# *Far from the Treaty Ports*

## Fang Xianting and the Idea of Rural Modernity in 1930s China

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*This article explores how constructions of national identity took the Chinese discourse on industrialization in the 1930s beyond mere economics. During this period, Chinese intellectuals' attempt to define China's identity and its position among the world powers led to the creation of two competing tropes. On one hand, the treaty ports came to represent a China integrated in the world and pursuing a Western-style path toward modernization. The rural village, on the other hand, came to be perceived as the locus of a pristine Chinese identity, uncontaminated by foreign imperialism. It was in this context that the prominent economist Fang Xianting—the focus here—came to devise a model for village-based industrialization that aimed at projecting China to the forefront of modernity while preserving what he believed to be its intrinsic rural nature.*

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In the 1930s, intellectual constructions of national identity, combined with a resistance to foreign imperialism, took the Chinese discourse on industrialization beyond mere economics. Economic reforms became crucial to the debate on nation building because industrial structure was seen as the foundation of national strength and modern nationhood. At the same time, tensions emerged between these closely linked elements: the need to industrialize according to modern standards—overwhelmingly identified as Western—and, on the other hand, the nationalist wish to curb foreign influences, strengthen China's independence, and reaffirm its individual identity.[1]

In this context, controversy arose over the role of rural China in the nation-building effort. While the treaty ports came to represent a

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China integrated into the world via a Western approach to modernization, the rural village came to be perceived as the locus of a pristine Chinese identity—or, at least, that part of China still uncontaminated by foreign imperialism. For this reason, many Chinese intellectuals came to believe that the rural economy should be at the center of the country's development. Rural industrializers, such as the economist Fang Xianting (H. D. Fong), the director of research at the prestigious Economic Institute of Nankai University in Tianjin, envisioned a modern China built on small-scale rural industries rather than on industries concentrated in urban (coastal) areas.

The idea that China's modern economic identity was rooted in rural industrialization shared common themes with contemporary nationalist thought in the colonial environment. Although China was never formally colonized by a Western power, since the mid-nineteenth century, it had suffered serious infringements of its political and economic sovereignty. Most Chinese intellectuals in the 1930s therefore labeled China's peculiar status *hypo-* or *semicolonial*, a term borrowed from the early writings of Sun Yatsen (Sun Zhongshan). As Fang Xianting explained, "China is nominally still an independent nation, but actually she has long been reduced to the status of a 'hypo-colony,' i.e. a colony of the principal foreign powers with which China was forced to conclude, at one time or another, a series of unequal treaties" (Fang Xianting, 1936d: 378). Chinese intellectuals thus generally framed China's nationalism and nation building within a wider discourse on the colonial experience and postcolonial nation building. The result was a tension between an anticolonial, anti-imperialist notion of economic development with native characteristics and the aspiration to participate in "universal" modernity—a tension that, as Partha Chatterjee (1993) has argued in his study of Indian nationalism, was characteristic of colonial nationalist thought.

Fang supported his plan for rural industrialization in a three-step argument, analyzed in detail below: the first defined China's economy and the meaning of modernity, the second brought together the rural crisis and the problem of development with the idea of a native identity, and the third focused on modernizing the rural economy through the use of cooperative societies. It was this third step that made the idea of rural industrialization even more complex because it

connected it to changes in the socioeconomic organization of the village. According to Fang and other supporters of rural industrialization, rural industries could adopt technological innovations and overcome the limitations of small-scale production only through the implementation of "economic cooperation" (*jingji hezuo*): that is, the systematic use of government-led networks of cooperative societies. Yet such economic cooperation would change basic power relations in the village. Government-led cooperative societies were aimed, as Fang argued, at replacing the village "middlemen"—a group that, in his description, mostly coincided with the local elite—and at giving peasants direct access to capital, tools, and marketing.

These changes thus implied social transformations that also constituted important goals of the Chinese Communist Party (CCP). Even though the question of land reform irreconcilably divided the Communists and the Nationalists, Nationalist reform programs such as Fang's thus shared common goals with the CCP. The ambiguity and overlap in the field of rural reform prompted economists such as Chen Hansheng and Sun Yefang, who in 1933 founded the Society for the Study of the Chinese Rural Economy (Zhongguo nongcun jingji yanjiuhui) and were closely linked to the CCP, to attempt to sharply distinguish between a "correct" socialist approach to rural rehabilitation and that of nonsocialist reformers (*gailiangzhe*) since even Communist sympathizers were often not clear about this distinction.[2]

## *STEP 1: THE NATURE OF CHINA'S ECONOMY AND THE MEANING OF MODERNITY*

Defining the nature of China's economy was crucial for Fang's effort to deconstruct the common ideas of modernity as based on heavy industry and industrial concentration and thus build a case for his vision of rural industrialization. The premises of his analysis of China's situation and of the meaning of modernization followed the Marxist-Leninist materialist interpretation of history and imperialism then dominant among Chinese intellectuals. Although Fang used a slightly different terminology than the CCP—especially in preferring the term *medieval* (*zhonggu*) to *feudal* (*fengjian*)—he accepted the

widely popular Hegelian-Marxist progressive periodization of history while subscribing to the idea of the semicolonial nature of the Chinese economy (Dirlik, 1978).

After describing the Chinese economy's nature as medieval (*zhongguxing*) and semicolonial (*ban zhimindi xing*) (Fang Xianting, [1936g] 1938: 30), Fang drew contrasts with its modern counterparts. Identifying modernity with a national, industrial, and mechanized economy, he pointed out that China continued to stagnate in local, rural, and artisan feudalism:

> Differences between a medieval and a modern economy are indeed numerous. The most obvious are that the first is a local economy and the latter is a national or world economy; the first is rural and the latter is industrial and commercial; the first is artisan and the second is mechanized. . . . If we look at all aspects of China's economic activities and analyze all aspects of agriculture, industry, commerce, transportation, and finance, my colleagues will have to agree on the medieval nature of the Chinese economy. [Fang Xianting, [1936g] 1938: 31]

To Fang, the most obvious sign of China's economic backwardness was its antiquated mode of production. He granted that China's economy had begun to modernize since the opening of the treaty ports—another idea widely shared at the time—but he bemoaned the lack of progress in "the medieval rural village in the interior": "Production still relies primarily on labor and the style of consumption still has not experienced any significant change" (Fang Xianting, [1936g] 1938: 30-31). To be sure, imported goods were now present in local markets, but that did "not testify to a process of modernization"; on the contrary, the competition from foreign goods only discouraged local manufactures from increasing and improving their own production. At the same time, the backwardness of local production created a space for imported goods in the Chinese market; thus, "this kind of consumer modernization" merely "giv[es] the opportunity to imperialist nations to strengthen their economic infiltration" (Fang Xianting, [1936g] 1938: 30-31). In this way, Fang connected imperialism in China with the persistence of "medieval" economic conditions. Like many others, he believed that the two characteristics of the Chinese economy, its medieval and semicolonial nature, reinforced each other

in a vicious circle (Dirlik, 1978). He concluded that economic modernization "ultimately depends on the progress of the revolution of industrial production (*chanye geming de jinzhang*)" (Fang Xianting, [1936g] 1938: 38).

Yet this conclusion raised a serious problem since, as all economists at the time agreed, China lacked what Fang identified as three basic prerequisites for industrialization: raw material, capital, and skilled workers. Fang, however, devised a creative way to circumvent it. The pattern of industrialization, he explained, was not monolithic—in the world, in fact, different countries had undergone different modernization paths, in terms of both time and direction (Fang Xianting, [1936e] 1938). Thus, the solution to China's problem rested in understanding the wide range of meaning of the term *industrialization*.

> In its wider meaning, industrialization or industrial revolution indicates the modernization of economic organization of society, such as agriculture, industry, commerce and finance. In its more narrow meaning, industrialization indicates the modernization of the manufacturing industry and does not include the modernization of other aspects of the economic organization of society. [Fang Xianting, [1936e] 1938: 596]

It was the latter kind of modernization, Fang explained, that China should be attempting. In any case, the first stage necessarily was modernization of manufacturing: only after this phase had different countries embarked on different paths of development. Some highly industrialized countries, such as England and Germany, had gone on to develop heavy industry. Others—including France, Russia, Japan, and China—had instead continued largely to focus on light industry. Members of the second group displayed varying degrees of success, with Russia and China at the very bottom of the ladder. Although Fang recognized the importance of heavy industry, he argued that rather than attempting to emulate England, China should follow the example of successful countries with lower levels of industrialization (Fang Xianting, [1936e] 1938).

Fang was thus critical of those plans that focused on heavy industry and the establishment of large factories, as did most regulations approved by the Nationalist government, viewing them as econom-

ically unsound in the present circumstances. He pronounced the Six-Year Plan passed by the government in 1931 and the subsequent plans prepared by the Ministry of Industry to be "indeed very comprehensive in scope, and their complete execution . . . obviously beyond the financial resource of the present government" (Fang Xianting, 1936d: 370). China should instead attempt to develop its heavy industry only after successfully modernizing its light industry.

These premises led Fang to focus on the "more limited dimension" of China's modernization: "the spread of manufacturing" (*zhizao gongye pupianhua*) and "the modernization of economic organization" (*jingji zuzhi zhi xiandaihua*) (Fang Xianting, [1936b] 1938: 114-15). The two goals were closely connected, as the "spread of manufacturing" could lead to successful industrialization only if accompanied by a "reorganization" of the manufacturing process along modern lines. It was the combination of the two that would place China on the path to modernization. As Fang stressed repeatedly, in setting this limited goal, he was not renouncing modernity but rather consciously choosing the most fitting among its many manifestations.

Fang believed that this route to modernization—a focus on light industry—opened up many possibilities for China. Because heavy industry required large capital investments and the concentration of production in large plants, it was less flexible than light industry in being adapted to China's own needs and circumstances. In contrast, in Fang's hands, the strategy of spreading manufacturing became a versatile tool capable of solving a range of problems, including China's economic weaknesses, its population distribution, and, above all, the rural crisis.

## *STEP 2: THE SPREAD OF MANUFACTURING AND THE RURAL QUESTION*

Like most Chinese economists of his time, Fang strongly believed that the decline of the rural economy was at the heart of China's overall economic crisis. Because rural production still provided the largest portion of domestic goods, its downturn affected the entire country, forcing the national income to fall sharply while driving up imports.

Thus, China could not afford a development model certain to result, as it had in the West, in "the decline of agriculture and rural manufacturing and the concentration of production in big urban centers." Such a strategy would aggravate China's poverty and lead to "no less than an economic suicide" (Fang Xianting, 1934a: 451).

Beyond the sheer size of the peasant population and the importance of agriculture in the whole Chinese economy, in Fang's view, the uniform development of rural industries would also directly address the international threat to China's economic growth. First of all, Chinese manufacturing should look to the domestic market since the international market was already dominated by foreign goods. That domestic market, Fang pointed out, was overwhelmingly composed of peasants, who were three-fourths of the entire population (Fang Xianting, [1936e] 1938). Unless a way was found to enlarge the domestic market, which had necessarily to rely on the peasants, no "spread of manufacture" could be successfully pursued. He concluded, "In planning the spread of manufacturing, one must be sure to pursue the uniform development of urban and rural industries" (Fang Xianting, [1936b] 1938: 114-15). In his many articles from the 1930s, however, Fang focused solely on the development of rural industries, which he considered to be the most important element of his model. In fact, he believed that rural industries were the urgently needed solution to the rural crisis. They also furthered the cause of China's modernization while maintaining what he saw as its traditional rural identity.

### *THE RURAL QUESTION*

The official literature of the empire displayed a traditional stress on agriculture as China's fundamental economic activity (*yi nong li guo*) and a concurrent bias against commerce (viewed as located in the urban centers and thus a vehicle of corruption). Peasants were portrayed as honest, naive, and hardworking and merchants as treacherous, selfish, and profit seeking (Hayford, 1990: 1-5). Thus, Gu Yanwu, a prominent seventeenth-century scholar-official, wrote, "Goodness develops only in the village, evil in the city. The city is the place of commerce and trade. People relate to one another with the aim of making profit. They are superficial and pretentious. As a result the city is a sink of inequities. The village is different. There the

people are self-reliant and have deep emotional ties with each other" (qtd. in Zweig, 1989: 19).

This positive image of the village had been reversed in the late 1910s and 1920s, however, when urban intellectuals of the New Culture Movement constructed an image of the rural areas as intrinsically "feudal." In their writings, the village emerged as the bulwark of the worst and most degrading aspects of Chinese tradition: indeed, the village was blamed for China's inability to modernize and stand up to foreign imperialism. It was at this point that Chinese intellectuals began to construct the image of the peasants as "superstitious, ignorant, and inert" (Cohen, 1993: 151).

A "neoconservative backlash" in the 1930s, a reaction to the New Culture and to May Fourth iconoclasm, led to yet another shift in perception and a renewed focus on the role of the countryside in the formation of China's modern identity (Pickowicz, 1991). At the same time, New Culture cosmopolitanism came under criticism on the grounds that it allowed Western culture to pollute China. This polemic developed around conflicting identities of city and countryside. Many intellectuals came to reject urbanism "because they associated it with Western progress," linked to "materialism and decadence" (Mann, 1984: 87; see also Pickowicz, 1991). Revisiting the old myth of yi nong li guo in the context of national identity, they argued not just that China's population and economy were overwhelmingly rural but that preserving the country's rural nature would counteract the evil effects of economic imperialism and of Western-style economic development in the cities. One contemporary observer explained this position as mostly "a reaction against the strong current of Westernization with its tendency to urbanization. It demands the return . . . to the old Chinese culture, the foundation of which, according to its exponents, depends almost solely on the rural district. 'Back to the Village' is, therefore, the slogan of the movement" (Chen Sujing, 1937: 1111).

By the 1930s, the rural question had assumed both a new urgency and a new connotation. As the Communists appeared to be gaining power by mobilizing the peasants in their rural base in Jiangxi, the perception of the role played by the village and peasants in nation building changed. The 1930s came to be marked by what Charles Hayford calls the "discovery of the people"—that is, the discovery of the use of mass mobilization to seize political power (Hayford, 1990:

xiii). Nationalist leaders, as well as non-Communist intellectuals and reformers in general, agreed that political control over the countryside was essential to winning political control over the entire country, even if only as a measure to counteract the growth of the Communist Party.

The Communists' success motivated many Nationalist intellectuals to attempt an economic rehabilitation of the village. They countered Communist propaganda favoring land reform by arguing that the problem at the heart of the rural question was not distribution of wealth but insufficient production. At the same time, increasing attention to the economic effects of imperialism—at a time when the worldwide depression had finally reached China—conjured an image of the rural village as the primary victim of foreign imperialism. Those examining China's economic decline focused on the loss of competitiveness of China's rural products, such as cotton, silk, and tea, in markets both domestic and international. In the introduction to his 1936 *Rural Economic Reconstruction in China*, Franklin He offered a typical description of the harm done to China's rural economy by unfair competition with imperialists:

> The most striking fact concerning rural China has been its uninterrupted decline since her open contact with the industrial powers of the West. Such contact . . . inevitably prevents Chinese industrial development by the stronger competition which cheap foreign imports offer to native products. Rural China thus went through a process of decline after the Opium War of 1841-2, no less than rural England or France did a century ago. [Ho, 1936: 1]

While He, like most Chinese observers, viewed the decline being suffered by rural China as similar to that endured in the countrysides of already industrialized countries during the Industrial Revolution, he pointed out a crucial difference between the two: the economic ruin of rural China had occurred in support not of China's own industrialization but of the industrialization of Western powers, and the result was the economic decline of the entire country. Rural China had thus become the periphery and victim not of its own industrial center but of an industrial center located outside its borders (Ho, 1936: 1).

He's explanation was typical of the economic literature of the time and placed all the blame on foreign imperialism; it failed to acknowledge that even if China had industrialized independently, following

the European model, the resulting city-centered industrial system would have inevitably led to the decline of the countryside. Such a developmental strategy would have left the "rural question" unsolved and would have provided no strategy to counter the CCP's efforts in rural areas.

Fang, on the other hand, saw the answer to rural decline not simply in breaking free from foreign imperialism but, above all, in discovering a balance between the development of the countryside and that of the city. While agreeing that the current rural decline was the consequence of foreign imperialism, he argued that its reversal required a strategy for the country's overall development that suited China's rural conditions and would not lead to the further impoverishment of the peasant masses, especially given that the strength of the CCP was growing. Such a solution, Fang argued, could be found only in rural industrialization—the only valid strategy for modernizing (spreading manufacturing in) China's economy. He criticized those who spent time and resources trying to solve the economic decline of the countryside solely by agricultural improvements, deeming the results of projects such as land reclamation and redistribution, agricultural extension, and even fiscal reforms to be ultimately uncertain and limited (Fang Xianting, 1934b: 70). Instead, China's rural crisis would be solved only when traditional rural industries were developed and reorganized along modern lines. Their decline was jeopardizing the livelihood of the peasant masses, the vast majority of China's total population, who were not able to make ends meet through agricultural production alone. Rural manufacturing offered a fallback for hard-pressed rural workers at a time when bandits, bad weather, and incessant military actions made agricultural production uncertain and unreliable. The development of rural industries would offer them alternative employment, with the twofold result of ameliorating their poverty and slowing the flow of labor away from the villages and into the cities (Fang Xianting, 1934a: 454).

### *RURAL INDUSTRIALIZATION: MODERNITY AND CHINA'S NATIVE IDENTITY*

Fang's plan for rural industrialization responded not just to strict economic considerations but also to the wider discourse on economic

imperialism and Chinese essence that characterized intellectuals' debate on the rural question. In fact, it presented a strong anti-imperialist aspect. On one hand, it attempted to further debunk the idea that Western-style development was the only path to modernization; on the other hand, it constructed tropes of a superior Chinese social system that already contained the seeds to realize a better version of modernity than what had emerged in the West.

Attacks on American and Western European economic modernity were actually quite common at the time. After the Great Depression had hit the United States hard and, from there, spread around the world, liberal capitalist models had come under much criticism. Like other economists, Fang became preoccupied with cyclical economic depression. He viewed urban industrial centers in the grim light of the depression years—crowded with hungry, unemployed workers who, trapped in the urban overspecialized economic structure, found themselves without any means of subsistence once their factories were forced to close down. Against such negative images, Fang set the picture of a generally backward but morally and socially healthy rural village, where alternatives to local industry helped to mitigate the worst effects of severe economic depressions.

> Should a depression occur to the industry, the risk could be evenly spread out among the rural masses who could still resort to agriculture as the principal means of livelihood, while in western industrialized nations a business depression, such as that of the last few years, throws out of employment millions and millions of workers who depend solely on manufacturing industries for subsistence. [Fang Xianting, 1934a: 453]

In addition to their greater flexibility, small rural industries also possessed for Fang "certain human advantages against the greater production of goods by the larger industrial units of the towns." These included the possibility of "affording a chance of employment in [workers'] own homes or villages to the various members of their family"; in contrast, workers in the urban centers were socially dislocated, cut off from the support provided by the family system that was still healthy in the village. According to Fang, industrial concentration and specialization also led to an alienating loss of perspective on value and production, while small industry "enables a man to see the whole se-

ries of connection between the making and using of an article, and brings his work into direct relation not only with his own life, but with that of the community of which he is a member" (Fang Xianting, 1934a: 454). Indeed, Fang often drew a pointed contrast between the care that rural communities offered their members and the impersonality and social dislocation typical of highly concentrated urban industrial areas. In promoting the development of rural industries to sustain rural populations and stem their flow to urban centers, Fang was attempting to reverse not just the economic disruption of the Great Depression but the globalizing economic trends that were slowly eroding China's social and economic fabric.

Fang's feelings about urbanization were widely shared by those experimenting with rural industrialization. A Mr. Chen of the Kaixiangong reform project in Jiangsu province, for example, argued that the silk industry should remain rural not just because the "villagers will in fact starve" if it were transferred to the cities but also because the urban way of life was harmful:

> I know very well how the workers are living in the cities. Village girls have been attracted by the opportunity to work in the city factories for a small wage, on which they hardly support themselves. They have left their own homes. This process has ruined both the city workers and the village families. If Chinese industry can only develop at the expense of the poor villagers, I personally think we have paid too much for it. [Qtd. in Fei, 1939: 208-9]

The prominent anthropologist Fei Xiaotong, who had interviewed Chen for his *Peasant Life in China*, strongly sympathized with this statement.

Fang accompanied such romantic imaginings of the traditional Chinese community with a rereading of the traditional rural economy. Rural industrialization, he argued, was not an alien economic strategy. The economy of the village had long relied on a combination of agriculture and a large amount of manufacturing, and the passage from traditional rural manufacturing to modern rural industrialization was rooted in China's economic tradition. Since the late Qing dynasty, he explained, rural manufacturing had been slowly transforming into small-scale rural industry in a process that "did not, as a matter of fact, originate in China in imitation of a full-grown foreign industry . . . but

was organized, without such models of foreign enterprise, under the master-craftsman and merchant-employer system" (Fang Xianting, 1936c: 927). Fang pointed to a 1933 survey of rural handloom weaving that he carried out (under the auspices of the Nankai Institute of Economics) in Gaoyang, a district of North China, which revealed the emergence of the "putting-out system" along a path that was both modern and original to China. Originally, peasant households had woven cloth from cotton that they themselves had grown, selling at neighboring fairs that part of their product not needed for their own consumption. This practice changed at the end of the Qing dynasty, when "the merchant-employer [became] . . . the pivotal figure in the industry" (Fang Xianting, 1935a: 79). Under the merchant employer system (*shangren guzhu zhidu*), Fang explained, the merchant bought large quantities of raw material, gave it out to different factories or workshops to be spun into yarn and woven into cloth, collected the manufactured goods, and sold them (Fang Xianting, 1936a).

Fang pointed out that thus far, China's development was similar to that experienced by England. But between 1909 and 1914, the simultaneous introduction of machine-spun yarn and Japanese-made iron looms created in China an "industrial revolution" that differed sharply from that of other countries. Because these two technological innovations arrived together, Fang argued, Chinese "peasant weavers went over completely to the machine spun yarn and the improved iron loom, increasing their production at one stroke several folds." British weavers, in contrast, were forced by the early introduction of the "spinning branch"[3] to abandon home-based weaving and move to the factories in the second half of the eighteenth century (Fang Xianting, 1935a: 80). As home weaving in China developed, the put-out system and the role of the "merchant employer" expanded. The higher costs of the new rural weaving technology led peasants to rely on the merchant employer, who had two functions: as a merchant, he bought and sold the peasants' products in a larger market network, and as an employer, he "put out" raw material and machinery for the production of cotton goods. According to Fang, these developments transformed rural weaving into a modern industry because "production, although still carried on within the peasants' homes, began to be regulated . . . [by] the merchant-employer. The fabric was no longer sold at a price but was woven for wages. . . . The weavers lost their cherished

independence, and look to the merchant employer for the security of their livelihood" (Fang Xianting, 1935a: 80).

When Fang surveyed Gaoyang in 1933, he found that this system was still dominant. In addition, rural weavers in the area were now better off than the average peasant, and the quality of cotton had improved dramatically—two developments that Fang perceived as signs of modernization. Moreover, according to Fang, some forms of cooperative societies had spontaneously arisen in Gaoyang, including shared workshops and joint weaving and marketing organizations. It was by building on such tendencies toward cooperative societies, inherent within the system, that Fang proposed to further develop the cotton industry in Gaoyang. Cooperative societies organized by weavers would take over "the functions now performed by the merchant-employers in purchasing, marketing and financing." Fang thus envisioned the local weaving industry organized into "village weavers' co-operatives . . . federated into the regional weavers' co-operative." The latter would be located at the market towns and would deal with marketing, financing, and supplying raw material. The activities of village cooperatives would more strictly involve various aspects of manufacturing, such as weaving, dyeing, bleaching, printing, and calendaring (Fang Xianting, 1935b: 301).

Along with surveying the Hebei cotton industry, especially in the areas of Gaoyang and Tianjin, Fang examined the development of rural industries in the other cotton-producing regions of Zhejiang (Fang Xianting, 1934b, 1934c, 1935-1936). These surveys revealed a grassroots economy that was developing into a system of rural industrialization—a native tendency, Fang argued, that the government now needed to encourage and nurture. Furthermore, the surveys led him to believe that rather than being merely a way of compensating for economic backwardness, rural industrialization—though growing out of China's own economic characteristics and practices—actually constituted an approach that filled a worldwide need.

Because the international economic depression had shown industrialized nations the shortcomings of (large-scale and overspecialized) industrialization concentrated in the urban areas, these nations also had turned their attention to small-scale rural industries (Fang Xianting, 1934b). Fang thus concluded that the model of development he suggested represented the most modern and advanced stage in the

world's industrial evolution. "Industrial concentration of both types did, indeed, take place during the early years of the Industrial Revolution, but with more recent developments it more and more proved to be a passing phase" (Fang Xianting, 1935b: 285). The electrification of the Tennessee Valley seemed to mark a change of tendency even in the epitome of urban capitalism, the United States. Fang, like other Chinese intellectuals of the time, saw the Tennessee Valley Authority as modernizing the countryside. It was, they believed, the result of the U.S. government's conscious decision to move industry to the rural areas, away from the cities, in response to the disastrous effects of the Great Depression on urban workers. China could now learn directly from the U.S. experience and proceed directly along the right path of development. That the United States already possessed a large industrial system, though one currently in economic crisis, did not seem to bother Fang.

### *ALTERNATIVE PERSPECTIVES: URBAN INDUSTRIALIZERS AND THE CCP*

Urban industrializers and rural industrializers such as Fang differed both in their economic views and in their stance toward issues of identity. The urban industrializers' understanding of China's problems and the meaning of modernization remained close to Western models of industrial concentration, and they believed that the rural question could be solved only if rural areas produced more agricultural raw material for growing urban industries. This was the position of Chen Gongbo (who held a M.A. in economics from Columbia), the minister of industry, and of Chen Guangfu, the founder and director of the Shanghai Commercial and Savings Bank, who closely collaborated with Chen Gongbo's reform plan for developing the cotton industry (Zanasi, 2000). They thus represented the reform approach then being pursued by the Nationalist government. While Fang attacked the geographical compartmentalization of the economy and sought to keep the peasants in the villages, thereby slowing down the process of urbanization, most urban industrializers wanted to promote the economic specialization of the rural (agricultural) and urban (industrial) areas and saw the influx of peasants into the cities as necessary to support a large urban workforce.

Chen Gongbo argued in favor of urbanization and economic specialization. Because he dismissed the notion that rural manufacturing could reinforce the rural economy and envisioned the peasants as relying mainly on agriculture, he warned that increases in the rural population would deepen the existing rural crisis. Urbanization was the answer: it would encourage the peasants to leave the villages, thereby relieving pressure on the land and making it possible to produce more than what was needed for the mere survival of the peasant population, resulting in capital accumulation and thus, ultimately, technological improvements. According to Chen, this process would ultimately lead China out of agricultural stagnation and toward agricultural development (Chen Gongbo, 1936: 168).

In addition, urban industrializers believed that a medieval mentality still prevalent in the hinterland was impeding China's modernization, even as the urban, coastal areas had reached a more advanced stage of development. To the urban industrializers, village tradition appeared backward and out of step with the new China of the large commercial ports. Building on this vision, the urban industrializers argued in favor of using the urban, coastal culture; economic institutions; and technology as the basis for modernizing the entire country. In their view, the rural economy should support the development of urban industries. Like the ruralists, they believed in strengthening China's foundation in order to resist foreign imperialism, but they perceived this foundation now to be urban and industrial, not rural and agricultural. They presented the coastal areas as the locus of the new China precisely because those regions were in contact with external modernizing forces. The coastal ports were thus not channels of contamination but the birthplaces of a new, modern China.

This view was articulated by Chen Guangfu, who argued in 1933 that the new soul of China resided in the urban centers in the coastal areas. An enthusiastic supporter of "Westernization," which he regarded as the only model for modernization, Chen equated the rural village in the hinterland with "backwardness," identified with traditional apathy and excessive fatalism—in short, with the lack of a Western-style scientific and entrepreneurial spirit.

> When one travels abroad, no matter whether in England or in the United States, [one can hear] everyone asking each other, "How is your

> business?" But when one goes to China's hinterland . . . [one hears] people asking each other when they meet, "Has this been a good year?" If it has been a good year everyone rejoices. If it has been a bad year everyone is absolutely stricken with grief. This is the [philosophy of] "rely on Heaven for food" (*kaotian chifan*). The idea that one must rely on Heaven for food is the greatest danger for our future. [It] implies that when one meets with a bad year, one immediately takes refuge in the notion that "fatal calamities are difficult to escape." [Chen Guangfu, [1933] 1949: 143]

Such fatalism, Chen declared, characterized central Europe during the Middle Ages. The European people, however, had overcome this mentality and, by taking their destiny into their own hands, stepped into modernity. "Today in Europe this [attitude] belongs to the past and the realm of fairy tales. It is clear that people are resourceful in changing Heaven's will." If China wanted to modernize, it too needed to abandon irrational delusions (Chen Guangfu, [1933] 1949: 144).

In Chen's view, it was by substituting science and technology for superstition—the first step toward modernity—that Europeans had become empowered to control "nature's whims." By stubbornly clinging to China's traditions, the rural village was damning the entire country to ignorance, unreflective tradition, poverty, and, consequently, weakness vis-à-vis Western powers. Chen saw the backwardness of the Chinese hinterland as the antithesis of the vitality of the urban areas, where a Western-style entrepreneurial spirit and institutions had already begun to appear:

> I have often traveled in the interior, but never before have I received such a deep impression. In large coastal commercial ports we generally see banks, exchanges, large factories, as well as credit, production, and marketing organizations. But these are present only in tiny numbers in those areas of our country with yellow earth and large masses of population. . . . Uneven growth has already brought our country to [experience] two different stages of economic development with a gap of a few hundred years [in between]. [Chen Guangfu, [1933] 1949: 142]

Because the urban, industrial, and entrepreneurial soul of China represented the modern future of the nation, it needed to take leadership over nation building and wake up the rural village from its "dreamy delusion."

As Chen Guangfu's writings reveal, the "rural question" was crucial for urban industrializers, although they took a quite different approach to it than did rural industrializers. Both groups acknowledged that the answer to this question would determine the economic future of the entire country. If the rural economy declined, Chen pointed out, the urban industries would suffer and industrialization would once more elude China. The rural and urban economies were, in fact, closely related; Chen Guangfu, in fact, argued that the prosperity of the commercial ports relied completely on the economic power of the interior (Chen Guangfu, [1933] 1949). The villages, Chen continued, should become the supplier of raw material and the market for goods produced in cities. Their failure to do so would cause the decline of the urban industries. Although both rural and urban industrializers ended up devoting most of their efforts to the rural village and to industrialization, their motivations and goals differed widely, making their reform programs radically different in spirit.

A third point of view on the rural question and China's modernity was presented by Communist intellectuals and activists. After being expelled from the urban areas in the late 1920s, the CCP shifted its emphasis from the organization of the urban workers to the rural village, which had already gained its attention. Since the early 1920s, Peng Pai, one of the first CCP leaders to focus on the mobilization of peasants, had argued that "the countryside was supreme. It imposed on the city its rural justice and sense of fairness through its welfare organizations, social struggle, and finally political confrontation . . . away from the corrupting atmosphere of the city" (qtd. in Galbiati, 1985: 4).

In the same period, Mao Zedong himself had become fascinated by the peasants' potential role in the country's modernization. It was the peasants, not the proletariat, whom Mao saw as the real agents of China's socialist revolution. For Mao, the rural sector was a repository of wisdom and virtue, and the peasants constituted an important revolutionary force. Indeed, the Chinese revolution was intrinsically a peasant revolution, which successfully mobilized the rural population to overthrow city-based elites (Schram, 1969; Schwartz, 1951; Zweig, 1989). The 1930s ruralism of the CCP, like that of the Nationalist rural industrializers, reflected an idealized vision of the rural village; the CCP was also driven by the practical need to consolidate its power

base in the rural areas, where it was confined by the political and military offensives of Jiang Jieshi (Chiang Kai-shek).

But unlike the Nationalists, the Communists stayed narrowly focused on the countryside in their approach to the rural question. This tendency is exemplified in the important journal *Zhongguo nongcun* (*The Chinese Village*), published by the CCP-backed Society for the Study of the Chinese Rural Economy. Most articles were devoted to analysis of the class composition of the village, the debate on the semicolonial and semifeudal nature of China, and problems of land reform, but the issue of China's industrialization was largely overlooked. Only after 1949, when it found itself at the helm of the country, did the CCP become fully engaged in industrial development. In its first decade of rule, the CCP mostly followed the model offered by the Soviet Union, which was based on heavy industry and industrial concentration (Riskin, 1987). But with the Great Leap Forward (1958-1960), Mao's ruralism came to directly influence the direction of China's industrialization. The slogan announced by Mao Zedong in the speech that launched the movement immediately recalled the language of 1930s rural industrializers: "This year we are emphasizing doing [things in] a small, rural, and mass-manner (*xiao, tu*, *qun*)" (Mao Tse-tung, [1958] 1989: 450). This formula made clear that the CCP would favor a developmental strategy based on the mass mobilization of labor (a "mass-manner," *qun*), organized into small-scale industries ("small," *xiao*) that were decentralized in the rural areas ("rural," *tu*).

Mao in the 1950s was facing many of the same problems that had concerned Fang in the 1930s. Among them were the growing gap between urban/coastal and rural/hinterland economies and China's lack of sufficient capital and technology (Domenach, 1995). In addition, both Mao and Fang worried about the spread of Western liberal capitalism and perceived the urban areas and treaty ports as avenues of infection, though from dissimilar perspectives. Fang criticized liberal capitalism during the Great Depression years, when its flaws seemed most obvious; Mao framed his anti-liberalism and anti-urbanism in terms of class struggle. He identified the cities as the locus of a bourgeois class that, conniving with imperialist (non-Chinese) forces, was attempting to pollute the entire country. "The cities stink of Jiang Jieshi," Mao declared at the first Zhengzhou Conference in 1958, with

his usual unrefined (unbourgeois) choice of words. On the same occasion, he strongly attacked all the corrupt, as well as corrupting, customs of the urban bourgeoisie, lumping together such different matters as shaving daily and favoring "expertism" over policy (Mao Tsetung, [1958] 1989: 450). Although the political situations of the 1930s and the 1950s differed widely, as did the goals and premises of Fang's and Mao's plans for industrialization, the ruralist and anti-urban rhetoric resurfaced in the Great Leap Forward in support of a nativist—although socialist—model of development.

### *STEP 3: THE MODERNIZATION OF ECONOMIC ORGANIZATION*

Along with the idea of the "spread of manufacturing," a crucial component of Fang's development plan was "the modernization of economic organization" (jingji zuzhi zhi xiandaihua), which would enable rural industries to shed their "feudal" characteristics and adopt a modern mode of production (Fang Xianting, [1936b] 1938: 114-15).

The development strategy proposed by rural industrializers such as Fang had to surmount a formidable problem: finding a method to transform declining small-scale rural industries into an effective avenue for full-fledged industrialization. The idea of basing industrialization on small rural industries went against the then-dominant theories of development, both liberal capitalist and Marxist, which deemed the passage from rural, small-scale to urban, large-scale industries to be a crucial stage of any economic modernization. Criticism and skepticism came even from within the Nankai Institute of Economics. Ding Ji (Leonard Ting), professor of industrial management at Nankai, for example, was not convinced that economic modernization could be attained independently of industrial concentration. Ding declared himself to be very suspicious of any effort to "bolster up an out-of-date industry":

> There is in China a considerable body of academic opinion favoring the development of small-scale industry throughout the rural areas as opposed to the promotion of large-scale machine using production in industrial cities. It is highly dubious whether rural enterprises could

> produce goods at a lower cost than factories utilizing electric power and laborsaving machinery and inherently more proficient in an intensive application of the various techniques of specialization and standardization in all phases. The ascendancy of power weaving in the modern industrialized countries in the West is well-known to economic historians. [Ting, 1936: 40-41]

But some Chinese economists, including Fang, were encouraged in their hopes to find an alternative to industrial concentration by the worldwide popularity of cooperative societies, which offered programs extending credit and technology to their members (Song Ziwen, 1931; Tayler, 1937). Cooperative societies were beginning to play an important role, especially in those agricultural countries that were latecomers to industrialization. For this reason, they were integral to most development plans sponsored by the League of Nations, becoming especially popular in China and India in the 1920s and 1930s.

Fang's plan for rural industrialization rested on the notion that small cooperative societies, organized into a wider umbrella association, would enable small-scale industries to overcome their limited access to credit, marketing, and technological innovation. Fang devised a scheme for economic development that focused on reorganizing and expanding rural industries into a network of cooperative societies linked together into federations under the leadership of local and central government. Through this network, the government would carry out a gradual program of technological transfer and assist with marketing, accounting, and credit. As a first step, the government would promote scientific investigation into rural industries and establish "rural workshops for some of the more important industries . . . in selected centers." From these experimental workshops, technology would be disseminated to peasants involved in rural industries (Fang Xianting, 1934b: 70-71). After conducting research on technical aspects of each industry, the workshops would send experts to cooperative societies in the villages to help the peasants to apply the results of that research and thereby improve their products.

Many economists came to perceive the idea of economic cooperation as crucial for realizing the rural industrialization of China, viewing the problem of the Chinese economy as centering not on capital

and technology but on “organization.” Once the economy was properly reorganized into a cooperative mode, China could exploit its strengths (abundance of manpower) and overcome its weakness (shortage of capital and technology). The possibilities opened up by economic cooperation appeared to be unlimited. In the mid-1930s, when Fang was writing, cooperation had just begun to spread into manufacturing, after having initially been limited to credit and agriculture. Fang wholeheartedly supported this development. He was unstinting in his praise of the industrial cooperative reforms carried out by local reconstruction agencies in the Gaoyang area and in Zhejiang, which he saw as exemplary. He concluded that these reforms proved that “it [was] now time to call for a more extensive and systematic introduction of the cooperative system into the industry” (Fang Xianting, 1935a: 75).

*ECONOMIC COOPERATION,*
*STATE CONTROL, AND LOCAL ELITES*

Fang’s writings make it possible to see how in China the idea of cooperative societies was integrated in a wider notion of “economic cooperation” (jingji hezuo) on which the government would base its reorganization of the economy down to the grassroots level. According to Fang, cooperative societies were supposed to take over the economic life of the village:

> The producers engaged in the same industry should be organized into a rural cooperative society for the purpose of obtaining credit, purchasing raw materials and equipment, and selling finished products. . . . [T]he rural cooperatives of peasant producers in the various villages should unite to form a cooperative federation, which should be the sole wholesale agency in obtaining credit from farmers’ bank, in purchasing raw materials from the primary producers, and in disposing of the manufactured products to the wholesale dealers. [Fang Xianting, 1934b: 71; see also 1934a: 454-55]

Fang envisioned the village as a multifunctional economic community that was integrated into a wider economic structure comprising a federation on three levels—the center, the region, and the village.

Each would be controlled by the government. Clearly, Fang's idea of economic cooperation was not inspired by economic liberalism and bore little resemblance to the farmers' associationism that previously had inspired cooperative societies in many European countries and in the United States. In fact, Chinese economists viewed it primarily as a tool of state intervention that could expedite governmental reforms aimed at relieving China's current economic predicament. In addition, they believed that this form of government intervention was needed to thwart trends toward "selfish" and "individualistic" liberal capitalist development. As Fang explained, "The Cooperative movement in China . . . is fundamentally not a movement but a [government] policy. Cooperation in China is not a spontaneous growth, but an imposition upon the rural population from above" (Fang Xianting, 1936a: 196). He noted elsewhere,

> Cooperation as a form of agricultural control has been a familiar feature of European economic development during the second half of the nineteenth century, and of Asiatic economic development during the present century. The difference in these developments lies largely in the fact that whereas in western Europe cooperation is largely a spontaneous growth from the masses below, in Asia it represents a policy of promotion from above, largely through the government. [Fang Xianting, 1936d: 365]

Although the first cooperative societies in China were sponsored by such independent agencies as the China International Famine Relief Commission (CIFRC)—in which Fang was directly involved—by the mid-1930s, they had come completely under the control of the government, whether central or local, and offered its most effective means of political and economic control over the countryside. China's departure from liberal political and economic ideas was noted by one of the economists of the Nankai Institute, Xu D. Z. (T. C. Hsu). In 1934, Xu observed that beginning in the 1920s, Chinese economic thought had shifted from "laissez faire doctrine and individualistic theories of the 18th and 19th centuries" to favoring socialistic collectivism and a planned economy. This change, he argued, reflected transformations in the thought of the West itself:

> The Great War had totally discredited the theory of individualism. With the success of the Bolshevik revolution in Russia and the rise of Fascism in Italy, politics and economics have become inseparable. A study of the postwar constitutions in Europe will reveal the fact that all these constitutions embody a new politico-economic doctrine of collectivism quite different from the old individualistic doctrine. [Hsu, 1934: 326-27]

Bolshevik Russia and fascist Italy, in the eyes of the Chinese intellectuals, seemed to offer the same economic model: as the role of the individual was somehow diminished, the state became able to exercise more power and more control over society. According to Fang, not only was there not much difference between Bolshevism and fascism, but liberal Western countries were displaying the same pattern. The distinctions were mostly a matter of degree, not kind. The Soviet Union, Nazi Germany, and Great Britain differed only in the extent to which they embraced the new trend.

> In Soviet Russia, and to a lesser extent in Nazi Germany and Corporate Italy, the whole economic order has been placed under more or less complete state control; while in the latter, as in Great Britain, the United States and France, or even Japan, such control, although partial, has exerted such a profound influence on the national economy as to bring about a fundamental change in its character. In either case, the end of *laissez-faire* is marked by a definite transition to complete or partial collectivism. [Fang Xianting, 1936d: 296-97]

There was some justification for the Chinese perception of European corporativist and collectivist trends. Europeans were themselves divided on the nature of new political and economic organizations. In 1932, Ugo Spirito, one of the most prominent corporativist thinkers, declared,

> I do not believe that we do full justice to corporativism when we consider it completely antithetic to Bolshevism. We are the only nation [Italy] that has already appropriated the most valuable aspect of the great Russian experience. The future belongs to the one of the two regimes that knows how to appropriate and surpass the other. Nothing can be more dangerous than insisting on an opposition between the two. Such opposition would ultimately damage the image of fascism in the eyes of the followers of the socialist movement. [Qtd. in Perfetti, 1991: 127]

The idea of jingji hezuo in China reflected this general ambiguity. This term was stretched to indicate socialist, collectivist, or fascist corporativist economic organizations or any intermediate attempt to create a system that would empower the state to reorganize and mobilize the economy of the nation. The authoritarian nature of China's cooperative economic structure was justified, according to Fang, by the need to counteract imperialist forces and local clusters of feudal power. Thus, it was ultimately nationalist and anti-imperialist goals that required the Chinese state to assume the burden of controlling the economy and leading China to independence. Cooperative societies, Fang argued, were the crucial element in reasserting state control and in the economic, political, and nationalist mobilization of the Chinese masses—that is, the peasants.

Fang's statism was also rooted in a mistrust of private entrepreneurs. In analyzing attempts by local private merchants to develop rural industries, he repeatedly argued that the "individualism" that characterized such reforms had ultimately led them to failure because it resulted in a "lack of organization and concentrated action in matters of common interest." Fang primarily blamed the "cut-throat competition" of the market for the merchants' inability "to pull together, on their own initiative, for common action in the performance of their industrial, commercial and financial functions" (Fang Xianting, 1935b: 278, 280). Economic reform, he asserted, should be controlled by the state and not left to the initiative of private businessmen.

Fang's statist attitude toward reform and criticisms of private entrepreneurs, together with his support of economic cooperatives as both a tool for government intervention and a limited form of a planned economy, brought him dangerously close to Communist ideas. Fang attempted to clearly differentiate his arguments from those of the CCP on other crucial issues, such as land reform. As a relentless anti-Communist, Fang stood firmly by the Guomindang (GMD) Land Law and its aim of gradual transformation of China's land system by equaling land rights, reducing rents, and opening up new arable land—all measures that, as he carefully explained in his 1936 "The Land Problem and Land Policies in China," would have eventually brought a more equitable distribution of land and the realization of Sun Yatsen's idea of giving "land to the tillers" (*gengzhe you qitian*) (Fang Xianting, [1936f] 1938).

Nevertheless, Fang's plan for economic cooperation involved controversial social changes. In fact, it sought to replace middlemen with state-sponsored cooperative societies, a change that would have dramatically altered socioeconomic relationships in the village. Fang applied the term *middlemen* to merchants who, he claimed, paid little for the rural product and made great profits marketing them in the cities, as well as to the village moneylenders who kept the peasants in a debt cycle that trapped them in poverty, unable to accumulate any capital to invest in new technologies. These middlemen, he lamented, monopolized local economic resources and hindered the modernization of the economy. His characterization closely echoed the Communists' description of the local elite, the "evil gentry and local bullies" against whom class struggle was to be waged. It is unlikely that Fang failed to realize the significance of his recommendations since social change was a topic of fierce controversy in the debate on the rural question. Although his plan would ultimately have led to the elites being replaced with state organizations, rather than giving the workers power over the means and process of production as the CCP demanded, its implications were nonetheless revolutionary. The substitution of state agencies for the local elites would have brought about momentous social and economic changes, and efforts toward that end did, in fact, meet with much resistance, as the historians Kenneth Pomeranz, Prasenjit Duara, and John Fitzgerald have shown (Fitzgerald, 1997; Duara, 1988; Pomeranz, 1993).

Both Nationalist and Communist intellectuals aimed at breaking down the long-established network of socioeconomic power in the village. Because that network was seen as the stronghold of feudalism and a major obstacle to modernization, they agreed that its removal was crucial if China was to be saved from "backwardness" and colonialism. How it was to be dismantled and what the new economic organization of the village was going to be were hotly debated, however.

Still, their mutual focus on social change in the rural areas made for some communalities between Communist and Nationalist intellectuals. In 1936, Sun Yefang complained that many young activists failed to perceive a clear distinction between the policies of non-Marxist rural reformers (*gailiangzhe*) and the changes advocated by his group.

To dispel any confusion, he wrote an essay titled "Why We Should Criticize the Work of the Rural Reformers." The reformers, he argued, focused on technology and education without realizing that the positive effects of improvements in those areas would inevitably be overshadowed by the two real problems of the village economy: imperialism and feudalism. Any gains in agricultural output would be appropriated by the representatives of these two forces, the local elites, leaving the peasants as destitute as ever. Although Sun could not ignore the fact that the plans of the reformers called for replacing the elites with government-led cooperative societies, he described the reformers' efforts in this direction as inadequate, arguing that the final outcome would rely entirely on government intervention and, above all, on the moral integrity of the authorities in charge (Sun Yefang, [1936] 1983). Sun's criticism thus boiled down to a mistrust of the motives of the Nationalist government rather than to actual flaws in the plans of the non-Communist rural reformers.

Displacing the local elites was as important for the Nationalist reformers as for the Communists and for the same reasons—a point stressed by contributors to the journal edited by Fang Xianting, *Research on the Chinese Economy* (*Zhongguo jingji yanjiu*). For example, Wu Huabao, a supporter of rural cooperative societies and a more vocal advocate of social change than Fang, argued that the replacement of the elites constituted the primary goal of Nationalist reforms. Indeed, it was precisely to prevent the elites from taking over the cooperative societies and blocking reform that the state, rather than private entrepreneurs, was to supervise the process: its leadership would prevent the collusion of local elites and unscrupulous merchants at the expense of the peasants. Wu pointed to the state's increasing regulation of the cooperative movement, including the 1934 Chinese Law on Cooperative Societies (*Zhongguo hezuoshe fa*) and the Regulations for the Implementation of the Chinese Law on Cooperative Societies, issued by the Ministry of Industry in 1935 (Wu Huabao, [1936] 1938: 446-47). Another contributor, Ye Qianji, agreed that eliminating the influence of the middlemen was one of the most important aspects of rural cooperative societies. For that reason, particular attention should be paid to marketing societies, whose main aim was to provide the peasants with a direct channel for selling their

products in the urban market (Ye Qianji, [1935] 1938). Such arguments countered Sun's accusations by stressing the determination of the state to remove the local elites.

Communist intellectuals and leftist sympathizers who shared the CCP's class-based approach still found grounds for complaint, however. One such critic was Fei Xiaotong, a foreign-trained anthropologist who by then had already built a solid reputation both at home and in Europe and the United States. In his seminal work, *Peasant Life in China*, Fei stressed the positive value of the reform of Kaixiangong's silk industry, one of the many experiments intended to develop rural industries. Like Fang, Fei favored the complete reorganization of the silk industry on a rural cooperative basis. Fei's comments often echoed Fang's, especially when he was discussing the modernity of the model, the importance of state intervention, and the need to avoid the errors of earlier attempts at modernization (Fei, 1939; Arkush, 1981). He also praised the state's efforts to act as the "agent of change" and thereby promote economic cooperation to counteract the "individualistic nature of the domestic industry" (Fei, 1939: 199).

It was at this point that Fei's approach diverged from Fang's. Using language directly influenced by Marxist theories, Fei expounded on the problem of the "property of the means of production" and the empowerment of the workers. He envisioned cooperative societies as directly aimed at preventing "the concentration of ownership of means of production in contrast with the capitalist industrial development in the West" (Fei, 1939: 207). Such changes in ownership structure were "of great significance in the problem of the future development of rural industry in China" (Fei, 1939: 286). Cooperative societies would make possible rural industrialization, introducing technologically advanced techniques of production and destroying the fabric of individual domestic work in favor of "collective factory work." The "new social organizations for production" would inevitably lead to the development of "new social principles" (Fei, 1939: 207).

At the same time, Fei lamented that the cooperative system in Kaixiangong had merely replaced the elite with state representatives: the reality of the experimental factories fell short of the rhetoric of ownership by the people, as they continued top-down control and the exploitation of local resources. Although the members of the

collective owned a share of the enterprise and supplied cocoons for the reeling and spinning operations, the factory operated largely on government credit or bank loans, and most of the profit went not to the workers but to the lenders. Moreover, power to make decisions lay in the hands of the technical experts dispatched by the institution that controlled the operation: "The members have nothing to say, since the whole work is under the direction of the reformers, and the people have not sufficient knowledge to run the factory by themselves" (Fei, 1939: 220; see also 219-24, 229). Thus, while Fang perceived rural industrialization as a means of strengthening the state, Fei envisioned it was a way to give workers control over economic production.

The emphasis on rural cooperative societies that had characterized many local reform efforts in the 1930s also influenced the development of the Industrial Cooperative Movement (INDUSCO) during the years of war with Japan. Chen Hansheng, the secretary of the International Committee for INDUSCO, made the case for rural industrial cooperative societies in his essay "Gung Ho!" (published by the American Institute of Pacific Relations). Chen praised these societies for using the labor of the peasants, who were idle for long periods in winter, and thus "rais[ing] the productive power and the living standards of millions who now maintain a precarious balance on the verge of starvation." According to Chen, the cooperatives "constituted a practical method of teaching democracy in a land that is just emerging from the bonds of feudalism" (Chen Hansheng, 1947: 5). Like Fang Xianting, he perceived cooperative societies as the only means capable of bringing the rural village out of its "feudal" conditions. But unlike Fang and other Nationalist rural industrializers, who saw the cooperatives mainly as an avenue for state control and the mobilization of the masses to achieve nationalist economic goals, Chen and other leftist intellectuals believed that the value of the societies rested in their potential for bringing the masses to actively participate in the political life of China.

Although Chen Hansheng also presented the industrial rural cooperative societies as an indigenous development, he ascribed their emergence to the liberal leftist political tradition of China. He traced their genealogy back to the May Fourth Movement; after the failure of the demonstration of 1919 and its bloody repression by the authorities, the students turned to cooperatives as the sole way to bring about

changes at the grassroots level. Only later were the societies taken over by the Nationalist government, so that "what had started out to be a democratic movement from the bottom of society was . . . rapidly transformed into an institution that had to be directed from above" (Chen Hansheng, 1947: 8, 190). It was during the war, Chen explained, that an American, Rewi Alley, the chief factory inspector of the Shanghai Municipal Council, resuscitated the idea of cooperative societies in their original democratic spirit.

Chen Hansheng's essay must be read not as an explanation of how the CCP actually used cooperative societies[4] but rather as his personal view in a time when the CCP had not yet imposed a strict orthodoxy on its followers. His essay, however, does exemplify the dramatic difference in the intellectual visions of GMD and CCP sympathizers. Indeed, INDUSCO became a victim of this political polarization in the 1940s. Because the Nationalist government came to perceive industrial cooperatives as hotbeds of Communist activity, it proceeded gradually to shut down the movement (Reynolds, 1975) and ostracize rural industrial cooperative societies.

In the debate on rural industrialization, we see the impact of the rural question on the Chinese discourse on industrialization in the 1930s. The sudden focus on the village was a result of the spread of Communist influence in the rural areas, which brought unprecedented attention to the decline of the rural economy and to widespread poverty among the peasants. And because the village was identified as a victim of foreign imperialism, the rural question took on highly nationalist overtones, making it the center of anti-imperialist discourse. These developments made it imperative for any industrialization plan, regardless of its urban or rural bias, to address the role of the village in China's economic modernization.

Although urban industrializers embraced ideas of Western-style industrialization based on the concentration of factories within cities, they felt compelled to justify their choice in terms of its effect on the rural economy, arguing, as Chen Gongbo did, that such development was the only way to end the economic crisis in the village. Others, such as Chen Guangfu, believed that the salvation of the village would be achieved only by transforming rural economic practices along the lines of modernity already developed in the cities. In both cases, however, the rural question figured prominently, and its solution was

considered crucial for the future of the country. Both Chen Gongbo and Chen Guangfu perceived their plan for economic reform as a means for asserting Chinese nationalism but, in much the same vein as New Cultural intellectuals, saw no positive value in China's traditional way of life. For rural industrializers such as Fang Xianting, in contrast, the rural question, in both its economic and moral dimensions, became a source of inspiration for constructing a model of rural modernity that aimed at combining Western models with the superior values that they ascribed to traditional rural society.

The controversy over rural industrialization was only one part of the larger discussion in the 1930s on China's economic modernization. The country's *reconstruction*—an expression often used interchangeably with *economic reconstruction*—was the focus of countless diatribes by and spirited confrontations among intellectuals and reformers espousing various approaches. The liveliness of the debate reveals that despite a general consensus that economic modernization was the most important first step toward transforming China into a powerful and modern nation able to resist foreign imperialism, there was not much agreement on what form such modernization should take. Differences emerged not only between Nationalists and Communists but also among the Nationalists themselves. At the same time, economists and intellectuals linked more or less loosely to the two parties often perceived China's current situation and the main obstacles to modernization similarly, as their discussion of economic cooperatives and the need to displace local elites shows. The idea of China's rural identity was also shared across the political divide between Communists and Nationalists, demonstrating that beyond problems of land reforms and the application of Marxism in China, issues of national identity and anti-imperialism complicated the debate, blurring the boundaries between the two political parties.

## NOTES

1. In this article, the "West" refers to an essentialized conceptual category used by Chinese intellectuals rather than an objective unified entity. In reality, the industrial systems of Western nations, while sharing basic traits of liberal capitalism, also differed significantly, as Gerschenkron (1962) was the first to recognize. The various experiences of developments of Western industrialized countries thus cannot be collapsed into one monolithic model. It is

important here to also point out that although Japan constituted the major imperialist antagonist of China in the 1930s, it was seen as an extension of the threat coming from the West. Most Chinese intellectuals, in fact, perceived Japan as having successfully adopted Western-style economic and military modernization. For this reason, their discourse on China's modernity and nationalism continued to rely on an essentialized notion of the "West."

2. Because I focus here on Fang Xianting and other intellectuals who approached the rural question from an economic angle and within the framework of the country's industrialization, I do not discuss the "rural question" as a whole—an issue far too complex to address in a single article, in any case. For this reason, I do not consider the two most renowned rural reformers of the Republican years, Liang Shuming and James Yen (Yan Yangchu), who have already been the focus of extensive research (Alitto, 1979; Hayford, 1990). Driving Liang's work in rural reconstruction was a rejection of China's cultural Westernization and Western-style capitalist industrialization that turns individuals into extensions of machines, without social and cultural value. Although in his writings, Liang stressed the importance of economic reconstruction, he ultimately attempted to realize his vision of modernization by introducing Western-style forms of self-government to the rural village. In this way, he also attempted to combine "modernity" and "tradition," moving away from the corruption of the treaty ports (Alitto, 1979). Yen, in contrast, took a New Culture educational approach to rural reconstruction, seeking to awaken the peasants to the reality of the new China (Hayford, 1990).

3. By "spinning branch," I assume that Yang means "spinning jenny."

4. For the use of cooperative societies in Yan'an, see Keating (1994).

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