

*[Paper presented at the Helen Foster Snow Symposium, Brigham Young University, Provo, Utah, October 26-27, 2000]*

## **The contribution of Helen Foster Snow and INDUSCO to job and enterprise creation, income generation and economic democracy**

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### **Introduction**

While working for the International Labor Office (ILO) in Geneva, Switzerland, during a sabbatical in 1991-92, I studied the use and potential of group entrepreneurship and worker cooperatives to create employment and income for poor people in developed and developing countries. During the course of my study, I found that the only major 20th century example cited in the literature available to me in Geneva was the well-known and highly regarded Mondragon worker cooperative complex developed by Father Don Jose Arizmendi and a group of young Basque engineers in Northern Spain in 1956.

However, I knew that Mondragon was not the first 20<sup>th</sup> century attempt to successfully use group entrepreneurship and worker cooperatives on a large scale to systematically create jobs and enterprises. That honor should go to the Chinese Industrial Cooperatives, more commonly known as “INDUSCO” or “Gung Ho,” founded in 1938, eighteen years earlier than Mondragon.

INDUSCO was initiated and promoted by a young woman, Helen Foster Snow, who was originally from Salt Lake City, Utah. She lived in China with her husband, Edgar Snow, from 1932 to 1939.

The INDUSCO worker cooperative complex was much larger in scale than Mondragon, with over 1,800 enterprises throughout China, and developed much more quickly, within two years, during extremely difficult wartime conditions. Furthermore, INDUSCO included most of the group entrepreneurship principles later “rediscovered” at Mondragon.

This paper attempts to place the INDUSCO and Mondragon group entrepreneurship experience into historical perspective.

### **Origins of worker-owned cooperatives**

The concept of using worker-owned industrial cooperatives to create jobs and generate income originated in the early 19<sup>th</sup> century writings and work of several British and French social philosophers and reformers.<sup>1</sup> But the actual practice of workers owning their own enterprise did not occur in Europe or North America until after 1844.

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<sup>1</sup> Robert Owen, Charles Fourier, Pierre-Joseph Proudhon, and Philippe Buchez

In 1850, the Rochdale Pioneers, a group of weavers in northern England, organized the Rochdale Cooperative Manufacturing Society to build a corn mill and create jobs and incomes for their members. Although successful, this manufacturing enterprise eventually needed additional capital, and outsiders were allowed to invest. Thus the enterprise eventually converted from a worker-owned enterprise into a traditionally managed joint-stock company by 1862.

Subsequently, the opposition of the influential writers Sydney and Beatrice Webb, who were opposed to worker ownership of business, and the hostility of the consumer cooperative movement, in which employees had no ownership stake, all but eliminated any interest or support for worker cooperatives in Britain.

During the same time period, workers in the United States also reacted to the rapid advance of the factory system by forming worker-owned cooperatives and organizing trade unions.

After the American Civil War, the Iron Molder's Union and the Knights of Labor attempted to start some workers' cooperatives, but they could not overcome the instabilities of their support organizations, the hostile economic and political climate, opposition from the more conservative craft unionists and the competitive challenges of growing capitalist enterprises.

One of the few people of note to support the passage of national legislation promoting worker cooperatives in the 1880's and early 1890's was Leland Stanford, one of the "big four" founders of the Central Pacific Railroad, Senator from California and founder of Stanford University. Unfortunately, his legislative efforts were unsuccessful<sup>2</sup>.

The defeat of the Populists in the 1890s, who had also supported worker cooperatives, was another blow.

By the end of the 19<sup>th</sup> century, the craft-oriented trade unions, under the leadership of Samuel Gompers and the American Federation of Labor, discarded the principles of cooperation and opted for a policy of "business unionism" that accepted the capitalist system of ownership and advocated collective bargaining as the means to obtain a share of the fruits of production for workers.<sup>3</sup>

Without any encouragement and support, the development of group entrepreneurship using worker-owned cooperatives languished on both sides of the Atlantic.

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<sup>2</sup> It is ironic that in the last decade of his life, Leland Stanford, a "robber baron" and the wealthiest Senator in Congress "was possessed by the vision of an American industrial system owned by its workers." After the death of his only son, "Stanford adopted the Populist vision of worker-owned industry as the recurring theme of his public endeavors." During his time as a United States Senator (1885-1893), "Stanford introduced several bills to give worker cooperatives the necessary legal structure and sources of credit in order to flourish. In founding Leland Stanford Junior University as a memorial to his late son, he made the cooperative vision a leading feature lying at the foundation of the University...Stanford succeeded in none of these endeavors; his bills never made it out of committee, and his vision for Stanford University was not only left unrealized, but has been entirely forgotten from the University's collective memory

<sup>3</sup> Frank T. Adams and Gary B. Hansen, *Putting Democracy to Work: A Practical Guide for Starting and Managing a Worker-Owned Business*, Eugene and San Francisco, Revised Edition, 1992, pp. 17-18.

## **Bucking the trend: Using worker cooperatives to create jobs and promote economic democracy**

During the early part of the 20<sup>th</sup> century few, if any, attempts were made to use worker cooperatives to generate jobs and income and expand economic democracy.

Not until the Great Depression, the Sino-Japanese War and the Spanish Civil War in the 1930s created widespread desperate economic conditions were any attempts made to use worker cooperatives and group entrepreneurship to generate economic renewal and create jobs.

The three examples that had roots in this era are: the self-help production cooperatives in America, the Chinese Industrial Cooperatives in China, and the Mondragon Cooperative Complex in northern Spain.

Interestingly enough, two of the three examples had a “Utah connection.”

### **1. Self-Help Production Cooperatives in America**

In America, the Great Depression caused the Roosevelt Administration to experiment with self-help production cooperatives to enable unemployed or underemployed workers to “obtain the necessities of life through their own production of goods.”<sup>4</sup> .

Government planners saw the formation of these firms as a strategic means to shore up the economy, especially in agriculture. Several hundred self-help production cooperatives (defined as democratic associations of unemployed or underemployed workers who organized to obtain the necessities of life through their own production of goods) were organized in states like California, Washington, and Utah where they were engaged in a broad range of activities including gardening, baking, canning, lumbering and soap making. Lack of capital, unstable and heterogeneous labor, untrained management, and shifting government policies plagued the cooperatives. Most of them disappeared by the outbreak of World War II. But they had employed large numbers of previously unemployed workers and performed a valuable service during the depths of the depression.

### **2. Chinese Industrial Cooperatives**

In 1937, the Sino-Japanese War in China created the conditions for an even bolder group entrepreneurship experiment that enabled large numbers of Chinese refugees and unemployed peasants in war-torn China to become workers and owners of industrial worker cooperatives. This occurred as a direct result of the inspiration and zeal of Helen Foster Snow, a young American woman.

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<sup>4</sup> Frank T. Adams and Gary B. Hansen, *Putting Democracy to Work*, 1992, 18.

### **Helen Foster goes to China.**

Helen Foster, a 23-year-old adventurous young woman of Mormon pioneer stock, used her ability, ingenuity and connections to leave Salt Lake City in the summer of 1931 and sail to the Orient. She aspired to be a correspondent and writer and carried letters of introduction to the American Consulate General in Shanghai and Thomas F. Millard, the dean of newspapermen in the East. Helen arrived in Shanghai in August 1931, met journalist Edgar Snow in storybook fashion, and married him on Christmas Day 1932.

Two of Helen's most important and lasting accomplishments during her China years were: First, her adventure filled trip to Yen-an in early 1937 to meet and interview Mao Tse-tung, the fabled communist Chinese leader who arrived in Northwest China in 1935 with his ragtag army after the six thousand mile Long March from Kiangsi.

Helen's second contribution was conceiving the idea for and co-founding the Chinese Industrial Cooperatives, or INDUSCO, in 1938 with her husband Edgar and New Zealander Rewi Alley. The name INDUSCO was derived from the shorthand telegraph address for "industrial cooperatives."

INDUSCO was the first major 20<sup>th</sup> century attempt to systematically develop an integrated worker-owned industrial cooperative complex designed to achieve economic renewal using group entrepreneurship principles.

### **Helen Foster Snow conceives the idea for INDUSCO**

Helen Foster Snow's vision to promote industrial worker-owned cooperatives as a means to build democracy and industry in China began with the 1937 Japanese onslaught against Shanghai. As part of the foreign community in China, she witnessed firsthand the destruction of industry and misery caused by the Japanese invaders in the summer and autumn of 1937 and was appalled by the plight of the thousands of Chinese refugees crowding the city.

At the time of Shanghai's fall to the Japanese, seventy percent of China's industrial capacity was located there. Edgar Snow subsequently reported that Japan immobilized nearly all of China's "modern" industry by the seizure of Shanghai and the lower Yangtze Valley. In Shanghai alone, the Japanese destroyed 5,525 small and large factories and 16,851 workshops.....Eighty percent of China's light and heavy machine shops were destroyed or confiscated."<sup>5</sup>

During this grim period of destruction, Helen's husband Edgar introduced her to New Zealander Rewi Alley who had come to China in 1927 and had worked his way up to become Chief Factory Inspector for the Shanghai Municipal Council. The three of them began seeking a way to help improve the disastrous situation they saw around them. After a tour of some of the destruction in the industrial areas in Shanghai with Rewi Alley in the winter of 1937-38, Helen told Rewi that he ought to give up his job and "do something that will be useful at this time."<sup>6</sup>

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<sup>5</sup> Edgar Snow, *The Battle for Asia*, 1941, 1942, 78. Quoted in Douglas Reynolds, *The Chinese Industrial Cooperative Movement and the Political Polarization of Wartime China, 1938-1945*. Columbia University, 1975.

<sup>6</sup> Rewi Alley, *Two Years of INDUSCO* (Hong Kong, 1940)

Shortly thereafter during an evening dinner table discussion, Helen was in the right frame of mind to respond to a declaration by John Alexander, a young British Consul in Shanghai. “Cooperatives,” Alexander asserted, “are a democratic base in any kind of society—capitalist, socialist, communist or what have you. There’s no argument against them, for anything can be built on such a base.”<sup>7</sup>

Helen Foster Snow left the dinner asking herself two questions: “*Wasn’t that what China needed?*” “*Why not combine industry with cooperatives?*”<sup>8</sup>

From the moment she conceived of the worker-owned industrial cooperative as a means to “save” China, Helen Foster Snow devoted much of her time and energy for the next ten years to raising money and promoting the Chinese Industrial Cooperatives.

Helen converted Edgar Snow and Rewi Alley to the idea, and together they founded the INDUSCO movement,

The plan for the INDUSCO cooperatives prepared by the Snows and Alley was intended to supply free China with the economic power to resist Japan and remake society in the process. .<sup>9</sup>

The first tentative meeting of the four persons to consider organizing INDUSCO was held on March 19, 1938. A second meeting was held by eleven persons on April 3, 1938. Those eleven persons constituted themselves as the Preparatory Committee for the Promotion of Industrial Cooperatives in China. “The meeting adopted the expression ‘industrial cooperatives,’ as it was felt that ‘producers’ societies’ was a vague, unexciting term.”<sup>10</sup>

The technical plan for implementing INDUSCO was drawn up by Rewi Alley and his American-trained Chinese engineer friends--“the Bailie boys,” a group of Chinese technicians. Most of the Bailie boys had been trained in the U.S. under the auspices of Henry Ford and others through an arrangement made by Joseph Bailey, an American missionary in Shanghai.<sup>11</sup> Over time, the INDUSCO plan was revised until “the blueprint was suitable for any Asian village or any underdeveloped country.”<sup>12</sup>

One of the most difficult problems the INDUSCO founders faced was to find sufficient financial support. They knew that “to expect a starving refugee industrial worker to provide his own capital for a share in a cooperative was hopeless.”<sup>13</sup> Consequently, financing to start cooperatives had to come from other sources.

After persistent lobbying by Helen and her co-founders, the Nationalist Chinese Government under Chiang Kai-shek was persuaded to back the project and provide financial support. Later

<sup>7</sup> Helen Foster Snow, *My China Years*, 302.

<sup>8</sup> Ibid.

<sup>9</sup> *Battle for Asia*, 97.

<sup>10</sup> Nym Wales, *China Builds for Democracy*, 38

<sup>11</sup> For more information about Joseph Bailie see: *Bailie’s Activities in China* by Victoria W. Bailie, 1964.

<sup>12</sup> *My China Years*, 304.

<sup>13</sup> *China Builds for Democracy*, 40.

on Mao Tse-tung agreed to allow the cooperatives to be organized in communist controlled territory as well.

The INDUSCO Movement was organized in Hankow in July 1938, and formally inaugurated on August 5, 1938. When Hankow fell to the Japanese in October the headquarters were moved to Chungking. As Chief Advisor and field secretary, Rewi Alley toured the country constantly, establishing regional headquarters, setting up depots and organizing industrial cooperatives. Subsequently, regional INDUSCO headquarters were established in five locations throughout unoccupied China.<sup>14</sup>

The first "INDUSCO" cooperative was organized in Shanghai in August 1938 and consisted of eight refugee blacksmiths. From that modest beginning, the systematically created INDUSCO enterprises spread "like wildfire" throughout "free China," and information about them soon spread to other nations.

The nickname for the INDUSCO cooperatives, "Gung Ho," (Chinese for "working together") was subsequently popularized by American Marine Colonel Evans Carlson and his "Carlson's Raiders" during World War II and became part of the English language.

### **Basic components of the INDUSCO system**

New INDUSCO cooperatives were systematically organized through a structured incubation process. They were designed to create jobs and income for unemployed workers and provide goods and services for their communities and the war effort. The incubation process was facilitated at the local and regional levels by Rewi Alley, his cadre of organizers and the "Bailie boy" technical experts. Alley provided a succinct description of how the process worked in practice in an article published in the *Manila World* newspaper on July 25, 1939.

The hungry, tired groups of refugees arriving from the war-torn districts and occupied areas find a new meaning in life and forget their individual troubles when some tireless "co-operator" from headquarters addresses them. He will outline a definite project to suit the group and the locality, will provide them with technical assistance, arrange for a loan of money or machines and will, in an incredible short time, cement the group into a self-supporting entity with hopes, aspirations and a national consciousness.

Each unit or "society" is organized according to usual cooperative rules. Each member receives appropriate wages and the surplus is divided according to stated formulae. Each society has its own manager who represents the society in inter-society relationships. The activities of the societies are carefully supervised by the C.I.C. co-operators and engineers who examine accounts and balance-sheets, solve the technical problems which spring up like mushrooms and who keep a sharp eye on the conditions of the worker, foster the community welfare work and inculcate, in general, the true spirit of co-operation.

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<sup>14</sup> *China Builds for Democracy*, 44.

The membership of these C.I.C. societies range from seven, the lowest number that may be organized, to any number; the largest co-operative at present, engaged in match manufacture, has a membership of two thousand. The qualifications for membership are simple.

The applicant must:

- ❖ reside within the area of operations of the society,
- ❖ be capable of his quota of work in the business of the society,
- ❖ be honest, of good character and free from vicious habits, e.g., opium-smoking, drug-taking, gambling, etc.

Membership [will] be forfeited by:

- ❖ loss of any of the qualifications outlined above,
- ❖ ceasing to hold at least one share (nominal value \$2.00),
- ❖ insanity, bankruptcy, or loss of civil rights,
- ❖ resignation or expulsion under the terms of the constitution.

This simple straightforward process of starting industrial cooperatives seemed to work quite well, according to Alley.

There has been no failure of any C.I.C. unit [244 were organized during the first six months of operation] to date speaks for itself. At the present time about fifty kinds of goods are being manufactured in the co-operatives registered under the C.I.C.

### **Constitution of an INDUSCO cooperative.**

The basic unit of the INDUSCO system was the local industrial cooperative, or “society” as Alley described it. It was owned and controlled by its worker- members.

The model INDUSCO constitution stated that the value of each share was set at \$2.00, of which at least 50 cents had to be paid on election and the balance as decided by the board of directors. No one member was allowed to buy more than 20 percent of the total number of shares. Only one vote was allowed to each member. Each new cooperative had to have at least seven members.

The cooperative also had a board of supervisors to “exercise a general supervision over the work of the Directors and in particular to conduct an audit of the annual financial statement prepared by the Directors.”<sup>15</sup>

The wage scale for workers was determined by the General meeting according to the different classes of work.

Proceeds from the sale of goods and services were used to pay for:

- ❖ raw materials,

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<sup>15</sup> CIC Model Constitution, Appendix 2, *China Builds for Democracy*, 266.

- ❖ interest on the member shares,
- ❖ interest on borrowed capital,
- ❖ any accumulated loss carried forward from the previous year,
- ❖ wages of workers and salaries of managers.

The remaining net surplus was to be allocated to:

- ❖ a general reserve fund,
- ❖ a common goods fund,
- ❖ the directors and staff,
- ❖ a local industrial development fund; and
- ❖ the members and non-member workers.

At first each industrial cooperative in a local area marketed its own products, but later cooperative federations or “unions” were established in the regions to take care of distribution of products and purchase of raw materials.

### **Providing leadership and technical assistance to INDUSCO cooperatives.**

The task of finding and training staff for the rapidly expanding INDUSCO system was a daunting one. In addition to Rewi Alley and the Bailie boys, it was necessary for INDUSCO headquarters to develop a personnel plan to recruit and train the people who would become the organizers, managers and technical experts for the system. These individuals needed to be taught worker cooperative principles, business skills and the technical work of INDUSCO.

### **INDUSCO progress problems after two years.**

In July 1940 Rewi Alley wrote a memorandum outlining the progress and needs of the INDUSCO system after two years of operation. This document provides some insight into what INDUSCO was becoming and what Alley saw as pressing needs.<sup>16</sup>

Promotion Locally. There is a great deal of work in need of being done in local promotion, so as to educate public opinion in Industrial Co-operative ideals, and to give confidence in the movement....

Inspection. Up to the present, our inspection work has not been adequate. I am of the opinion that inspection work needs to be reorganized, and the best type of man obtained for this work. On the Technical side, the Chief Engineer's work should be largely inspection--where he can make the fruits of his experience helpful...

Statistics. We must collect accurate and complete statistics. We cannot expect bankers to help us if we cannot show proper figures. We must also be able to demonstrate to buyers that we can produce the products in sufficient quantity.

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<sup>16</sup> From the Unpublished memorandum written by Rewi Alley, "Some Comments on Work For CIC 1940 Conference," July 13, 1940.



Education. Everywhere I have seen the immense need for better education. This applies to both staff and cooperative members....

The work that has been done in technical training work of prospective cooperators I have seen, and find useful. More of it needs to be done.

I consider the education of cooperative members' children to be one of the most important things we have to do in the future. We want the child, as he grows up, to enter the cooperative group naturally and easily, and every child that does this will in turn be a new advocate for cooperation in industry.

Constitution. ...Coop members need to have a copy [of the constitution] that they can talk over and study...In industrial cooperation we have to deal with so many more phases of life than does either credit or consumer cooperation. In industrial cooperatives people live by their cooperative. In other cooperatives, the cooperative is an adjunct.

Federations and marketing and supply. It becomes more than ever apparent that the success of our work depends very much on the local federation of co-ops, and on its having a progressive, energetic Marketing and Supply agency. Where our work has been good, one sees such a facility.

Research and Development. Research work should be carried on in the best way possible under existing circumstances. Research studies should be published so that all co-ops can share the benefits.

Technical Training. There is a need for all branches of INDUSCO service to know something of technical processes. Both the organizer and the accountant need to have some rudimentary idea of what an industry is and how their work fits in. I hope that we can induce more technicians to become organizers as we go on.

...[E]ngineers in many cases need to be broken of their ideas of huge factory chimneys, great turbines, million-dollar plants, and come down to the reality of industry that is to be controlled by people, and forget ideas of great industrial concerns in which the people are second to machines. We must be wedded to a new ideal -- that of making small industry produce as efficiently as any industry, and to have this industry on a co-operative basis.

Transport. We still have not been able to pay proper attention to this most important aspect of our work. The organization of co-operative transport units to work together with our marketing and supply agencies will become increasingly important.

Accountancy. We must have from workers on this side of our work the same zeal for Gung-ho ideals as we have from our organizers. The conception of Gung-ho as a business and a movement--and not as a "chi-kwan" must be first and

foremost. The accountant must always say, "If this were my business, on which I had to live, would I do this?"

Consolidation. The necessity of consolidation is ever before us. To consolidate work in depots by striving for better educational facilities for staff and members. To make for basic trades--iron founding, cotton spinning, machine shops. To have cooperative federations set up and marketing and supply depots everywhere. And all marketing and supply depots joined up. To organize and finance many new coops and depots on the main lines of communication so that the chain of industry will stand. A few productive units isolated cannot stand. Thousands joined together can.

Criticism. INDUSCO, we must always remind ourselves, is a very practical expression of the Principle of People's livelihood. But it is not a political movement. And none of us are politicians. It is a popular movement for better business and better production. Engineers and cooperators, like doctors, should be welcome everywhere.

Subsequently, INDUSCO organized transport cooperatives to help move raw materials to the workshops and finished goods to market.

One of the most impressive contributions of INDUSCO was to introduce technical and worker cooperative training and apprenticeship in creative ways.

The early training centers were called "Gung Ho Technical Bailie Schools." They were named in memory of Joseph Bailie who had trained the early INDUSCO leaders. The schools taught classes for both technical people and organizers.

The most widely known of these technical schools, the Sandan School, lasted for more than 13 years, well beyond the life of INDUSCO. This school educated hundreds of refugee children during its existence. The Sandan School was started in 1941 in Shwangshihpu with 12 students and was soon led by a young Englishman, George Hogg, until his untimely death. It taught youngsters both theory *and* practice and operated in different locations, including Sandan, until 1954. The Sandan School was a unique residential educational institution that emphasized a combination of work and learning. It had a number of vocational training sections, provided general education courses to its students, and taught industrial, cooperative and leadership principles. In addition, Sandan had a number of production units that produced needed food, plus goods and services for the school and to sell in order to generate sufficient revenue to pay the operating costs. All the students worked in these production units during their stay at the school.<sup>17</sup>

Although the role of women in INDUSCO is not mentioned in Rewi Alley's 1940 memorandum, INDUSCO had a women's department in each region that organized and managed primary schools, provided literacy classes for women and children, taught night classes for male

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<sup>17</sup> Rewi Alley, *Sandan: An Adventure in Creative Education*. 1959

cooperative workers and vocational training classes for workers, and provided home education and health work.

### **INDUSCO reaches its peak in size and activity.**

The INDUSCO system of worker cooperatives functioned as a major source of production in the Nationalist and Communist areas of China from its inception in 1938 until the end of World War II in September 1945. At its peak in June 1941, there were 1,867 INDUSCO cooperatives with 29,284 registered members. (The number of non-member workers and unregistered workers under age 20 who were employed in addition to the registered members is not known.)

Unfortunately, as successful as the INDUSCO cooperatives had been in helping free China maintain the war effort against the Japanese and provide work, goods and services, and incomes for many Chinese refugees, INDUSCO and its leaders soon became enmeshed in internal Chinese politics and the battle between the Nationalists and Communists.

### **The decline and demise of INDUSCO in China**

INDUSCO was on the defensive from 1941 onwards, and the number of industrial cooperatives gradually declined to 1,066 with 17,260 registered members in March 1945. By the time the war with Japan ended in September 1945 the industrial cooperatives were well on their way to becoming a casualty of the resurgent Chinese Civil War. In December 1945 there were only 335 INDUSCO cooperatives with 4,889 registered members.<sup>18</sup>

### **Spreading the INDUSCO Model to other countries.**

Not surprisingly, the innovative approach to economic renewal developed by Helen Foster Snow, Rewi Alley and their colleagues did not end with the demise of the INDUSCO movement in China in 1949. Through Helen's prodigious writing and promotional work the INDUSCO model based on group entrepreneurship and economic democracy spread to several other nations.

While Edgar and Helen were recuperating in the Philippines in 1939 from their China wartime experiences, Helen wrote the book *China Builds for Democracy* to spread the INDUSCO worker cooperative ideas and win support from international friends of China. Her book made a tremendous impact on the future leader of another nation, Jawaharlal Nehru of India. Helen also indicated in her memoirs that the INDUSCO ideas were exported to several other Asian countries and even to Japan after World War II.

Nehru had heard about INDUSCO in 1939 and planned to go to China to see how the INDUSCO group entrepreneurship system worked. Unfortunately, he was prevented from personally visiting China to see the movement first hand by the outbreak of war in Europe in September 1939, but he subsequently read Helen's book while in a British prison after receiving a copy from Madam Sun-Yat-sen. After being released from prison, Nehru arranged to have Helen's

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<sup>18</sup> Based on official CIC statistics compiled by Douglas Reynolds, *The Chinese Industrial Cooperative Movement and the Political Polarization of Wartime China, 1938-1945*, 1975, 449.

book printed in India in 1942 and even wrote an introduction to the Indian edition. He said: “I spoke about this book to many friends and every one wanted to borrow it...it went from hand to hand...Neither India nor China is now going to have a normal capitalist industrial development...possibly the future will lead us and others to a cooperative commonwealth.” Nehru began advocating industrial worker-owned cooperatives throughout India. When Helen visited India in 1972 she found that 50,000 industrial cooperatives were operating in that country.<sup>19</sup>

After her return from China to America at the end of 1940, Helen Foster Snow (and her husband) settled in Madison, Connecticut. For the remainder of her life she continued to promote the INDUSCO model and group entrepreneurship principles and to build bridges to a better future. She also worked on the American Committee to Aid Chinese Industrial Cooperatives until it split up in 1951, and then revived it again in 1981.<sup>20</sup>

### **3. The Mondragon Industrial Cooperative Complex**<sup>21</sup>

The Mondragon complex in northern Spain is the third and most recent example of systematic group entrepreneurship using worker cooperatives to achieve economic renewal. Beginning in 1956, a Catholic Priest, Don Jose Maria Arizmendiarieta, and some young engineers in the Basque area of northern Spain independently discovered the underlying INDUSCO group entrepreneurship principles to create jobs and enterprises in an economically depressed region.

Building on a previously established technical educational institution, they forged anew worker cooperative principles into the dynamic and highly successful Mondragon Group of industrial cooperatives for enterprise and employment creation.

The Mondragon contributions to group entrepreneurship were twofold: first, to develop venture capital through the creation of a cooperative development bank (the Caja Laboral Popular) that mobilizes community savings to develop new industrial cooperative enterprises; and second, developing internal capital accounts to enable workers to accumulate a capital stake in their enterprise that can be cashed out when they leave or retire..

Using community generated capital, the development bank’s enterprise incubating unit systematically identifies new business opportunities, conducts feasibility studies to ensure their viability, recruits prospective worker-owners willing to invest their time and money in a starting new enterprise, helps find competent professional managers, and assists the manager and workers launch a new job-creating industrial cooperative business.

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<sup>19</sup> Typescript “Preface to new edition” of *China Builds For Democracy*.” Copy presented to the author by HFS on November 20, 1989. When I was in New Delhi in 1993 as part of an ILO team attending a conference on cooperatives, I had a chance to hear about some of the work being done by the worker cooperatives at that time.

<sup>20</sup> *My China Years*, .326-327.

<sup>21</sup> Gary B. Hansen, *A Guide to Community Economic Renewal, Part II, CER Resource Handbook*, 101-102. For a more detailed treatment of the development of the Mondragon system, see William Foote Whyte and Kathleen King Whyte, *Making Mondragon*, Second Edition, Revised, 1991.

By systematically incubating new businesses to create jobs and wealth in their communities, the Mondragon group has served as a powerful engine of economic development in the Basque region of Spain.

By the mid-1990s, Mondragon had over 130 industrial cooperatives and employed more than 28,000 worker-owners. In 1992, after Spain joined the European Union, the Mondragon Group reorganized to create a new ownership framework, the Mondragon Cooperative Corporation (MCC), to help them continue to grow, remain competitive and expand into other industries and countries of the European Union. (By 2003, the MCC enterprises employed 66,000 workers and have accumulated assets of \$14.6 billion.<sup>22</sup>)

### **Epilogue: Future of the INDUSCO model**

#### **Does the INDUSCO Model have a future?**

Are the INDUSCO group entrepreneurship model and economic development techniques that Helen Foster Snow and her distinguished peers created to address serious economic and unemployment problems in wartime China, strictly time and location specific? More importantly, can they help us solve serious economic and employment problems in many communities and countries today? In my opinion, the answer is a resounding Yes!

The INDUSCO experience in China is validated by the Mondragon experience in Northern Spain. Mondragon used similar approaches to those developed by the INDUSCO founders 18 years previously and demonstrates that the INDUSCO model can be replicated successfully in an entirely different geographic and cultural setting. It can also operate in a modern industrialized country.

Another question one must ask is: If this group entrepreneurship model for achieving economic renewal works in China and Spain, why have there been no attempts to use it to create new industrial cooperative complexes since the founding of Mondragon in 1956?

The basic model that was used to achieve success in both oriental and occidental settings is relatively straightforward and easy to compile and communicate.<sup>23</sup> Yet there have been no serious attempts to replicate or use it today.<sup>24</sup> Why not?

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<sup>22</sup> “Cooperatives as a form of socially responsible business,” Tim Huet, *GEO: Grassroots Economic Organizing*, No. 58, Sept.-Oct. 2003, p. 7.

<sup>23</sup> The author published an article attempting to do this in 1996. See: Gary B. Hansen, “Using Cooperative Entrepreneurship to Create Jobs Systematically.” *Small Enterprise Development: An International Journal*. Vol. 7, No. 1 (March 1996), 17-30.

<sup>24</sup> The only attempt that I know of in the United States is the rather modest effort in 1996 by a group of people associated with the Cheese Board Cooperative in Berkeley, California to organize an Arezmendi Support Cooperative to incubate new worker cooperatives. Thus far, they have successfully incubated one new cooperative, the Arezmendi Bakery. The founders of this support cooperative and others in the Bay area have also started a network of 55 cooperatives called the Network of Bay Area Worker Cooperatives. The mission of this network is to “promote worker self-management to ‘build a movement’ for it, and to encourage information and resource sharing among worker co-ops.” “Inter-Cooperation is Alive and Well in the Bay Area!”, Interview with Tim Huet of NoBAWC, *Geo Grassroots Economic Organizing Newsletter*, Sept.-Oct. 2000, page 4.

The economic and unemployment problems of workers in developing countries (and even many developed countries) have not been resolved or gone away. In fact, they are worse today than they were 10 years ago. So why has no one taken the lead in using the INDUSCO model to address these serious problems today?<sup>25</sup>

Has the longstanding opposition to worker cooperatives generated by the Webbs, the trade unions, and the client-owned cooperative movement so influenced (poisoned?) the minds and hearts of economic development specialists and cooperative activists that there is no place in today's world for the systematic use of group entrepreneurship and worker cooperatives to create jobs and income for those who desperately need both—not withstanding the positive results achieved by INDUSCO and Mondragon?

Could the answer be that there are no Helen Foster Snows, Rewi Alleys or Father Arezmendis around today—visionary individuals who are willing and capable of providing the leadership, being the “prime movers” or “sparkplugs” to the movement—and no Bailie boys or young Basque engineers with the requisite technical knowledge and idealism needed to follow them and activate the Gung Ho model and philosophy in the 21<sup>st</sup> century? I sincerely hope that this is not the case.

### **What is needed to reactivate INDUSCO?**

In case you or someone you know is ready to take up that mantle of leadership from Helen Foster Snow, Rewi Alley and Father Arezmendi, you will need a road map or guide to reactivate INDUSCO or replicate Mondragon.

Fortunately, Rewi Alley left his thoughts on the subject before he died—because he thought there was still a need for systematic group entrepreneurship in today's world.

Helen Foster Snow also continued to urge others to write a basic guide that could be used to reactivate the INDUSCO model. After I became friends with Helen she charged me to write a “how to” manual that could be used to “reactivate Gung ho.” Over the years I have tried to fulfill her charge by writing several of them.<sup>26</sup>

Looking back on his INDUSCO experience in the sunset of his life, Rewi Alley believed there was still a need for economic renewal based on the INDUSCO group entrepreneurship model. He outlined seven steps to activate the INDUSCO model:<sup>27</sup>

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<sup>25</sup> I addressed this question in a paper written in 1997. Gary B. Hansen, A Modern Tragedy: The Failure to enlist entrepreneurship and worker cooperatives in the battle against unemployment and poverty.” Utah Center for Productivity and Quality, Utah State University, January 20, 1997.

<sup>26</sup> Frank T. Adams and Gary B. Hansen. *Putting Democracy to Work: A Practical Guide for Starting and Managing Worker-owned Businesses*. Revised edition. (San Francisco and Eugene: Berrett-Koehler, 1992.) Gary B. Hansen, and Mogensen, Ejvind. *Working Together to Create Jobs: A Guide to worker-owned cooperative development*. (Bangkok: ILO Regional Office for Asia and the Pacific, December 1994). Gary B. Hansen, E. Kim Coontz and Audrey Malan. *Steps to Starting a Worker Co-op*. (Center for Cooperatives, University of California and Northwest Cooperative Federation, 1996)

<sup>27</sup> From Rewi Alley, *Thinking Over Gung Ho*, 1979

## **1. Leadership**

A leadership should be set up that aims at establishing a nation-wide movement of cooperative units for small production responsible for their own organization and production.

## **2. Promotion**

The setting up of a promotion group, with branches in main centers, responsible for organizing pilot cooperatives, and for arranging the financing is necessary. All precautions need to be taken against producing another bureaucracy.

## **3. Training**

As the youth that predominate in most cooperatives have gone through a period of poor education and have no skills, there should be a close relationship between the new Gung Ho movement and half-work half-study schools. The promotion group might even be made responsible for one such school. Successful cooperatives would increasingly, of course, carry out their own training.

## **4. Movement**

To get the unemployed of the country, especially the youth into creative work, this movement for working together in production appears to be necessary. If started successfully it would spread smoothly. It should have a minimum of interference in working, with technical help being given as well as that in marketing and supply especially in the early stages.

## **5. Size and Scope**

Cooperatives would be from seven members upwards, embracing all kinds of productive work, in all localities throughout the country. Regional promotional offices would service them, arranging for loans, etc. Required is: (a) promotional fund, and (b) loan funds, for cooperatives.

## **6. Research and Experimentation**

The movement should be serviced by a research and experimental unit that would devise mechanization for the small units needed.

It should not be thought that there will be no cost to the state to start a successful movement. Promotion, research and experimentation will require financing until the movement spreads far enough for these services to be supported by cooperative federations.

## 7. The Need and How to Meet It

The realities of the situation as it exists today, points definitely to the need for a new Gung Ho. "Working together" is a good slogan for the next stages. The need, however, can only be met in a methodical way, building on successful units as they are formed and gaining experience by the promoters in the process.<sup>28</sup>

Alley also said that Gung Ho industrial cooperatives can work almost anywhere, but they require work:

The cooperative starts out in its working life as a small unit composed of a group of people who are interested in the idea and want to make it work. It needs thoughtful practical promoters to begin with to help to solve the many problems any new organization must face. There would need to be special classes to train such promoters and also the accountants essential to every production group.

There is no way to escape work if a coop is to succeed.

Work and work together is a basic slogan for the new Gung Ho. Work as a way of life and work together as a slogan to live by is a motivation youth needs.

Cooperatives can be operated [as manufacturing enterprises, as service enterprises], as forestry cooperatives in the hills, as road maintenance cooperatives on the highways. They can be made to fit into almost every branch of national life. Because they are a people's organization and organize themselves they do not need a large controlling bureaucracy.<sup>29</sup>

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<sup>28</sup> From Rewi Alley, *Thinking Over Gung Ho*, 1979

<sup>29</sup> Ibid.