

Commissioned Purchasing and Consignment Sales in Wartime Cloth Supply: Grassroots Cooperative Operations in Western Jiaodong, 1941–1943

-- A Case Study Centered on Yexian County

Jingze Chu^{1,*}

¹Hebei Normal University, Shijiazhuang, China

*Corresponding author: 2567537600@qq.com

Abstract

This article investigates the linkage between the fragmented household textile production and the concentrated wartime demand by the grassroots cooperatives in Yexian County as an important node in the western sector of the operation of the Jiaodong anti-Japanese base area during the period 1941–1943. However, instead of seeing cooperatives as political mobilizing groups, the study examines the institutional aspect of “commissioned purchasing and consignment sales,” which involved the registration of the household capacity, supply of yarn and working capital, collection and inspection of cloth, price settlement, and distribution to military, administrative, and civilian markets. Process tracing and institutional analysis relies on contemporaneous economic reports, regional economic histories, the Laizhou/Yexian gazetteer and comparative research on Communist base areas. It suggests that the cooperative decreased search, information and bargaining costs through the process of making standardized, transportable and heterogeneous household products into lots. This meant that it worked on the basis of a two-way chain that went both ways: the cloth went up and the raw materials, payment, orders and quality information went down. But the same organizational proximity that reduced transaction costs also meant that military urgency and cadre mobilization would make the distinction between voluntary exchange and administrative requisition not so clear cut. Thus, the Yexian case is an example of the potential and the internal strain of cooperative institutions established during the war. What they did do was to reorganise markets under blockade to make possible an alignment with political goals and household incentives and supply security, albeit temporary.

Keywords

Western Jiaodong; Yexian County; grassroots cooperatives; commissioned purchasing; consignment sales; wartime cloth supply; anti-Japanese base area.

1. Introduction

Bedding, bandages, civilian clothes and uniforms were made mainly of cloth in the base areas for anti-Japanese combat. But rural Jiaodong's production was scattered among farm households, women weaving in their households, and small handicraft shops. Production was constrained and variable and producers suffered from a lack of raw materials, capital and secure market access. The army, the government organs, schools, hospitals and civilians on the other hand, generated concentrated and continuous demands. The main issue was thus the question of how to incorporate the fragmented household production into a reliable wartime supply system.

This article explores this process under the heading of “commissioned purchasing and consignment sales” (daigou daixiao). Cooperatives served as several connecting links for cloth from many little producers for public demand and also marketed cloth, found buyers and paid for them on behalf of the producers. They were located between the domestic and wartime consumers and purchased, sorted, financed and distributed commodities in times of blockade, transport shortages and split markets.

The case of Yexian County is quite indicative. It was an early political and financial hub of the Jiaodong resistance and was the birthplace of the Beihai Bank, and had vibrant rural markets and domestic handicraft traditions [2]. By 1940 there was already textile production in and around Yexian, and in 1941 textile co-operatives were formally encouraged, and by 1943 Jiaodong boasted textile leadership, and military and civilian cloth self-sufficiency [1].

The article makes it clear what concrete transactions cooperatives carry out, what their efficiency gains are, how they are related to political and distributive tensions, and how their operation can be reconstructed, with cautions to distinguish what has been documented in the regions from what has to be inferred from it.

2. Literature Review and Analytical Framework

2.1. Base-area economy, mobilization and local institutions

In the study of the Chinese Communist base areas, the importance of peasant mobilization and its relation to the processes of state building and military survival have often been stressed. Johnson saw the war-time revolution in terms of peasant nationalism and Selden emphasized the “Yenan Way” of mass participation and self-reliance [9] [10]. Subsequent local research showed that incremental institution building, cadre work and adjustment of policy to the local social context were critical factors for achieving revolution [6]. These works indicate the importance of economic organization politically, and many of them understand the cooperative as a general type of economic organization.

The Chinese sources of scholarship and collections give a more detailed picture of the economic aspects. Xue Muqiao’s writings about the liberated areas in Shandong during his time there highlighted the importance of acquiring raw materials, selling finished textile products and safeguarding the interests of the weavers and spinners [1]. Guo Tongfeng and Xu Yimin put cooperation, trade, finance and handicraft production into the wider context of Jiaodong’s reaction to blockade [2]. The study of women’s textile production by Liu Ping demonstrates that the movement was not just the result of political exhortation, but also the consequence of the interplay of famine relief, household income, supply of raw materials, market security, and evolution of women’s work [3]. These results indicate that the mobilization of the textile was successful only when there was an institutional chain that connected production incentives to secure circulation.

So the cooperative is considered as a meso-level institution in the present study. It linked three scales – the household, the location of labour and tools, the village or subcounty cooperative, where information and small lots could be pooled, and the county or district supply system, where goods could be graded, stored, transported and allocated. This scale-bridging aspect is particularly significant in a guerrilla situation where a centralized factory system or an unchecked commercial market, alone, would not guarantee a stable supply.

2.2. Transaction problems and the meaning of daigou daixiao

There are four transaction problems that can explain the institutional logic. First was search cost: no military or administrative purchaser could conduct individual negotiations with hundreds of households. The second was information asymmetry: consumers required the certainty of size and strength, and domestic manufacturers were not always aware of the

desired specifications. The third was liquidity risk: producers could not wait for cloth, they required cotton or yarn; and currency and credit were unreliable during the war. Co-ordination risk was the fourth: cloth may not get to the right spot at the right time even if aggregate output is adequate.

Commissioned purchasing and consignment sales resolved these issues, combining multiple services. The cooperative might register looms, estimate the output, provide advance or procure the inputs, do first inspection, communicate prices, orders and organise sale/allocation. Producers in turn, were assured of a certain outlet and occasionally access to scarce materials or credit. The arrangement was a kind of half exchange-half administration. It was based on market incentives (price, remuneration and sale) and had a political setting which determined priority demand and could contract other channels.

Table 1. Source base, analytical use and limitations.

Source group	Representative materials	Use in this article	Main limitation
Contemporaneous economic reports	Xue Muqiao's reports on Shandong economic work [1]	Policy logic concerning raw materials, product marketing, remuneration, trade and supply	Mostly regional or provincial; not a complete Yexian transaction ledger
Regional and local histories	Jiaodong economic history [2]; Laizhou/Yexian gazetteer [4]	Chronology, administrative structure, market setting, early cooperative and textile activity	Compiled after the events; often summarizes rather than reproduces original records
Specialized scholarship	Women's textile movement [3]; comparative base-area studies [12]	Mechanisms of mobilization, household incentives, local governance and political economy	Comparative evidence must not be automatically treated as Yexian-specific
Published documentary chronology	Economic chronology of revolutionary base areas [5]	Cross-checking policy timing and the wider wartime economic sequence	Entries are selective and uneven in local detail

3. Historical Context and Method

3.1. Yexian within the western Jiaodong wartime economy

Beyond its political history, Yexian's significance lay in its connection to other notable figures and events. The county had established rural fairs and established commercial ties between the coastal and inland economy. These connections were broken up by war. Japanese and collaborationist troops patrolled towns and transport routes, "mopping-up" operations created constant obstacles to travel, and competing currencies made currency exchange a hassle. Producers may not be institutionally connected to consumers, but can be close to consumers physically, e.g. a village may own spinning and weaving facilities and not have cotton; a public institution may have purchasing power, but may not be able to find or transport enough cloth safely.

Political geography saw a comparable swift shift. In 1941, the Jiaodong administrative system was streamlined, and was later divided into subregional systems, including the western sector system. A regional trade branch was set up in 1940, and organized as a trade company in 1942, and cooperative activity was increased following the call in 1941, "to organize cooperative undertakings and develop the rural economy" [4]. Not all were the same. There were grassroots cooperatives that operated nearer to producers and local markets, and trade companies that operated on a larger scale for interregional exchange and strategic materials. Their capacity to

articulate between village-level collection and the county-level storage, district-level transport and financial settlement and allocation of public purchasers determined the supply of cloth. This is a transition period from 1941–1943. The immediate problem was to reestablish circulation and promote cooperative organization in 1941. Production-and-saving drives and institutional integration increased the loan, input and marketing support capacity in 1942. By 1943, specialised leadership and protection of local cloth markets alongside better co-ordination of the demands of both military and civilian users had turned the textile work into a mass campaign [3]. In 1943, the regional self-sufficiency of cloth should therefore be viewed as a result of an institutional sequence and not only as a result of an increase in labour in households.

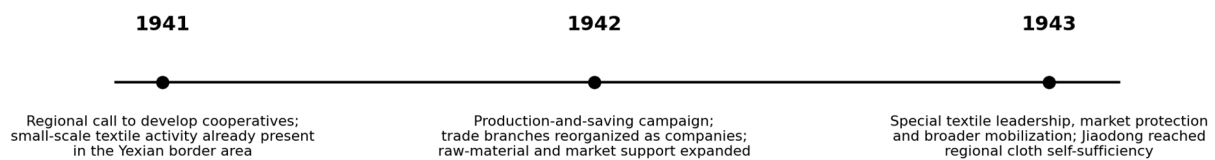


Figure 1. Institutional development of textile supply in western Jiaodong, 1941–1943.

The sequence is reconstructed from regional and local historical materials in Figure1.

3.2. Process tracing and evidentiary boundaries

Qualitative process tracing is used in the study. It enquires what events were necessary for the cloth to be transferred from a domestic loom to one used in war industries and identifies the various institutions involved in the process, after which it considers at what point incentives or coercion might enter the chain. No attempt has been made to estimate a production series for a county level as there is no continuous information available in the literature relating to prices, grades, quantities and settlement dates in the Yexian. Rather, it uses the known position of Yexian to triangulate with documented practices in the regions of Jiaodong and Shandong, and comparative base-area scholarship to elucidate institutional possibilities.

This distinction is of methodological interest. For instance, there is no published Yexian grading manual found. It would, therefore, be misleading to suggest that all co-operatives had a uniform form. However any reordering of cloth for uniforms or bedding, must have observable measure, length, width, density, uniformity of yarns, strength and/or visible defects. The article considers them as operational dimensions, and does not specify how and to what extent these are standardized in villages. Settlement was likewise uncertain: payment in cash, offsetting by advance payment of yarn or deferred accounts were all possibilities and feature in wartime cooperative customs, but the extent to which these factors operated in Yexian is not measurable from published documents.

4. The Operating Chain of Cloth Procurement and Distribution

4.1. Discovering and registering dispersed productive capacity

The first function of a grassroots co-operative was informational. A county purchaser was not able to see the textile capacity in the households. Looms were found within the house and production was subject to the agricultural cycle while women's labor had to be shared with

domestic and child care and food processing and field work. During lean periods, a village cooperative or cadre network might be able to determine who had spinning wheels or looms, which had specific skills and how much output was available. This saved the expense of repeated searches for sellers and orders could be placed in amounts that would be workable for family size.

Registration also translated political mobilisation into an action plan. Such a slogan as “spin and weave for the resistance” was not enough to solve the imbalance of labour, tools, and materials. The cooperative had to determine what was needed the most in a village, was it cotton or yarn or looms or the ability to repair the looms or working capital. It was then only that it could determine whether to improve its inputs, arrange mutual assistance, focus on a task in master households or buy ready-made cloth from another locality. In this way, the cooperative was not only first to create cloth, but they were also first to create information.

4.2. Raw-material provision, credit and risk sharing

The second purpose was to break the “input bottleneck.” Even if a household had labour and equipment, it could not meet a demand for cotton or yarn, due to a lack of it. The text version of the economic reports of Shandong frequently associated textile development with credit facilities, supply of raw materials and assured sale [14]. In a commodity purchase scheme, the cooperative could purchase cotton or yarn wholesale and allocate it to cotton and yarn producers on a future delivery basis. This resulted in the organization taking on some of the risk of price and transport previously borne by the household. It also lowered the probability of rare inputs being offered for sale in a speculative market instead of being converted into cloth necessary to the base area.

An accounting relationship was created as a result of input advances. The cooperative had to make a record of the quantity and quality of yarn issued, the anticipated output ratio, date of delivery and the basis of settlement. If money was in short supply or fluctuating, some portion of the value of the input was deducted. In the areas where Beihai was effective, cash settlement was facilitated, but where goods were not available, or public institutions not trusted, currency stability was a problem [1] [2]. So there was a positive interrelationship between finance and cloth supply; the existence of a working settlement mechanism facilitated production, and a reliable supply of cloth gave the base-area economy purchasing power and material credibility.

4.3. Collection, grading, price formation and settlement

The third function was aggregation. Small amounts were being produced by individual households, which were expensive to transport, or set aside individually. Cooperative collection resulted in bigger lots and fixed or periodic delivery points. This was a great help to the buyer as he did not need to travel to numerous villages and it enabled the cooperative to plan for movement when conditions on the roads and security were favourable. Moreover, the separation of the cloth by purpose was achieved through aggregation. There was a need to have more uniform and stronger cloth to be used for military and institutional purposes and other grades could be used for civilian exchanges.

The quality inspection was always related to the price. Failure to differentiate the purchase price based on quality would encourage the neglect of good production and the encouragement of poor quality. On the other hand, unduly stringent criteria would lead to higher rejection rates and to a reduction in participation. A viable system thus needed to have clear criteria; different prices or deductions; and a dispute mechanism. In spite of the fact that formal grading was still straightforward, the cooperative needed to make their decision known for the cloth to be accepted/downgraded/rejected. This communication made quality requirements into production knowledge and decreased repeated bargaining.

The process of price formation was a challenge. The cooperative had to provide a price which would cover the cost of labour, the opportunity cost within the household and the input costs, and which would not make public procurement unsustainable. It also had to deal with markets being under the control of private merchants and enemy markets which may be able to provide higher nominal prices in the short term. Guaranteed purchase may be able to offset a decreased headline cost by lowering the producer's risk of unsold yield, late sale or hazardous transportation. Thus, the relevant comparison for households was not price, per se, but expected net return, which is the price minus the search costs, transport costs, default and confiscation risks, etc.

Timing of settlement was significant too. Repeat engagement and trust were fostered through prompt payment. The delay in settlement put the wartime fiscal strain upon the families and might have become a forced loan upon them. When the cooperative moved into yarn, the need to have clear accounts was evident so as to tell the difference between repayment of inputs and paying for labour and surplus value. The focus on ensuring textile workers' "proper remuneration" suggests the officials were aware of this incentive issue [1]. The institutional test was to see if there was a visible link between work, quality and return.

4.4. From collected cloth to wartime supply

Once collected the county or district node had to turn the clothes into something usable to the war effort. It was more than just the matter of shipping the merchandise to a buyer. Cloth had to be counted and graded, bundled and stored, then transport routes had to be arranged, escorts and delivery schedules had to be worked out. But orders from army units, government offices, schools and hospitals had to be translated into quantities, dimensions and quality requirements as well. Local trade actors had to distinguish between the various types of cloth, and adjust available supplies to different priority uses required by different institutions. These functions transformed the cooperative network into an elementary logistics network between household looms and organized consumers.

However, there had to be a balance between the military effort and the livelihood of civilians in allocating. Uniforms, bedding and medical cloth were clearly in demand, but the diversion of locally produced cloth to public agencies might deprive village households of cloth. This would make labor reproduction less effective, less willing to engage in cooperative production and harm people's trust of local governments. The cooperative system thus catered to two related markets: one market of priority public use according to military and administrative requirements and the other ordinary livelihood market for the consumption of household and for local exchange. Its effectiveness was reliant on being able to differentiate these channels and coordinate them via inventories, delivery plans and price arrangements. It was only when military procurement did not rely on the civilian market which supplied the raw materials essential to continuing household production that it became sustainable.

The trade system also connected the city of Yexian with the broader western Jiaodong economy. Intercounty transfer could be used to provide relief in case of any shortage of cotton and yarn, and surplus cloth could be sent to the deficit areas. However, during blockade, such circulation was not spontaneous and was not completely open. Because of transport insecurity, the lack of territorial control and scarcity, public institutions chose routes, covered shipments and regulated strategic commodities. Certain imports of machine-made cloth may have been curtailed if they posed a threat to domestic handicraft producers; and some articles might have been chosen to balance trade outside the basic region. The information and collection capacity needed to achieve this expanded circulation was provided by the village-level grassroots cooperatives.

Studies on North China stress the fact that the economic system in the war was a layered one, with relations between households, the villages, and the local cadres and regional institutions,

and not a one-lenticular system [8]. Research on mass mobilization also indicates that the higher-level goals were only realized when they were made flesh at the local level through the workable practices of collection, negotiation and delivery [11]. The significance of the cooperative, in Yexian, was thus not just with its buying of cloth, but also with its making dispersed production visible, movable and allocable within a regional supply network. The two-way operating chain of commissioned purchasing and consignment sales can be shown in Figure 2.

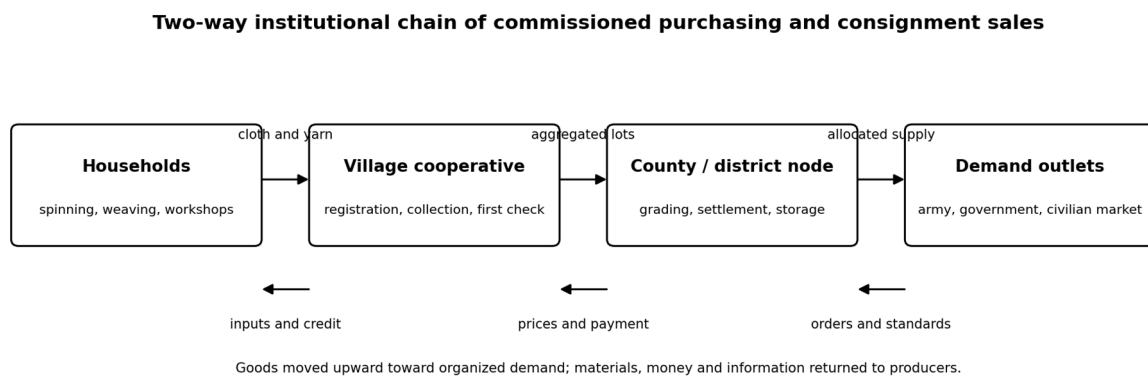


Figure 2. The two-way operating chain of commissioned purchasing and consignment sales.

Table 2. Cooperative functions, transaction problems and institutional risks.

Operational stage	Cooperative action	Problem reduced	New risk created
Capacity mapping	Register looms, skills, seasonal labor and expected output	Search costs and uncertain supply	Inflated reports, intrusive registration or unrealistic quotas
Input provision	Bulk purchase and advance of cotton, yarn or credit	Liquidity constraints and input scarcity	Dependency on cooperative accounts; diversion of scarce inputs
Collection and grading	Pool small lots, inspect and classify cloth	Transport cost, quality uncertainty and repeated bargaining	Opaque grading, cadre favoritism or excessive rejection
Pricing and settlement	Announce prices, deduct advances, pay producers	Default risk and uncertainty over net return	Delayed payment, inflation loss or disguised compulsory lending
Distribution	Store, transport and allocate to public and civilian outlets	Demand mismatch and fragmented circulation	Military priority crowding out local livelihood demand

5. Institutional Performance and Tensions in Cooperative Cloth Supply

Cooperatives of the Second World War were limited in their effectiveness by their failure to integrate voluntary exchange and political mobilisation. In the cooperative policy, the emphasis was still on mutual benefit, equal exchange and mass participation, as household producers could still determine their own working time and the state was not equipped to monitor each loom. Material incentives, predictable settlement and a certain consent were therefore

necessary for a stable supply system. But there was urgency brought by the demand of the military. Uniforms or bedding/bandage became delivery targets when they were scarce and persuasive campaigns became targets when uniforms were scarce, and targets became administration pressure.

Thus, the level of participation was spread. Yarn and production orders were willingly taken by some households due to the reduction in market risk and reliable markets provided by cooperatives. Others were reacting to the meetings and patriotic appeals, model households and expectations of the village. In more coercive instances, cadres could set amounts, limit other selling, or delay payment, which could make it costly to refuse. This transaction may thus include an economic advantage and a political obligation. Cooperation and requisition were not so much a difference in form of the slogan as a difference in terms of price, and accounting and delivery.

There were three safeguards in particular that were important. Cooperative prices must be, first, more or less competitive with market prices, taking into account input support and the diminished risk of transaction. Second, accounts were to be transparent – producers were to know the grading standards, deductions and when they would be paid. Third, there had to be some way for the households to adjust orders in case of illness, farm work or failure of equipment, and the delivery could not be made. Cooperatives were able to obtain cloth in the short term where these safeguards were not in place, but at the expense of trust and future production. Political mobilization was most effective in those roles which complemented an intelligible exchange relationship, while it displaced payment, accounting or material support and thus moved costs downwards during the war.

The cooperative system accomplished a number of significant results in spite of these tensions. It lowered the middlemen's costs and shortened the marketing chain from the village producers to the organized buyers by bringing together small quantities and arranging for transport etc. It did not do away with private merchants, but it did provide a public means of conducting commerce where private trade was too risky or too disjointed to continue. The production of yarn was also tied to the collection and organized sale of the yarns from the cooperatives, which further stabilized production. This coordination can be used to understand the shift from the dispersal of textile activity in 1940–1941 to the regional assertions of self-sufficiency in textile production, both military and civilian, by 1943 [1] [2] [3].

There was also an element of standardisation with repeated collections and grading. Military and institutional customers needed more standardized cloth than was available on a case-by-case basis from household exchange. The cooperative promoted desirable dimensions and quality, which decreased cutting waste, allocation and which allowed the combination of products from different villages. Political integration was also a success with successful transactions. The base-area administration was experienced by the households when they were provided with yarn and they delivered the cloth and got the payment. Material performance was thus incorporated into the state building program of the war [6] [7] [9] [10].

The system was however, clearly limited. But organization alone would not remove the obstacle of raw material shortage and functional allocation of cotton or yarn would expose the danger of being accused of favoritism. Cloth prices were volatile as a result of inflation, as well as varying rates of currency and grain prices, and when settlement was postponed. Commercial expertise was also needed, in book-keeping, storage, grading, transport and dispute resolution: the political reliability did not automatically bring the necessary skills. It might be possible for inexperienced cadres to mishandle funds or damage stored goods, or come up with unrealistic delivery targets.

The danger of administrative overreach arose. While there might be some advantages to limiting outside trade, the cooperative might end up as a monopsonistic buyer if the households

would be forced to sell through it, and it was also the one who determined prices and grading. It was based on open accounts and member participation with some sharing of market risk. Lastly, autonomy in the war was not a guarantee of autonomy in peace. The number of cooperatives grew quickly during the war and many did not survive or operate until the postwar reorganization [4]. They are significant therefore not only because of their short-term ability to organise supply, but also because of the institutional tensions which affected their term.

6. Conclusions

From 1941 to 1943, grassroots cooperatives in western Jiaodong facilitated the transformation of the scattered household production of textiles into a more reliable source of cloth during the war. An analysis focused on Yexian shows that the process of “commissioned purchasing and consignment sales” was not a simple transaction of purchasing and selling, but a link of institutional activities of mapping productive capacity, providing inputs, providing credit, collecting and grading cloth, setting and settling prices and distributing goods between priority public demand and civilian markets.

The primary benefit that the cooperative provided was that it lowered the transaction costs and uncertainty. It brought together small parcels, provided good information, reduced transport and default risks, and provided producers with a more forward-looking market. It was dependent upon the ebb and flow of goods moving up and raw materials, credit, payment, orders and standards moving down. This mechanism potentially aids in understanding how Jiaodong could have transitioned from diffuse textile production to the ability to provide for its own needs in blockade.

There was a constant tension in the same system. Political mobilization may resolve collective-action issues and elicit sacrifices, but military urgency may result in coercion of voluntary exchange. Thus fair prices, timely and clear settlement and understandable grading and delivery terms were not side issues, but the institutional requirements of sustainable mobilization. In such circumstances, politics and exchange mutually complemented each other. But it did not work, and the cooperative was in danger of becoming a device for transferring wartime expenses to families.

No published sources have been found that list an entire set of Yexian transactions, so no attempt is made to show accurate quantities or series of prices by county. Yexian and the western Jiaodong district should be the areas where cooperative account books, purchase receipts, cloth inspection records, women’s association reports and military supply files can be obtained in the future. These materials would allow the benefits and price spreads to be quantitatively reconstructed, as well as rejection rates and payment delays among households. Even if it was what it was in the war, the case shows that the material basis of wartime government was built just as much on practical exchange institutions as on appeals.

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