

ECONOMIC AND FINANCIAL PROBLEMS IN THE ANTI-JAPANESE WAR

5. ON THE DEVELOPMENT OF COOPERATIVES

There were already cooperatives in the Border Region during the civil-war period. Since the War of Resistance began, the Border Region government has continued to promote them, and after five-and-a-half years of hard effort they have gradually expanded.

In the four years from 1937 to 1941 the number of consumer cooperatives increased from 130 to 155 and the number of cooperative members from 57,847 to 140,218. The share capital grew from 55,525 yuan to 693,071 yuan. The value of sales increased from 261,189 yuan to more than 6,008,000 yuan. Profits rose from 4,800 yuan to over 1,020,000 yuan and the public accumulation fund [gongjijin] increased from 3,500 yuan to over 173,000 yuan.

If we compare the October 1942 Statistics for the nineteen county capitals with those of 1941, the number of cooperative members has increased from 97,297 to 115,899. The share capital has risen abruptly from over 712,900 yuan to more than 6 million yuan and the profit has also grown from 858,000 yuan to more than 3,398,000 yuan.

The largest amount of share capital owned by individual members of consumer cooperatives is around 10,000 yuan and the lowest is around 4 or 5 yuan,

The distribution of consumer cooperatives at the end of 1941 was as follows: Yan'an, twenty-eight; Ansai, twelve; Yanchang, eight; Gulin, eight; Dingbian, eight; Qingyang, Huachi, Quzi and Yanchuan, seven each; Anding, Fuxian and Wuqi, six each; Ganquan, Jingbian and Heshui, five each; Yan'an city and Mizhi, four each; and Suide, two. There are still no statistics for the other counties.

Turning to producer cooperatives, ten were established in 1939 with the support of the government and the assistance of the northwest office of the Chinese Industrial cooperative [Gonghe]. Thereafter some consumer cooperatives with large amounts of capital also ran producer cooperatives. By October 1942 the number of producer cooperatives had increased from ten to fifty. The number of employees engaged in production had increased from 199 to 563. Share capital had grown from 11,130 yuan to 2,491,600 yuan and the total value of monthly production from 60,000 yuan to over 2,300,000 yuan.

According to this year's statistics the distribution of producer cooperatives is as follows: Suide, sixteen; Yan'an, seven; Gulin, five; Yanchang, five; Yanchuan, five; Ganquan, three; Ansai, three; Jingbian, two; Qingyang, one; Jiaxian, one; Mizhi, one; Anding, one.

Among the fifty producer cooperatives there are twenty-seven large and small textile cooperatives, thirteen in Suide, four in Yan'an, two in Gulin, and one each in Ganquan, Fuxian, Yanchang, Yanchuan, Ansai, Anding, Jiaxian and Mizhi. Altogether they employ 497 people and their share capital is 1,700,000 yuan. Six have twenty-five or more employees, the rest ranging from three to over ten. If these twenty-seven cooperatives were working at full capacity, they could produce 30,000 bolts of cloth annually. At the moment they are only producing around 22,000 bolts, 6,000 woven blankets, 4,152 dozen woolen towels, and 8,400 dozen pairs of woven socks.

There are five dyeing cooperatives, two in Yanchuan, two in Suide and one in Yanchang. They employ a total of thirteen people, their share capital is 128,000 yuan and each year they can dye over 7,000 bolts of cloth. There are five producer cooperatives pressing cottonseed oil. Of these, two are in Gulin, two in Jingbian, and one in Yanchang. They employ a total of nineteen people, their share capital 245,000 yuan, and each year they can press 10,000 jin of cottonseed oil. There are nine flour

mills, two each in Ansai, Ganquan, Yanchang, Yanchuan and one in Gulin. They employ a total of twenty-four people and their share capital is 262,000 yuan. There are four blanket-making cooperatives, two in Yan'an, one in Qingyang, and one in Suide. They employ a total of forty-two people and their share capital is 152,000 yuan. Each year they can produce 7,600 blankets. There is one pottery cooperative in Yan'an county. It employs seven men, its share capital is 3,000 yuan and each year it produces six kiln loads of pottery.

The above statistics show us that both consumer and producer cooperatives have expanded greatly in terms of membership, share capital, profit and undertakings. However, this development has been uneven. In the past five years it has gone through three stages. Moreover, qualitative development only began to advance rapidly during 1942. Before 1939, cooperatives everywhere were based upon share capital from the government with the addition of some share capital assessed from the masses. At this time their nature was basically that of publicly-run enterprises and for the most part they became shops publicly-run by the county and district governments. Cooperative enterprise was not facing the masses, but was chiefly facing the government. It was providing funds for the government and all decisions were taken by the government. This was the first stage. After 1939, the slogan 'Popularize the Cooperatives' was put forward. However, most places still used the old method of assessing share capital from the masses to carry out this so-called 'popularization'. Thus, the masses still regarded the cooperatives as a burden, assessed upon them and not as something of their own. Cooperative personnel were still the same official personnel. They ordered the masses to do substitute farm work on their land on their behalf. The masses could not see the great benefits to the cooperatives for themselves and, on the contrary, considered that the cooperatives increased the labour burden they had to bear. After 1940, the duty of all the local governments to achieve self-sufficiency in production was increased. Thereafter the large shareholders in many cooperatives were not the people but government organs. It was thus even more difficult for the cooperatives to give due consideration to the interests of the masses. This was the second stage. It was only in January 1942 that the Reconstruction Department put forward the strategy of 'overcome the desire to monopolize everything, implement the policy of the people in control and officials as helpers', based on the experience of the Southern District Cooperative of Yan'an county. It was only by implementing this strategy that cooperatives everywhere did away with the method of levying shares by assessment, and gradually built-up close relations with the masses and experience in being concerned for the interests of the masses. Thus, in merely ten months the share capital has risen sharply by more than 5 million yuan and undertakings have also expanded. This has played a great role in organizing the economic strength of the people, reducing middleman exploitation, and developing the people's economy. This is the third stage. It is only in this stage that the cooperatives of the Border Region have in general begun to follow the right path.

The above outlines the path of development of most cooperatives. However, there have been exceptions. For example, the Southern District Cooperative of Yan'an county got on to the right path somewhat earlier. Through several years of hard experience, this cooperative has become a model cooperative truly supported by the people. During 1942, cooperatives from the counties of Suide, Anding, Ansai, Ganquan, Yanchang, Wuqi, etc. have advanced by studying this model cooperative.

What, then, are the special features of the Southern District Cooperative? It has the following good points. (1) It has smashed dogmatism and formalism in cooperatives, and it does not cling to old ways and regulations. The Southern District Cooperative began as a consumer cooperative. However, its undertakings have extended into every aspect of the economic life of all the people of Southern district. It does not just manage consumer undertakings but handles supply and distribution, transport, production and credit. It has organized six producer-cooperatives for textiles, oil-pressing,

blanket manufacture and so forth, and one transport team with more than a hundred animals. It has become a comprehensive cooperative. It does not concentrate on the percentage of income that should be devoted to the cooperative's own public accumulation fund and public welfare fund [gongjijin], but strives to share out its profits to the members. It does not place a limit on the share dividend and each member receive a return on his shares regardless of the number held. It does not limit the right of members to dispose of their shares and each member has the freedom to withdraw his shareholding at any time. Nor does it limit the nature of the membership. People from all social strata can join. (Since Yan'an is an area that has gone through land revolution, allowing people from all classes to join is no hindrance to the leadership of the cooperative by the Communist Party.) They can also belong to the organs of the cooperative. Moreover, it is not necessary to have ready cash to become a shareholder. Before the cooperative won complete confidence among the masses, it permitted them to become shareholders. using government bonds [gongzhaiquan] and savings bonds [chuxupiao]. In this way the share capital was increased. When the cooperative came to have the confidence of the masses and the masses wanted to take out Shares but had no money, it allowed them to use any articles of value such as grain, livestock, eggs and firewood to buy shares. Therefore, all the people praise it.

(2) It has smashed formalism in cooperatives, and conscientiously carried out the policy of facing the masses and working for the benefit of the people. It has therefore gradually come to be loved and respected by the masses. For example, every year during spring ploughing, it makes early arrangements to transport shovels from Hancheng and other places, selling them to the peasants at a price lower than the market price. It organizes various productive enterprises, which not only absorb unemployed workers, take on apprentices, and employ the family dependents of working personnel, but also expand profits, guarantee the supply of daily necessities to the people of the area and increase the income of the people. The Southern District Cooperative has organized more than 800 women to spin yarn. Each month they can spin 1,400 jin. This has increased the monthly income by 70,000 yuan. The managerial policy of the consumer cooperative is to fully ensure the supply of necessary commodities for the people, not only letting them make fewer trips for their purchases but also charging prices cheaper than those found in shops of large towns.

(3) It uses the policy of benefiting both the public and the private sectors as the bridge between the economic activity of the government and the economic activity of the people. On the one hand it carries out the financial and economic policies of the government and on the other it adjusts the burdens of the people so as to make those burdens more acceptable, raises their income, and increases their enthusiasm. For example, in 1941 when the government was mobilizing for the salt-transport levy, the Southern District Cooperative got the people of the district to hand over a money substitute, and its transport team transported salt for the government on behalf of the people. Before the government collects the tax grain, the cooperative mobilizes the people to pay it to the cooperative itself in accordance with the amount of tax collected in the previous year. The cooperative guarantees to pay the tax grain for the current year on behalf of the cooperative members and also accepts the grain handed over as share capital paid in by people to join cooperative. Thus, on the one hand the cooperative acts on behalf of the government, ensuring the payment of tax grain using it to make a profit before it is finally paid over. On the other hand the people not only pay their tax grain but also get some share capital. As a result, some households with surplus grain have even wished to pay two years' worth of tax grain to the cooperative. No matter what the increase in tax grain the following year, the cooperative undertakes to pay the difference. More than forty households in the district have done this. In this way the burdens of the peasants have been fixed, their income has increased, and their enthusiasm for production has also been raised. Another example was when the government of the county and district wanted the people to

pay educational expenses and expenses for the guard posts of the self-defence army. The cooperative again paid these for the people from its profits. In this way the government was saved the trouble of collecting the expenses and the people were not burdened with the payment. The government policies of encouraging immigration and assisting refugees can also be carried out by the cooperative (it can give credit to the refugees and immigrants and so forth). In these ways the interests of the government, the cooperatives, and the people, the interests of the individual and the collective are closely united.

(4) It changes the organizational structure of the cooperative according to the wishes of the people. It does not hold congresses of all file cooperative members, but allows the members to elect delegates from each village. It does not use the method of assessment for raising share capital, but rallies groups of activist cooperative members to go and encourage the people to take out shares. It does not limit the share capital of the cooperative members, and it divides the profit according to shares held. However, in solving the cooperative's problems it does not consider the number of shares owned. Each shareholder has equal rights.

The above are the features of the Southern District Cooperative. As a Consumer cooperative, its characteristics conform to the basic spirit of consumer cooperatives and grow from the life, culture, economy, and politics of the people of the Border Region. As a producer cooperative while not a cooperative of the producers themselves but enterprise where shareholders hire labour, its present structure is a means of absorbing unused rural capital to develop handicrafts and corresponds to existing conditions in the Border Region where handicrafts are not developed and handicraft workers are few.

Since 1936 the Southern District Cooperative has gone through six to seven years of trial and hard struggle. Now it has grown from 160 members to include more than 90 per cent of the households of the Southern district. The number of voluntary members is 1,112. The amount of share capital has risen from 159 yuan to 2 million yuan. It has grown from one cooperative to sixteen cooperatives. The net profit has risen from several tens of yuan to 1,620,000 yuan for the first ten months of 1942. It has developed the agricultural, industrial and commercial enterprises of the people of the district and looked after their economic welfare, becoming the economic heart of the people of Southern district.

In the large but under-populated Border Region where the economy is almost entirely a small-scale peasant economy, it is necessary to rely upon truly popularized cooperatives to play a pivotal role in implementing the economic policies of the government and in organizing and encouraging the people to develop the economy. Thus, the road of the Southern District Cooperative is the road for all the cooperatives of the Border Region. A movement to develop cooperatives in the style of the Southern District Cooperative is a major item of work for expanding the economy of the people of the Border Region.

For this reason, the Party and government should carry out the following work in cooperatives throughout the Border Region:

(1) The Reconstruction Department should be responsible for studying the experience of the Southern District Cooperative and for compiling a small handbook as educational material for the fourth section [ke] of all county governments and for the personnel of all cooperatives. Furthermore, we should use the opportunity presented by holding meetings in Yan'an to take working cadres from all parts of the Border Region on a tour of the Southern District Cooperative.

(2) All the enterprises run by the Commodities Bureau should help successful consumer and producer cooperatives with supplies and distribution. They should sell commodities to the consumer cooperatives, and supply raw material to, and guarantee the purchase of products from, the producer cooperatives. The government should issue 3 million yuan to the Commodities Bureau in 1943 to help in adjusting the cooperatives' supplies and distribution.

(3) In order to stimulate cooperatives, the government must clearly stipulate and conscientiously carry out a reduction in the cooperatives' tax burden.

(4) The Border Region Government and the governments of all the counties should seek out students educated to the upper primary school or higher level for training as accountants or managers so as to ease the difficulties of all cooperatives over these.

(5) The personnel of the cooperatives must implement the policy of 'popularization' and adopt the wages system, doing away with the system of substitute cultivation for cooperative personnel. They must improve cooperative organization and simplify administration. They must make them into proper enterprises and not official organs. They must reduce the working personnel and reduce expenditure.

In order to ensure that everyone fully understands the history of the development of the Southern District Cooperative, we have specially invited its director, Comrades Liu Jianzhang, to write a report which now follows.

THE HISTORY OF THE YAN'AN SOUTHERN DISTRICT COOPERATIVE

First Period

On 2 December 1936, we began to propagandize the people to buy shares. At that time each share was worth 0.30 yuan in soviet currency. After twenty days there were 160 members with 533 shares giving a total value of 159.90 Yuan.

Wang Tianjin was elected director, Liu Jianzhang accountant, and Li Shengzhang buyer.

Dividends were paid quarterly and the gross profit for the first quarter was 199.44 yuan.

Expenditures were made up of payments to the three personnel 9 yuan, food 45 yuan, stationery 3.50 yuan, woollen socks and gloves to support the front 13 yuan, help for the dependable of troops of the War of Resistance 15 yuan, support for the small school 8 yuan and public welfare fund 10 yuan. After expenses, the dividend per share was 0.18 yuan, and the total dividend 95.94 yuan.

On the occasion of this dividend, we held a cooperative members' congress attended by all. At this meeting we reported on the work done by the cooperative, shared out the dividend, and gave the members dinner. The meeting produced great results. The members themselves proposed that since the cooperative was helping the dependents of soldiers in the War of Resistance, assisting the small school, and supporting the front with woollen socks and gloves and so forth on their behalf, everyone should buy more shares. This was the first period.

Second Period

Wang Shengming became treasurer. I planned a large increase in the share capital. Director Wang was not satisfied. He argued that an increase in share capital should be carried out when the situation demanded it. I wanted to take the matter to county government for discussion and later we went to see Liu Shichang, head of the national economy department [guomin jingjibi] of the county

government. Department head Liu permitted an increase in share capital. Since Wang Tianjin disagreed with everyone, the county government moved him to another post.

In March 1937, Liu Jianzhang was elected director, Wang Shengming accountant, and Li Shengzhang remained as buyer. Once again there were three people. On one hand we managed the business and on the other we increased the share capital. The date for the second payment of dividend was 2 June, 1937. The total of new shares issued was 2,697, which together with the previous issue made a total of 3,230 with a value of 969 yuan at the maintained rate of 0.30 yuan per share. The sum of 3,657 yuan was handled in turnover [guoliushui] during the three months and the gross profit was 276 yuan. Expenditures included support for the small school 6 yuan, support for the dependents of soldiers in the War of Resistance 12 yuan, donation to the appeal for support for the front 20 yuan, public welfare fund 10 yuan, three months' food 53 yuan, staff payments 13.50 yuan, and office expenses 3.50 yuan. After expenses the dividend per share was 0.05 yuan, a combined total of 161.50 yuan. As before, a congress of cooperative members was held when the dividend was paid. Two-thirds of the members attended. We reported on the activities of the Cooperative. At that time we had bought 3 tan of grain on behalf of the troops and had also acted as an agent in the purchase of all the charcoal and firewood used by the reception centre of the Northwest Military Committee [xibei Jun-wei]. All income from this business was in soviet notes, but the ordinary people did not agree. They asked the cooperative to request goods as a pledge when acting as a purchasing agent. On the one hand they should give some goods and on the other we could accept some soviet notes. At this time the cadres of the cooperative worked hard and patiently to bring about agreement between the people and the troops. After this we built up relations between the army and the people. If the soviet notes held by the people could not be used to buy things in other places, the cooperative could buy them. When this was announced, the members gained a greater understanding of the cooperative and stated that 'the cooperative was able to act on their behalf.'

Third Period

Beginning in June 1937 we again planned to increase the number of cadres. Sun Shenghua was promoted to be a buyer. He worked for one month, every day acting as buying agent for the troops which he found very troublesome. He said he wanted to stop working. Despite repeated attempts at persuasion and education, he was determined not to work for the cooperative and so he left. Li Shenghai became buyer. We planned to open a fire wood shop at Goumenshang. The cooperative put up 200-yuan capital and it became an independent unit. Li Shengzhang was director of the shop with his wife as cook and Li Shenghai as assistant. In three months, the gross profit was 400 yuan.

The current account for the running of the cooperative and the shop was 7,175.60 yuan and the gross profit 538.70 yuan. Three yuan in soviet currency was equivalent to one yuan in national currency [baipiao], giving a converted value of 175 yuan [yang yuan]. When cooperative members took out shares, 1 yuan in Soviet currency was taken as equivalent to 1 yuan in national currency. We donated 25 yuan for the front and 10 yuan to help the small school. The director for women's affairs of the district was robbed by local bandits and new bedding for her cost 4.50 yuan. The public welfare fund was 12 yuan. Losses on forged notes came to 8.50 yuan, payments to staff 45 yuan, food 90 yuan, and office expenses 7.50 yuan. New shares issued numbered 2,130, making a total of 5,360 with value of 1,596 yuan. Dividend per share was 0.02 yuan.

During this period, the porters in Ansai county, Bao'an county, and our own district organized a salt-transport cooperative. They pooled their capital and formed a partnership setting up a salt-transport team with a total of twelve donkeys, horses and mules. Together with more than one hundred privately-owned animals, they regularly went to Yanchi to transport salt which was sold through the

cooperative. This also encouraged porters from other counties to invest 320 yuan in the shop. During this period the soviet currency used to buy shares was converted entirely into national currency.

We reported to the September cooperative members' meeting. Everyone expressed the opinion that making the soviet notes worth 1 yuan in national currency instead of 0.30 yuan had increased the trust of the members. We proposed an increase in the share capital, made a census of the population and surveyed the conditions of the people's economy. The three townships of the district had 432 households with a population of 1,733. There were 222 ox-drawn implements and 323 oxen, 125 donkeys and 270 sheep. The total value of the people's economy for the whole district was 220,000 yuan, including livestock, land, houses and all assets. Excluding grains, the average annual expenditure per head on clothing, agricultural implements, salt, matches, etc. was 40 yuan, making a total of 69,320 yuan. We proposed to the meeting that each person should increase his share capital to 20 yuan so that we could provide daily necessities for the people. The members agreed to increase the share capital and to lengthen the accounting periods from quarterly to half-yearly.

Fourth Period

The fourth period ran from September 1937 to February 1938. The original value of 0.30 yuan per share was raised to 0.50 yuan. The total number of shares was 5,360 valued at 2,680 yuan. The current account was 22,875 yuan and the gross profit 1,732.30 yuan. Outgoing were the public accumulation fund 110 yuan, the public welfare fund 68 yuan, woollen socks and gloves to support the front 245 yuan, support for the dependents of troops in the War of Resistance 18 yuan, support for the small school 12 yuan, payments to cooperative personnel and hired labour 310.50 yuan, food 90 yuan, entertainment expenses 38.50 yuan, office expenses 61.50 yuan, incentives for personnel 60 yuan and repairs 285 yuan. After expenses the dividend per share was 0.08 yuan and the total dividend was 428.80 yuan. Although the cooperative members' meeting for the previous period had proposed raising the share capital per person to 20 yuan, this had only been partly realized because of difficulties in the people's economy. This time the meeting planned to establish a credit cooperative with share capital of 1,000 yuan. People could come to this cooperative for short-term loans for marriages and funerals without paying interest. As soon as this slogan was put forward, the members said they would guarantee the raising of all share capital. The aim was to provide assistance. We also planned to open a restaurant in Liulin.

Fifth Period

This ran from March to August 1938. First of all we increased the number of cadres, recruiting Wang Yaoming, Mao Keye, Li Shenghai, Huang Baozhong, etc. Within three months we raised 1,060 yuan share capital for the credit cooperative and in addition increased other share capital by 110 yuan. Including previous share capital, the total was 3,890 yuan. The current account for the six months was 42,500 yuan and the gross profit was 3,633 yuan. Expenses were woolen socks for troops at the front 185 yuan, relief appeal donations 22 yuan, incentives 80 yuan, repairs 230 yuan, meetings and entertainment 85.60 yuan, office expenses 189 yuan, payments and salaries (twenty-four people) 864 yuan, and food 900 yuan. After expenses the dividend per share was 0.10 yuan and the total dividend 778 yuan. When the dividend was distributed, we held a meeting of cooperative members' group leaders. We Planned to accumulate 500 yuan to buy ploughshares. Each ploughshare cost 0.25 yuan so we could buy 2,000. We also planned to expand with an oil-pressing shop [youfang], a flour-mill [fengfang], and a public welfare centre [gongyixin] so as to establish commercial relations in Yan'an city. On this occasion none of the group leaders disagreed.

Sixth Period

This ran from September 1938 to February 1939. We changed the share value from 0.50 yuan to 1 yuan, and we increased share capital by 4,510 yuan making a new total of 8,200 yuan. The current account for the six months was 49,860 yuan and the gross profit 4,118 yuan. Expenses included support for dependents of troops in the War of Resistance 34 yuan, the public accumulation fund 654 yuan, the public welfare fund 10 yuan, incentives 131 yuan, entertainment 180 yuan, miscellaneous expenses 116 yuan, salaries and payments to personnel (thirty people) 867 yuan and food 1,116 yuan. During this period all plans were realized. We bought 2,000 shovels in Hancheng. Each shovel was worth 0.50 yuan and the market-price was 0.90 yuan. We sold them to cooperative members at 0.60 yuan each, a saving of 0.30 yuan and a total saving of 600 yuan. The oil-pressing shop and flour-mill were established. In this period, we still paid a dividend on a half-yearly basis. There was a total of 850 cooperative members.

Seventh Period

This ran from March to August 1939. We started planning to do business in partnership with private individuals. In the area there were some people who wanted to go into business but feared that the government would increase taxation on them. So, they invested their money together with the cooperative as individual shareholders in a joint venture. First, we set up business in partnership with private individuals in Sanshilipu including a noodle shop and a restaurant. The cooperative put up 200 yuan and the individuals 800 yuan. Through this partnership business we solved many problems for the people. We made rule allowing the freedom to invest or withdraw share capital from the cooperative. This lasted until the end of the year when the government, reaffirming the principles of cooperatives pointed out that the cooperative had developed the private economy and this was not allowed. So, this business was broken off.

In the same year we expanded share capital by 860 yuan, making a new total of 9,016 yuan. Cooperative members numbered 960.

The current account was 57,600 yuan and the gross profit was 4,778.60 yuan.

After deducting the public accumulation fund, welfare fund and other expenses, the net dividend was 0.10 yuan per share and the total dividend 901.60 yuan.

In the course of paying out this dividend, many difficulties arose. On one hand the expansion of share capital was slow and the rise in commodity prices high, making it difficult for the cooperative to operate. On the other hand, the people reckoned there was no increased profit for the individual, and were unwilling to invest in more shares. We tried again and again to propagandize and persuade them but they remained unwilling to invest more. I myself reckoned that unless we formed partnerships with private individuals, the cooperative could not develop, and that we should do business in such partnerships without government approval. I put this forward for discussion at a management meeting and it was agreed that it should be done.

Eighth period

In September 1939 we again went into partnership with individuals to set up the Xinghua Branch Cooperative at Sanshilipu, the Limin Cooperative at Goumenshang, the Minsheng Herbalist at Liulin, and the Lihe Cooperative at Nanzhuanghe. Using the cover of being joint public and private ventures; they attracted over 100,000 yuan of capital from private investors. The people working in the branches got personal shares. We drew up contracts. There was still complete freedom in making investments and withdrawals and the cooperative did not lay down any restrictions. Subsequently

when the county government learned about this, it wanted to see the contracts. After seeing them, it approved the formation of partnerships. The original cooperative was changed into the head cooperative of the district, and the various townships set up branch cooperatives. Excluding the branch cooperatives, the head cooperative again increased share capital by 2,629 yuan, making a new total of 11,645 yuan. The current account for the head and branch cooperatives together was 158,350 yuan and the gross profit 18,250 yuan. Expenses were 8,895.13 yuan and the net profit was 9,354.07 yuan. The dividend per share was 0.10 yuan, including the branch cooperatives. Having set up branch cooperatives, the head cooperative was strong enough to establish productive undertakings. In 1940 in partnership with the Guanghua Store, we bought mules and set up a transport team, benefiting from cooperation with private individuals. The original capital of the transport team was 5,000 yuan. By the end of the year, it had expanded to have 160 mules and was regularly transporting salt goods. We also set up a textile mill and a leather-workshop. The West District Cooperative and the Xinmin Cooperative at Dufuchuan collectively set up a transshipment warehouse and two felt-workshops at Qilipu. At first shares were taken out on an individual basis so that there could be several cooperative members within one family. Later this became troublesome, so they were combined, taking the household as the unit. Each family became one cooperative member, and there was a total of 853 members.

After the membership had been combined in this way households had 300-500 yuan to 1,000 yuan invested. At the same time, small merchants and porters from other counties had also joined the branch cooperatives with share capital of 10,000 yuan. In particular the porters who came frequently from the counties of Luochuan, Fuxian, Ansai, Bao'an and Sanbian invested in the cooperative. When the dividend was paid in the ninth month, we held a meeting of members' representatives and reported on the reasons for the expansion of the cooperative. After examination we put forward the general aims for future work. First, we wanted to increase shares by 30,000 yuan and we asked the representatives to guarantee that this would be done. Secondly, we planned to accept local products and to sell them on behalf of the people, to supply the people with all daily necessities, and to take responsibility for buying goods from other areas. Thirdly, the salt, matches, and ploughshares needed by the people of the district would not be bought from outside but would be supplied by the cooperative. We reckoned that the 7,135 people of the district consumed 2 qian of a salt per head per day and 4.5 jin per head per year, making an annual total of 32,107.5 jin. At a price per jin 1 yuan below the market-price, we could save over 32,100 yuan. Each family used five packs of matches per year, a total of 8,675 packs for the whole district. At a price per pack 5 yuan below the market-price, we could save 43,375 yuan. The district used 1,500 ploughshares per year. At 15 yuan below the market-price we could save 22,500 yuan. The total saving for these three items could be 98,050 yuan. The district population's annual consumption of cotton cloth for making clothes was 7,000 bolts. Each bolt required 25 jin of raw cotton, a total requirement of 17,515 jin. The total value was 3,500,000 yuan. If the yarn was spun by the people, they could earn half of it, that is, 1,750,000 yuan. We reported on our plans to the members at this meeting. After approval by the members, we increased the number of machines for spinning and weaving by peasant women.

Ninth period

In August 1941 we increased share capital in the form of shares taken out as government bonds for national salvation [jiuguo gongzhai]. The government mobilized the people to buy government bonds for national salvation. The amount of bonds to be taken out by the people was added on to their share capital. The dividend on this share capital was paid towards the government bonds of 33,000 yuan. In this difficult situation for the people, we helped them ease their burdens and raised their faith in our ability to do so.

The now share capital was 33,070 yuan. Combined with the old, this gave a total of 44,715 yuan for the head cooperative. The share capital for the various branch cooperatives was 120,000 yuan and for the transport team it was 80,000 yuan. The combined total was thus 244,715 yuan and the membership was 1,018. The current account for the head and branch cooperatives together was 1,161,840.70 yuan and the gross profit was 284,317.40 yuan. Expenses were 138,849.30 yuan and the net profit was 145,469 yuan. The dividend per share of 1 yuan was 0.70 yuan. When issuing the dividend, we proposed that each dividend of 0.70 yuan could be valued at 1 yuan if invested as share capital. This increased members' trust and a lot of the dividend was added on to the share capital. People taking out additional share could use local products, firewood and grain as money, calculating the value higher than market price. For example, each jin of grass was valued 0.20 yuan higher than the market-price. This was true of all investment in kind and it also increased the people's trust.

Tenth period

In 1942 we set up a sock-weaving factory. When we began propagandizing for share capital, we made each share worth 20 yuan and presented the members with a pair of socks. Afterwards, with the increase in the cost of raw cotton, we raised the value of each share to 40 yuan. The total share capital was 30,000 yuan. We set up the sock-weaving factory and it now has six machines. In Yan'an city we set up the Yunhe transshipment warehouse with 420,000 yuan share capital. At Songshulin we set up a branch cooperative with share capital of 340,000 yuan. The surplus accumulated by the transport team increased its capital to 750,000 yuan. The head and branch cooperatives expanded their share capital by 1,232,000 yuan, making a new total 2,520,000 yuan. The membership was 1,112 (each member represented one household). The largest investor had shares to the value of 5,000 yuan. There were nineteen units of the cooperative within the boundaries of the district (including production, transport, and consumption). Apart from the cooperatives, there was no other private commerce. Southern district is 60 li long and 40 li broad. It has 1,544 households with 7,128 people. Altogether there are 1,469 oxen, 635 donkeys, 60 horses, 22 mules, and 4,445 sheep. Arable land covers 54,408 mu. The wheat harvest was 872.5 tan. The harvest of coarse grains was 9,084.16 tan, equivalent to 5,662.43 tan of hulled grain. The output from subsidiary undertakings was equivalent to 334.25 tan of hulled grain. The full total was 6,869.18 tan. In 1942 we paid 2,480 tan of grain tax leaving 4,389.18 tan. The average amount of grain per head was 0.6 tan. Animal fodder totalled 1,500 tan.

This spring the government mobilized to get 34,000 yuan for educational expenses and for sentry fees for the self-defence army, 8,000 yuan for share capital for production at Gaomaowan, and 20,000 yuan for bank savings bonds. The total was 62,000 yuan to be raised in three parts. Each time each household would have to attend a meeting for collection and lose the work of one of its members. This would happen three times and each time the work of 1,500 would be lost. The work of each person was valued at 30 yuan so the total loss of earnings would be 135,000 yuan. Added to the 62,000 yuan the full burden on the people would have been 197,000 yuan. Therefore the cooperative paid the 62,000 yuan, on behalf of the people, saving the 135,000 yuan which would have been lost. We helped the people's production at a particularly busy agricultural time. We also handed over 1,050 packs of salt each worth 240 yuan as salt tax on behalf of the people. The total value of this was 252,000 yuan. Reducing the amount of work time lost by the people influenced their attitude towards the cooperative, and we increased share capital by 420,000 yuan. We plan to pay next year's salt tax on their behalf.

We organized 600 peasant women to do spinning. Each day each person spun 2 liang of yarn. The total of raw cotton spun each day was 75 jin and the people should get half of it. Each jin of yarn was reckoned as worth 150 yuan. The profit per day was 5,250 yuan and the profit for the year was 1,890,000 yuan. This year they spun 5,000 jin of raw cotton. In the first half of the year cotton was low-priced. Combining both halves each jin cost 70 yuan. The people earned 2,500 jin of raw cotton, equal to 175,000 yuan. The cooperative arranged advances of 20,000 yuan for spinning-wheels. After deducting these 20,000 yuan, the people earned 155,000 yuan. Now we are expanding the amount of spinning done by women. In the past there was no spinning done in Southern district. Now large numbers of women are taking part, but there are problems of raw materials. Finally, this year we sold 20,000 jin of charcoal for the people at 2 yuan per jin. The people got 400,000 yuan.

The above facts relate what the cooperative has done. We have not divided out the dividend so far this year on account of the floods. The cooperative has lost 58 buildings with a value of 400,000 yuan, equipment worth 300,000 yuan, goods worth 400,000 yuan, and the Fuchang Storehouse at a value of 200,000 yuan. Total losses were 1,300,000 yuan. The Government later helped us borrow 500,000 yuan and we went to Dingbian county three times to sell goods making a gross profit of 300,000 yuan. At present we again have repair expenses of 240,000 yuan and we are expanding share capital.

As regards the organization of the cooperative, each village elects one or two representatives. Cooperative affairs are handled by the twelveman management committee held on the sixth day of each month. All questions concerning management and cadres are determined at the management committee meetings.

supplementary notes:

(1) At present the cooperative has 135 buildings and fifty-five stone-built cave houses worth 2,890,000 yuan at current values, liquid capital of 1,500,000 yuan, and equipment and livestock worth 1,020,000 yuan.

(2) The experience and lessons of the cooperative are explained in the page on the Southern District Cooperative in the volume Materials on Yan'an's economic Construction.

13 December 1942

The above document leaves a gap of two years between the eighth and ninth periods, and there seem to be some omissions. Inquiries were made and the following report came back:

CONCERNING THE PROBLEM OF PERIODIZATION OF THE SOUTHERN DISTRICT COOPERATIVE

Operations began in December 1936 and the first meeting of all cooperative members was held after three months. Altogether three such meetings were held at three-monthly intervals. Then they were changed to once every six months and a further three meetings were held. After the sixth meeting, there was a gap of eight months and then the first meeting of representatives was held (at the end of 1939). Afterwards the second meeting of representatives was held in July 1940, and the third in August 1941. We planned to hold the fourth meeting in July this year but because of floods it was difficult to draw up the accounts so we extended the period. Before 1939 the period between meetings was short and all the members attended. This was because our scope and membership were both small. Later, meetings of representatives were held once a year because our membership was too large, our undertakings had expanded and drawing up accounts was not easy.

In our previous report we omitted to refer to the second representative meeting of July 1940 and so the eighth period was lengthened into two years.

The previous report was made without proper drafting. If there are still questions on this material please instruct for further reports

Wang Pi'nian'

Liu Jianzhang

15 December

Below is the report of the comrades of the Yan'an county Party Committee on the Southern District Cooperative. It is reproduced here for study.

THE EXPERIENCE OF THE LIULIN DISTRICT

(i.e. YAN'AN SOUTHERN DISTRICT)

COOPERATIVE

Looking at the process of development of the Liulin District Cooperative we can see:

(1) Cooperative operations are not limited to consumption but are also related to production, credit and transport, making them a coherent whole. The head cooperative and its branches make a total of sixteen.

On the production side there is the textile-mill, the leather-workshop, the felt-workshop, the oil-pressing shop, and the flour-mill.

On the transport side there is the transport team with over a hundred animals. The cooperative's capital investment is 500,000 yuan.

Because the Liulin District Cooperative operates by uniting several economic functions together, its scope is wide, its capital is large, its activities are big, its development is fast, and it has solved many problems in the supply of daily commodities for the people. Other cooperatives in this county are limited to consumption. Compared to a cooperative which also carries out production and transport, their capital and scope are small and their development retarded.

(2) The policy for management of cooperatives by the people was put forward by adopting the experience of Liulin. This cooperative's share capital expanded, absorbed the capital of small merchants and drew them into take part in the work. All the work of the cooperative was discussed and decided by the cooperative members. The people were deeply involved with the cooperative. They did not consider it to be run by officials but by themselves.

(3) The cooperative solves problems in the supply of daily necessities for the masses, such as bolts of cloth, salt, matches, ploughshares, etc. at lower than market-price. Taking matches and salt alone, the annual savings for the people was more than 80,000 yuan. Naturally the people wish to buy things at the cooperative. The cooperative can supply the entire needs of the people of Liulin district in these four daily necessities.

(4) The cooperative helps the masses out of urgent difficulties such as those created by marriages or funerals by allowing them to borrow funds temporarily, either giving credit against bolts of cloth or taking something as a pledge. It sets a time limit for repayment. This fills the role of a credit cooperative, solving major difficulties for the people. Because the cooperative does this at a time of

urgent need when no help can be found elsewhere, it creates trust among the people, who consider the cooperative really helps them.

(5) The cooperative has a variety of ways of expanding share capital:

(i) Buying shares with ready cash.

(ii) Taking out shares in return for goods: a chicken, a pair of shoes, some sheepskins, some hemp ropes can all be exchanged for shares at equivalent value.

(iii) Absorbing the capital of small merchants.

(iv) Helping the masses pay burdens from the government and making this a way of taking out shares. After the government issues its demand, the cooperative turns them into a call for buying shares (to the same amount) and itself pays the taxes. For example, in 1942 the people of the district had to pay 250,000 yuan to the government as a cash substitute for tax salt. This was treated as share capital and paid to the cooperative. The cooperative paid the salt tax to the government, making a profit from the handling of the cash. The people also got a dividend. Government bonds, education costs, sentry costs, and so forth were collected in this way and paid by the cooperative. The government was paid, the cooperative's share capital increased and its operations expanded. The people profited and they had less troubles. They also received dividends as shareholders.

(v) Increasing share capital through making timely responses to the needs of the moment of the people. For example, when they wanted to expand spinning and weaving, they put forward the slogan of raising share capital to do so. In 1941 the cooperative experimented with paying tax grain for the people. For each tan of the previous year's grain tax the people bought shares for cash. The cooperative used the cash to expand its operations. In the following year when the grain tax was allocated among the people, it was paid by the cooperative from the profits it had obtained. This was done for forty or so households, for whom paying grain tax was almost like not paying. They became shareholders in the cooperative, able to get a dividend every year. They were very happy, their enthusiasm for production increased and they got even more grain.

(vi) Paying a dividend on taking out shares. People taking out shares for 40 yuan were issued a pair of socks valued at 20 yuan. In this way the people were encouraged to buy shares.

(6) The cooperative is in a very good geographical position since it is in Liulin district which is close to the large commercial market in Yan'an. Liulin has much forest land. Many people sell timber and charcoal, which raises their income and thus there is a lot of liquid capital in the villages which can be absorbed in the purchase of shares. At the same time, being near a market, the turnover of capital is very quick. These are objective factors.

(7) The scope of the cooperative's activities is very wide. It has established relations with the Border Region Bank, the Guanghua Store and the various official organizations in Yan'an. Sometimes it can borrow capital or do a lot of work for the official organizations and the cooperative has been able to develop through this mutual help.

(8) The cadres have not been transferred much and they pay attention to investigation and research. Director Liu has not been transferred to other work since he was appointed. He has been able to concentrate exclusively on his work, research and on thinking of ways of doing things. At the same time, he also pays great attention in investigating objective conditions. For example, he often investigates such things as the annual consumption per individual bolts of cotton, salt, matches and so forth so as to solve the people's problems.

Here is an example to show the relationship between the cooperative and the people. In 1941 the peasant Bai Da of Lufengpo in Liulin district had to hand over 60 yuan for nations salvation grain tax. Beforehand he paid it to the cooperative as share capital. At the appointed time the cooperative paid the government on his behalf. Later the dividend was added to the original capital of 60 yuan bringing it up to 200 yuan. He bought four ploughshares from the cooperative and saved 15 yuan on each (that is, they were sold at 15 yuan less than the market-price), making a total saving of 60 yuan. He bought five packs of matches saving 5 yuan on each, a total of 25 yuan. At the end the twelfth lunar month in 1941, he bought goods worth 1000 yuan at the cooperative but only paid 500 yuan saving 500 yuan. Subsequently, the market prices of these goods rose by 550 yuan. Including the previous purchases of ploughshares and matches he saved a total of 635 yuan. Originally, he had to pay 60 yuan in grain tax, now it has become share capital of 200 yuan and he saved 635 yuan on the purchase of goods. This has really made the cooperative belong to the people, facilitating their dealings and looking after their interests. There are many examples like this.

The Cooperative Situation throughout the County

Table 5.1 Number of cooperatives in Yan'an county, 1941 and July 1942		
	1941	1942
Branch cooperatives	18	30
District cooperatives	8	8
Total	26	38

Table 5.2 Capital (in yuan) invested in cooperatives in Yan'an county, 1941 and 1942 (half year)		
	1941	1942 (for half year)
District cooperatives	264,207.56	312,207.56
Branch cooperatives	193,340.00	978,507.14
Total	457,547.56	1,290,714.70

Within six months capital increased by 833,167.14 yuan. The fastest increase in capital was in the branch cooperatives, which are directly organized by the people with the support of the district cooperatives. Therefore, the people are very enthusiastic about taking shares.

The average taken from 1,290,000 yuan works out 20 yuan per head of the population of the county. This is not much, so the role of the cooperatives in the entire county is still a minor one. Important experience

(1) Persist in the policy of management by the people and non-interference by the government. We inspected the cooperatives in July this year and called for an increase in share capital. Substantial capital should be held by the co-operatives .

(2) Cooperative cadres should not be lightly transferred to other posts. Let them be settled in their posts, concentrating on their work. Guarantee their livelihood. Cooperatives should adopt the method of assigning personal shares [da Shenfen]. That is, each member of the cooperative's personnel should be equivalent to a number of shares depending on his ability and work. For example, if someone is made equivalent to shares of 5,000 yuan, he is paid the interest due on shares of 5,000 yuan at the time of settling accounts. This becomes his salary and he does not receive any other income.

(3) Enlarging the scope of cooperative undertakings should not be limited to consumption alone but should include production, transport, credit and so forth. This is an inevitable trend in cooperative development henceforth. That is to say, we must run comprehensive cooperatives.

(4) Concentrate on making a good job of one or two cooperatives and gaining experience. Gradually expand to other areas. For example, we are preparing to turn the Songshulin Cooperative of Jinpen district into a second Liulin Cooperative.

These are opinions on our future work.