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In 26 days of Nov. alone, 1,68 stores & firms in Hankow went bankrupt

In Aug, Sept & Oct. alone, 80 Sh. factories went bankrupt. Dumping of Am goods.

Many closed down

Canton factories closed down due to inflation, usury, lack of raw material or communication because every means used for civil war. Peking on brink of collapse, 50 stores closing each day due to inflation & dumping of goods.

Industrial firms closed down there recently, and 1,000 closed down in Shanghai since Christmas. In Chekiang Province, 25% of the business concerns have folded up. Peking and Tientsin closings hundreds each week. Hankow and south China

the same. Half of factories in Hankow closed down. ~~China~~ Main cause is inflation and usury. Usurious interest on loans 15% a month, or around 300% a year. Interest rates wipes out all profits.

"Chinese ~~XXXXX~~ economic fabric more rotten ~~XXXXX~~ now than even during the war years." I

A merchant in Foochow reported that he had to pay 32 different kind of ~~XXXXXX~~ govt. levies.

Imported foreign goods, chiefly American, able to compete on equal basis with Chinese and so run the Chinese into the grave.

Thousands of workers thrown into ranks of unemployed each week. "Civil war is the cause and so long as civil war lasts this disaster will continue."

Conscription another cause of chaos. Sept. 1st, Govt. re-introduced the terrible conscription system which means the

ruthless requisitioning of men for the KMT armies. 600,000 men. Govt. divided country into 71 different conscription areas. Each city, town and district, ordered to produce so many men. Peiping and Tientsin each allotted 3,000 men. After one month, Tientsin got 60 recruits, but only 30 found to be physically fit.

~~xxxxx~~ Firms, factories, shops, urged conscripts to go. Many shops and firms had to close down because all their young men ran away.

Govt. then began buying recruits. A recruit in Peiping and Tientsin costs \_\_\_\_\_, Soochow \_\_\_\_\_. Poor men sell themselves to help their families.

Each household taxed so much to pay for these lives. Each household also taxed by towns and villages to pay for recruiting officers. Towns must pay for their feasts, their hotel bills, even their telephone bills. Each household taxed for this.

~~Men by the thousands have fled~~

Hankow Chamber of Commerce ~~xxxxlxxx~~ is taxed to the limit to pay for the frequent required welcomes and farewells of visiting officials, which cost millions each time.

The Chamber of Commerce in turn allotted such expenditures to its members. People look on industry as a terror. All go into usury business.

Conscription, plus bankruptcies which threw countless workers into ranks of unemployed has given rise to a people's revolt. People's armies, made up of these men, now operating in 11 different KMT provinces of the south, west, and southwest. KMT troops sent to suppress them, but some join them with their armies. These People's armies have captured American weapons of every kind. In Hunan Province alone, 40,000 men, calling themselves the "~~People's Army~~" "Common People's Army, some of them former guerrillas against Japs, nor githing KMT armies. 1,400 men in Yunnan armed with American arms, 5,000 men in Szechuen operating in ~~20 districts~~ 20 districts, among them clerks, artisans, ~~peasants~~ peasants, unemployed factory workers. In Cheking, since Nov. 11, there have been six mutinies of Govt. Peace Preservation Corps and in two districts, over 1,000 policemen went over to them.

Ta Kung Pao reported recently that a People's <sup>Dance</sup> Army of over 7,000 men, armed with tommy guns, ~~machine~~ trench mortars and rifles, operating along 7 districts along the Shanghai-Nanking Ry.

China Daily News , KMT paper, ~~xxxx~~ reported on Nov. 11 that a new Border Region on the borders of the three provinces of Szechuen, Kweichow, and Yunnan, has been established, as headquarters of a new People's army composed largely of poor peasants, artisans, clerks, unemployed factory workers and ex-KUomintang soldiers.

Our press does not reports such things. Most of our correspondents are too busy with drinking, eating and women, in the big cities. Have you noticed that not one of them, ~~xxxx~~ except John Roderick of the AP, whose reports are seldom published, has even tried to report facts from the field. ~~xxxxxxxxxxxx~~ Their reports are tendencious, trying to convince us that if only the Com. ~~xxx~~ did not exist, ~~xxxxx~~ everything in China would be all hunkey dorey.

Communists do not control policies of the KMT govt. or its vast regions. They are not usurers, black marketeers, bankers or industrialists. They do not speculate in UNRRA supplies in the great cities. In fact, they get almost no UNRRA supplies. They do not impose 32 different taxes on merchants, nor impose house taxes to pay the costs of banquets and

even the hotel bills of visiting officials. They do not conscript unwilling men; all their followers are volunteers. They do not use Chinese puppet troops who fought for the Japanese. American goods are not dumped on black markets in their regions. Their economy is based on production and the people are the administrators of their own affairs. That is their strength.

In July Madame Sun Yat-sen warned the American Govt and people that our policy of aid to the KMT would plunge China into chaos, that the big cities might be captured by the KMT armies, but the villages would remain in the hands of the Communists. And that the peasants would not sell their produce ~~tax~~ for the worthless money of the KMT in the cities. ~~That is the reason why the KMT has failed.~~ Our Govt. ignored her appeal. All she said has now come to pass.

Chiang Kai-shek has had his civil war; he still has it, and it is wrecking all the regions which he controls. In order to get American money and military equipment, he signed a trade treaty which left Chinese industry and business prostrate before the high-powered American business and industry.

He now has asked the Communists to receive a peace delegation and they have replied that they were deceived this past year but that neither they nor the Chinese people can ever

be deceived again. Their terms are this:

Return to the Military status as of January one year ago:

Nullification of the fake Constitution recently passed by the KMT Party Congress in Nanking.

Our press and Govt, and the KMT press and Govt. may charge that the Communists are wrecking China's economy. The KMT dictatorship, headed by Chiang Kai-shek, is wrecking it. That wrecking is typical only of KMT regions ruled by KMT policies.

AMany wild-cat American business rackets are making money in China today by black market dumping. But there is a limit to such profits, and Chinese industrialists and business men themselves know the reasons for their bankruptcies.

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