (except the few officials whom, I have suggested, the Registrar would retain for his own purposes), and to submit to the Registrar all applications for registration, and all proposals for deregistration and liquidation, which were forwarded to the Institute by its employees, together with all inspection reports, audit reports, or special papers which the Registrar might desire to see. It would be financed by (1) annual contributions of the individual members, if any. *Shares* would not be required; (2) a fee levied annually on every society for supervision and audit, and assessed on the capital or turnover<sup>25</sup>

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25. Not on the surplus. There may be no surplus in a bad year, but there must nonetheless be an audit, and all the more supervision.

of the society; and (3) an annual subsidy from the provincial government. Possibly also the commercial banks might be so long-sighted as to make an annual grant. The Institute, if it employed good Inspectors and organizers and carried out a proper audit, would render the money of the banks much safer in the hands of the societies and unions than it now is. The quality of the staff should be secured by official regulations; if unsuitable men were recruited or retained, the provincial government would withhold or reduce the subsidy.

The Institute will not finance the unions or the societies. I have proposed the creation of Co-operative Treasuries, which will in reality be only semi-co-operative but will gradually be converted into true co-operative banks. Such treasuries or co-operative banks, or in their absence a commercial bank, will finance the unions or (where there is not a union) the primary societies in accordance with the information supplied by the Co-operative Institute (inspection and audit reports etc.). If a commercial bank claims to send its own Inspector to examine any union or society which is indebted to it or wishes to borrow, it should enjoy the right to do so. But if the staff of the Institute is efficient and well trained, such a duplication of function will soon be found unnecessary; and a *co-operative* bank or Treasury will avoid it from the first. The Treasuries and the co-operative banks will seldom, if ever, be in a position to dispense with aid from commercial banks. The latter will in fact find the outlet for their money increasing as the co-operative movement becomes more highly developed, and will lend with more assurance, and therefore at lower rates of interest, to a large and well-managed institution. It is safer to lend \$10,000,000 to a co-operative treasury or bank than \$1,000 to each of 10,000 tiny societies.

## A NATIONAL CO-OPERATIVE INSTITUTE

Throughout these proposals the province has been regarded as the unit of co-operative organisation. A National Co-operative Institute may perhaps be born in the future, but it would be a grave mistake to set it up before the Provincial Institutes are on their feet and active. There is great scope for the China Co-operators' Union as a body of educated individuals who study Co-operation at home and abroad, take part in teaching it by publications or lectures, and discuss in their own meetings the principles on which the problems of Chinese Co-operation may be solved. But the eventual National Co-operative Institute should be based on the Provincial Co-operative Institutes, and through them on the unions and societies. The premature creation of a National Institute, not based on the societies themselves, will hamper the healthy growth of a democratic movement of Co-operation.

## MORAL AND SOCIAL CO-OPERATION

In the preceding pages I have given a brief account of the growth of Co-operation in China, of the three forces which contribute towards the strength of the growing movement, and of the four main points at which the present system is unsatisfactory, with proposals for its improvement. I turn, in conclusion, to an aspect of Co-operation which has less relevance—though by no means entirely irrelevant—to European or American conditions, but should receive careful attention from Asiatic and African nations. The violent shock delivered by Western ideas, even more than by the material side of western civilisation, to the whole structure of Eastern and African civilisations has shaken the old traditions, and it is now a platitude to say that China, and countries in a similar position,

have to evolve a new life, based so far as possible on what is good in the old customs, but absorbing also the better elements of the new. As every student of social changes knows, an amalgamation of old and new is by no means easy; often also it seems to have no permanence, and either the older or the newer parts of the amalgam drop away until the entire work has to be done over again. The weaknesses of such a combination are due to (1) the fact that much of the reconstruction is carried out by official order only, and (2) the fortuitous and unguided way in which old elements are rejected and new elements accepted by the public when acting unofficially on its own account. Thus a progressive government may pass laws in favour of social reform, which it is unable to enforce because popular opinion does not yet demand the reform or the laws. Instances of such legislation, and of such a lag in public opinion will readily occur to the mind; labour and agrarian reform present peculiar difficulties. At the same time the public itself, which consists of a host of individuals each acting independently or following his neighbour, may flock to see films full of sob-stuff or crime, simply because there is no *organisation* for providing better amusement or education.

### THE NEW LIFE MOVEMENT

Governments may attempt to guide or to check the currents of public taste, as the New Life Movement does in China; and an enlightened government should certainly not disclaim responsibility in the matter. But the disadvantages of all official action in the moral field are (1) that it is possible at times to check a popular movement in the wrong direction, but very difficult to guide it in the right direction, and (2) guidance in a preferred direction, if it is to be effective, must be sup-

ported by force and sustained for a long time: a treatment to which the public will only submit if freedom be completely suppressed. It is for these reasons that the New Life propaganda, excellent as its precepts are, fails in certain cases to have a lasting effect. Negative orders of authority, whether prohibiting walking in the roadway or permanent hair-waving, are enforced for a while or sporadically, but may at any moment be forgotten when the attention of authority is occupied elsewhere.

### COMPULSION AND VOLUNTARY ACTION

A lasting social reform and a national reconstruction are, I suggest, only to be attained by positive and voluntary action of the public, and there is always a danger that authority, using the negative and compulsory method which alone is in its hands, may defeat its own object. China is too large for the lives of the population to be altered by official action, before the people themselves are consciously in favour of the change; and the right road forward is to form, by propaganda and without compulsion, groups of men and women who wish to make a specific improvement in their own conduct or conditions, to recognize such groups and provide trained advisers for them at the public cost, and to legislate in such a way as to facilitate their proceedings. This is Co-operation. It is the policy adopted by the Chinese government and other governments<sup>26</sup> in the economic field; and in view of the rapid reconstruction taking place in Chinese moral and social life, the Chinese

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26. Communist and Fascist governments are an exception; but I do not think China will become Communist, and the Kuomintang, though resembling a Fascist Party in some respects, does not claim to govern the whole life of the individual or the State.



government would do well to follow the same path by promoting voluntary Co-operation in the moral and social field. Japan and India, British Malaya, Java and (in Europe) Yugoslavia have achieved notable successes, and though China need not exactly imitate any other country, it is a mistake to ignore the moral and social uses to which Co-operation has been put by other races. It is a question of remaking the character and habits of the people, or rather of assisting them so to re-make themselves that they can face and solve the problems of their national and personal lives. Government cannot succeed alone. Compulsion cannot succeed alone. Even patriotic or group propaganda will not suffice, for the propagandists may be imperfectly trained, and in any case their teaching will be of little value unless the pupils have learned to act for themselves and are really willing to do so. There must therefore be a *recognized* group of citizens who wish to live the new life, their association must be *protected* by law, it must be *voluntary* and it must be assured of the help of a *trained* adviser. And this is precisely a co-operative society. Certain forms of social and moral Co-operation may be mentioned.

### THRIFT SOCIETIES

Reference has been made above to the urgency of teaching thrift in China. It may be objected that the Chinese is already thrifty, almost to excess. I do not agree. The Chinese farmer, and sometimes the urban labourer and clerk, practise parsimony more often than thrift. Parsimony is a refusal to spend, and may be combined with a neglect to save when the opportunity occurs. Thrift is a regular allotment of (preferably) a stated sum to a saving fund, which is to be spent on a

prudent and often foreseen object.<sup>27</sup> Apart, then, from the tiny savings which every member of a co-operative credit society should make in each month, as I have described on a previous page, there should be, especially in the Chinese towns, co-operative savings societies of clerks or others who receive a regular income. The manner of operating such "thrift and loan" societies cannot here be explained in detail.<sup>28</sup> Their general object is not to grant credits out of money borrowed from a government or a bank, but to induce savings, which each member may temporarily withdraw for an approved purpose but which he must refund by instalments to his own credit account in the society. Thrift societies of this kind are active in British Malaya and India, and are eminently suitable to China. Men and women of today must learn to use foresight and to abstain from idle but tempting expenditure. Urban surroundings and petty luxuries are seductive, and the great majority of men and women lack the resolution, in the absence of a pledge to a thrift society, to put aside the money for a wiser object. The pledge strengthens them, and builds up a character which China needs.

### MEDICAL SOCIETIES

The essence of a co-operative society is a voluntary pledge to obey certain rules. When a member has entered the society by his own wish, he is thereafter bound by those rules so long as he remains a member. He is free to resign, but if the society, in order to attain its stated object, must engage a

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27. The Hui is thrift, but in a perverted form because the expenditure is very frequently wasteful.

28. See my published lectures, delivered in the University of Nanking.

specialist employee of any description, or must invest capital in buildings, the members may be bound by the constitution to continue their annual contributions, or to leave their share-capital with the society, for a certain number of years. I should like to see co-operative hospitals or medical societies established in China on such a footing. Co-operation for purposes of medical attention is successful in Yugoslavia, and also in Japan, where Dr. Kagawa is one of its many advocates. India, too, has a few co-operative hospitals and several thousands of co-operative health societies. It should be realized that the objects of a co-operative medical society or hospital cannot be secured by attaching this function among others to a general purpose society. If real interest is to be aroused and maintained, there must be a separate Board of Directors and a separate balance sheet. All readers will agree that better medical attention is needed in Chinese villages. If 20 adjacent villages, each containing 100 able-bodied workers, agreed that each man should pay \$1 per annum for (say) 10 years, they could with this annual income of \$2,000 employ a young medical graduate, who would charge a low fee for home attendance on members, or no fee at all, and a higher fee for non-members. The members themselves could build him a comfortable house in rural style, and supply him with free fuel and a free servant. A young graduate from a medical college would welcome such a start in life. Or if 2,000 men preferred an old-style physician to a modern doctor, they should not be debarred from registering a society to employ the physician. Medical services in the countryside cannot in the near future be provided by the Chinese governments, the area being too vast; but a co-operative network might cover the ground at a minimum cost, and confer a great benefit on China.

## ARBITRATION SOCIETIES

Another type of moral Co-operation, which has been useful in India, is the Co-operative Arbitration society, the members of which pledge themselves to carry no disputes to a law court but settle them all through arbitrators appointed by the society. The principle is that of the well-known agreements between merchants in China and throughout the world, and should not be regarded as startling or novel. Litigation has not yet become the curse in China that it is in India, but there are signs of an unpleasant increase of it among certain classes. The establishment of peace and order, the construction of roads, and the improvement of the law courts make litigation easier. It is not practicable to settle very involved and technical questions by co-operative arbitration, but the small quarrels, often between women, which give rise to big quarrels and bitter enmities, may be settled in the village, so that the evil does not grow.

Two points should be noticed with regard to co-operative arbitration, and indeed to every kind of moral or social Co-operation. (1) The society should be separate. In a village of 100 households there may be only 20 or 30 members of a credit or a sale society; these societies therefore cannot arrange arbitration for the people, women as well as men, who are not their members. The society must extend over all, or nearly all, the households in the village, including the women. If this is not the case, the members may have quarrels with non-members, and be unable to settle them. (2) The society should be registered. If not, it will be unable to enforce the awards of the arbitrators, and may be defied by a losing party. The

government can by regulations under the co-operative law grant power to local courts to enforce the awards of arbitrators in such societies without hearing evidence or trying the case. The rural welfare centres, which have been formed in Kiangsi province by collaboration between the provincial authorities and the National Economic Council, have encouraged voluntary arbitration among residents of the surrounding villages, and their influence in this respect will be good. But they have registered no societies, and their awards can only be enforced by public opinion, which may be effective in 99 cases and fail in the hundredth. There is a danger that the method of arbitration may then be discredited.

### EDUCATIONAL SOCIETIES

Educational co-operative societies are another branch of moral and social Co-operation. Such a society may be organized by a group of parents, who wish to engage a teacher or hire a building for the education of their children in a village in which the government cannot yet provide a school; or by a group of men or women who wish to become literate or to pursue their own further education. Mass education associations should consider this means of making permanent and independent the voluntary schools which they frequently set up. Educational societies exist in Java and in British India; possibly also in Japan. It is desirable to register an educational society separately, rather than to entrust the charge of a school to another type of co-operative society. The people who are interested in education may not be the same as those who wish to arrange a joint sale of cotton or wheat, and the Directors will be men and women of quite a different type.

## BETTER LIVING SOCIETIES

"Better Living" co-operative societies originated in India, and are there multiplying very fast. Their object is to unite by a common pledge the persons who wish to adopt a certain good custom or repress an evil custom in their private lives. The main object in India is the limitation of expenditure on marriages and funerals. The society prescribes certain limits of outlay, by standards which are suited to Indian conditions, and imposes a fine on members who spend in excess of the limits. Regulations issued by the government under the co-operative law assist the Directors to recover a fine thus imposed. It is a matter of common knowledge that some (though not all) Chinese are extravagant in their expenditure on marriages or funerals, and are often moved to be extravagant by fear of their neighbours' opinion if they spend less. But if expenditure of the neighbours is likewise limited, no man will think ill of another for not spending more. Clearly therefore a better living society must

- (1) Cover the whole group of neighbours, in a village or town, who are affected by each other's opinion. In a village this means that all or nearly all the villagers, men and women, must be members;
- (2) Be registered, in order to be able to enforce an order of fine against a member. An unregistered group will effect nothing;
- (3) Be separate from other kinds of co-operative activity, such as credit or purchase or sale, since it needs a special type of Directors, who have moral force but may not be good financiers or men of business.

A better living society need not, of course, concern itself only with extravagant expenditure. It may deal with the problems which occupy the New Life movement, such as those of narcotics and stimulants, behaviour in the public streets, personal dress, spitting etc. As I have pointed out on an earlier page, moral improvement by compulsion is seldom permanent. It would perhaps be better to organize co-operative better living societies of men and women who consider and accept (or reject) a proposed reform, and then bind their members to carry out the reforms which a general meeting (not a Board of Directors) has accepted

But (1) membership should be voluntary;

(2) the general meeting should have real power to modify or reject a proposal which is favoured by the leaders of the movement. There must be no intimidation;

(3) the constitution of the society should provide for the imposition of fines by the Directors (not by an outside authority) on defaulters, and the government should pass regulations to facilitate the recovery of such fines.

The movement might not be spectacular, but more effective and permanent, and I feel sure that it would, in the end, make a larger contribution to the regeneration of China.

C. F. STRICKLAND.

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