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PEASANT LIFE IN CHINA

*A Field Study of Country Life in the
Yangtze Valley*

By

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With a Preface by

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PREFACE

By B. MALINOWSKI

I VENTURE to foretell that *Peasant Life in China* by Dr. Hsiao-Tung Fei will be counted as a landmark in the development of anthropological field-work and theory. The book has a number of outstanding merits, each of them marking a new departure. Our attention is here directed not to a small, insignificant tribe, but to the greatest nation in the world. The book is not written by an outsider looking out for exotic impressions in a strange land ; it contains observations carried on by a citizen upon his own people. It is the result of work done by a native among natives. If it be true that self-knowledge is the most difficult to gain, then undoubtedly an anthropology of one's own people is the most arduous, but also the most valuable achievement of a field-worker.

The book, moreover, though it takes in the traditional background of Chinese life, does not remain satisfied with the mere reconstruction of the static past. It grapples fully and deliberately with that most elusive and difficult phase of modern life : the transformation of traditional culture under Western impact. The writer is courageous enough to cast away all academic pretence at scientific detachment. Dr. Fei fully realizes that knowledge is indispensable to the right solution of practical difficulties. He sees that science, in rendering real service to mankind, is not degraded. It indeed receives the acid test of its validity. Truth will work, because truth is nothing else but man's adaptation to real facts and forces. Science becomes only prostituted when the scholar is forced, as in some countries of

equality has been accepted, the resultant actions would involve a revision of the unilateral kinship principle. As I shall show, the transmission of property is a part of the reciprocal relation between generations; the obligation of supporting the old, in a society where that responsibility falls upon the children, cannot be equally shared by sons and daughters under the present system of patrilocal marriage. Therefore the bilateral inheritance combined with unilateral affiliation creates inequality between the sexes. Seen in this light, the consequences of the legislation are obviously contrary to expectation (IV-6).

A definition of situation sometimes may be accurate but not complete. In the silk industry, for instance, the reformers have defined the situation mainly in technical terms. The omission of the factor of international trade in the decline of the price of silk had resulted in their failure for many years to fulfil their promise to the villagers of big incomes from the industry (XII-8).

An adequate definition of situation, if it is to organize successful actions and attain the desired end, must be reached through a careful analysis of the functions of the social institutions, in relation to the need that they purport to satisfy and in relation to other institutions on which their working depends. This is the work of a social scientist. Social science therefore should play an important rôle in directing cultural change.

The need of such knowledge has become more and more urgent in China because the country cannot afford to waste any more of her wealth and energy in making mistakes. The fundamental end is evident; it is the satisfaction of the basic requirements common

to every Chinese. This should be recognized by all. A village which stands on the verge of starvation profits nobody, not even the usurers. In this sense there should be no political differences among the Chinese upon these fundamental measures. Where differences exist, they are due to misrepresentation of facts. A systematic presentation of the actual conditions of the people will convince the nation of the urgent policies necessary for rehabilitating the lives of the masses. It is not a matter for philosophical speculation, much less should it be a matter for dispute between schools of thought. What is really needed is a common-sense judgment based on reliable information.

The present study is only one of the initial attempts of a group of young Chinese students who have realized the importance of this task. Similar studies have been carried out in Fukien, Shantung, Shansi, Hopei, and Kwangsi and will be pursued in the future by more extensive and better organized efforts. I am reluctant to present this premature account, premature because I have been deprived of chances of further field investigation in the immediate future on account of the Japanese occupation and destruction of the village here described. But I am presenting this study in the hopes that it may give a realistic picture to western readers of the huge task that has been imposed on my people and the agony of the present struggle. Without being pessimistic, let me assure my readers that the struggle is evidently to be a long and grave one. We are ready for the worst and it may be a thousand times worse than the Japanese bombs and poisonous gas. I am, however, confident that, despite the past errors and present misfortunes, China will emerge once more a great nation, through the unswerving effort of her

people. The present account is not a record of a vanished history but a prelude to a new chapter of the world history that will be written not in ink but in the blood of millions.

CHAPTER II

THE FIELD

Delimitation of Field — Geographical Foundation — Economic Background — Village Site — The People — Reasons for Choosing the Field

I. DELIMITATION OF FIELD

To carry out intensive study of the life of the people, it is necessary to confine oneself to the investigation of a small social unit. This is due to practical considerations. The people under investigation must be within easy reach of the investigator in order that the latter can observe personally and intimately. The unit of study, on the other hand, should not be too small. It should provide a fair cross-section of the social life of the people.

This general problem has been discussed by Professor A. Radcliffe-Brown, Dr. Wu Wen-tsoo, and Dr. Raymond Firth.¹ It is agreed that in the first stage of such a study, a village would be the most appropriate unit. "To start with a single village as a centre," says Dr. Firth, "investigate the relationships of the persons composing it, in terms of kinship, the distribution of authority, economic organization, religious

¹ Professor A. Radcliffe-Brown gave a lecture in Yen-ching University, Peiping, in 1935 on the problem of intensive study of Chinese villages. Following this lecture, Dr. Wu Wen-tsoo has published a series of articles on the problem in *Social Research Weekly*, *Yih Shih Pao*, Tientsin. Recently Dr. Raymond Firth has discussed the problem in his article, "Stability in North China Village Life," *The Sociological World*, Vol. X, in Chinese.

We have, in the last chapter, studied how the villagers use their land and water. We are now prepared to go into the problem of land tenure.

I. LAKES, STREAMS, AND ROADS

In so far as the water is used for communications, it is not exclusively for anybody. But when one enters the village, one sees rails constructed at the entrance of the stream. These are closed during the night. In this way the use of the stream as a means of communication is restricted. The reason is to prevent the communication route being used in such a way as to threaten the life or property of the villagers.

On the other hand, since the communication route is not the exclusive right of anyone, nobody is allowed to interfere with the general convenience by stopping boats in the middle of the stream. The same restriction is found in the use of water for drinking and cleaning. The silk factory had to be built at the lower course of the stream, otherwise the sewage would have dirtied the water and prevented others from using it for drinking purposes.

Regulation of water for irrigation is much more complicated. People are not allowed to build dykes in the stream in order to monopolize the water supply. This is a common issue of dispute between villagers especially during drought. The water introduced on to the farm by human effort belongs exclusively to the person who has effected this by labour. The dykes are not allowed to be opened in order to "steal" water from the higher plot. But a single plot may be owned by several persons. Each has a part in it. Since there is no dyke to separate the parts owned by different persons, the water is shared by all. In such a case,

CHAPTER XI

LAND TENURE

*Lakes, Streams, and Roads — Ownership of Farm-Land —
Farm Labourers and Land Leasing — Absentee Landlordship —
— Full Ownership — Inheritance and Agriculture*

Land tenure is commonly conceived as the customary or legal system of titles over land. "But," as Professor Malinowski has pointed out, "this system grows out of the uses to which the soil is put, out of the economic values which surround it. Therefore land tenure is an economic fact as well as a legal system.

"We could lay down at once the rule that any attempt to study land tenure merely from the legal point of view must lead to unsatisfactory results. Land tenure cannot be defined or described without an exhaustive knowledge of the economic life of the natives."¹

"The maxim that you cannot understand the rules of the game without a knowledge of the game itself describes the essence of this method. You must know first how man used his soil, how he waves round it his traditional legends, his beliefs and mystical values, how he fights for it and defends it; then and then only will you be able to grasp the system of legal and customary rights which define the relationship between man and soil."²

¹ *Coral Gardens and their Magic*, 1935, p. 318.

² *Ibid.*, p. 320.

the labour spent in irrigation is equally distributed between the owners according to the size of the land in the plot. Most important of all, the level of the plot is maintained evenly in order that there should be a fair distribution of water. This is another cause of dispute, because, as I witnessed on several occasions, each farmer tries to lower his own part in order to receive a favourable reserve of water.

The natural products of water—consisting of fish, shrimps, and weeds which are used for fertilizing the farm—are the common property of the village. This means that the inhabitants of the village have equal rights to these products, and that people from other villages are excluded. To illustrate the implication the following case can be cited.

The fishing right in a lake west of the village, was in 1925 leased by the village head, Chou, to people who came from Hunan Province. This was because at that time the village needed money to repair the rails on the stream for self-defence. When the contract was made, Chou announced to the villagers that henceforth no one would go to fish in the lake. The villagers kept this agreement. When I was in the village, there was a dispute. The Hunanese arrested a boat engaged in shrimp trapping and took the fishermen to the police office in the town, accusing them of theft. Chou protested that it was not the lake that had been leased to the Hunanese but the fishing rights which did not include the right of shrimp trapping. Eventually the arrested persons were released.

The villagers also prevent outsiders from gathering weeds in the streams.

The right of collecting natural products in the water surrounding and inside the village is shared by the

villagers, but those fish and weeds that have been collected are the exclusive property of the collectors.

The public road and dykes on the farm, so far as they are used for communications, are not the exclusive property of anyone, like the water route. No one can stop any other person walking on the public roads or dykes. But the roads and dykes are also used for growing vegetables. The right to use them for this purpose is exclusive to a group which have special claims—the Chia. The problem is complicated because the public road passes across the open space in front of houses, which is used for heaping straws, for fixing silk machines and manure pits, for arranging dining-tables, and for drying laundries. Each house has the exclusive right to the use of the road for these purposes.

2. OWNERSHIP OF FARM-LAND

All the farms are divided between Chia for cultivation. Before we come to the owners, the idea of ownership of the farm-land must be clearly defined.

According to the native theory of land tenure, land is divided into two layers: namely, the surface and the subsoil. The possessor of the subsoil is the title holder of the land. His name will be registered with the government because he pays the taxes on the land. But he may possess only the subsoil without the surface, that is, he has no right to use the land directly for cultivation. Such a person is called an absentee landlord. The person possessing both the surface and the subsoil is termed the full owner. The one possessing only the surface without the subsoil is termed tenant. I shall use these terms only in the meanings defined above.

The owners of the surface, whether full owners or tenants, can cultivate the land themselves; this distinguishes them from absentee landlords. They also can lease the land to others, or employ labourers to work for them. The lessee who possesses the right of using the land temporarily can also employ labourers. In these cases, the person who owns the surface rights, may not be the actual cultivator of the land. Thus we must distinguish between the actual cultivator, the surface owners, and the owner of the subsoil. They may be the same persons and they may be different persons with reference to the same piece of land.

All of them have definite claims on the produce of the land. The owner of the subsoil can demand rent from the tenant. The surface owner can demand rent from the lessee. The employee can, in return for labour, obtain wage from the employer. The absentee landlord, the lessor, the employee receive fixed shares in terms of rent and wage irrespective of the actual return from the land. Therefore the risk involved is born by the full-owner, the tenant, and the lessee. The latter, except sometimes the employees, are also the owners of the implements used in cultivation. The following table summarizes these points.

3. FARM LABOURERS AND LAND LEASING

Ownership of the land surface is always held by the Chia group, which supplies male members to work on the farm. But sometimes the group may not be able to supply enough labour and the institution of farm labourers comes into being. The persons thus introduced are long-term employees. They live in the house and are provided with food and shelter. They are paid a yearly wage of eighty dollars with two

Title	Legal Right	Reward	Obligation	Owner of implements
Employee (a) Short-term. (b) Long-term.		Daily wage Yearly wage, food and shelter	Cultivation Cultivation	No or yes. No or yes.
Lessee	Temporary use of the land surface	Produce	Cultivation, rent to lessor	Yes.
Tenant	Permanent ownership of the land surface	Produce	Rent to absentee landlord, cultivation	Yes.
Absentee landlord	Ownership of subsoil	Rent from tenant	Taxes to government	No.
Full-owner	Ownership of land surface and subsoil	Produce	Taxes to government	Yes.

months' holidays at the new year when agricultural activities are suspended. Short-term employees are taken on when there is a short-period need for labour. They live in their own houses and provide their own food. They usually have their own land and are employed only when they have completed their own work.

The long-term employees sell their labour and do not possess means of production except sometimes the hoe. They come from those Chia whose land holding is too small to absorb their labour. Especially those in need of money to enable them to obtain a wife will seek employment for a few years. I did not meet anyone

who had been landless all his life. The total number of employees in this village is only seventeen (VI-1). This shows that this institution does not play an important part in the village economy, and if we examine the population statistics this phenomenon can be explained. As mentioned (III-3), any Chia which has a land holding above the average is likely to raise more children. When the children grow up, the estate is divided. In other words, the chance of labour in the Chia proving insufficient is considerably reduced by the population pressure and the ideology of kinship. Moreover, there is no sign of people leaving their land in search of other occupations and meanwhile employing labourers to cultivate the land. This is due, first to the low degree of occupational differentiation (VIII-1), secondly to the special value attached to land (next section), and lastly to the under-development of industry in the town.

The institution of land leasing is also very limited. It occurs in most cases when the male members of a Chia are dead and the widows and children are unable to work on the land. Leasing of land is quite different from tenancy. The lessor preserves the right of ownership. There is a definite period for the contract. He is free to choose his lessee and to make changes when the contract expires.

It is interesting to compare this with the situation in South China, where both the hired labourers and landless peasants are numerous and the system of land leasing is far more elaborate.¹ This seems to be chiefly due to the presence of the system of "permanent tenancy" as a character of the absentee landlordship

¹ Chen Han-seng, *Agrarian Problem in Southernmost China*, Lingnan University, Canton, 1936, p. 4, and Chapter III.

in Eastern China, while it has died out in South China. This leads us to an examination of the system of absentee landlordship.

4. ABSENTEE LANDLORDSHIP

To study the institution of absentee landlordship, it is necessary to examine first the values attached to land. The primary function of land is to yield a food supply. But land is not only a means for producing food.

The productivity of land fluctuates according to the amount of attention and labour devoted to it. Furthermore, it is only partially controllable. There are unexpected risks. Thus land acquires its individuality through its variability in reacting to human expectation. Fear, anxiety, expectation, comfort, and love complicate the relation between man and land. People can never be certain what will come from the land. Land provides the means for self-assertion, for conquering the unknown and for the pleasures of accomplishment.

Although the productivity of the land can be only partially controlled, this partial control supplies an empirical measurement of workmanship. Honour, ambition, devotion, social approval are all thus linked up with the land. The villagers judge a person as good or bad according to his industry in working on the land. A badly weeded farm, for instance, will give a bad reputation to the owner. The incentive to work is thus deeper than the fear of hunger.

The relative inexhaustibility of the land gives the people a relative security. Although there are bad years, the land never disillusiones the people completely, since hope for plenty in the future always remains and is not infrequently realized. If we take the other

kinds of productive work, we shall see that the risks involved in them are much greater. The sense of security is expressed in the following statement made to me by one of the villagers :

"Land is there. You can see it every day.

Robbers cannot take it away. Thieves cannot steal it. Men die but land remains."

The incentive to hold land is directly related to the sense of security. The farmer says, "The best thing to give to one's son is land. It is living property. Money will be used up but land never."

It is true that there are many ways of getting food. But the people will not exchange their land for other means, even if more productive. They do take up other occupations, such as the silk industry and fishing, but agriculture remains the principal occupation in the village.

The deeper we analyse the situation, the more it appears, not only that land in general has a particular value to the people, but that the property inherited by a Chia has for it a particular value. Land is transmitted according to fixed rules (N-3). People inherit their land from their fathers. The sentiment originating in the kinship relation and reinforced by ancestor worship is manifested also in this personal attachment to the particular plots of land. Religious belief in the importance of the continuity of descendants finds its concrete expression in the continuous holding of land. To sell a piece of land inherited from one's father offends the ethical sense. "No good son will do that. It is against filial piety." This comment sums up the traditional outlook.

Personal familiarity with a particular piece of land as the result of continuous work on it is also a cause

of personal attachment to the land. It is very common for people to work on the same piece of land from early adulthood to death. To say that their land is an integral part of their personality is scarcely an exaggeration.

The non-economic value of the land complicates the transactions in land. Although land has its non-economic value, it does not in any sense lose its economic value. The sentimental and ethical reactions to the selling of land do not rule out completely the possibility of land transactions. People sometimes need money urgently. Economic strain compels them to treat the land as an economic commodity. But I found no case of alienation except under real pressure. Even then the process usually takes a roundabout form.

A person needing money urgently, either for taxes or rent payment, is forced to borrow from the money-lender. After a definite period, if the borrower cannot pay back the capital as well as the interest, he is forced to transfer his title over the land, limited to the subsoil, to the lender.¹ This transaction in practice means very little to the borrower, since the borrower under the ever-increasing burden of interest can hardly hope to repay his debt. To pay high interest is more unbearable than to pay a definite rent.

¹ It is also observed in South China that the land right is transferred through the intermediary step of mortgage. Chen Han-seng says, "Sometimes one-half of the peasant families have mortgaged their lands, as in many villages of Wung-yuen and Mei-hsien, where the percentage of land owning peasants is relatively high. The mortgaged piece is from 50 to 60 per cent. of the land price, very rarely 80 or 90 per cent. Of course, only a very few peasants would like to sell their lands, most of them prefer to mortgage in the hope of recovering them. But once the peasants have stepped into the sepulchre of usury, they are led to descend down the inescapable staircase with only a remote chance of coming out again. At least 70 or 80 per cent. of the landless peasants in Kwangtung have lost some of their land possessions through mortgage." . . . "According to the statistics of ten representative villages in the district of Pan-yu, the peasants there have mortgaged and sold 5 per cent. of their land area within five years." *Op. cit.* p. 96.

In fact the conversion from annual payment of interest to rent does not make a great difference to the debtor. I found one case where the person concerned did not even understand the meaning of the change. "I borrow his money, and he takes my land. I have no hope of redeeming my pledge. What does it matter whether the money I pay is rent or interest?"

The difference is again obscured by the existence of the native theory of land tenure. The tenant preserves his title to the land surface. This right cannot be interfered with by the owner of the subsoil. By this custom the tenant is protected from any direct intervention by the owner of the subsoil.¹ His only obligation is to pay the rent. According to law, if the tenant is unable to pay his rent for two years, the landlord can give him notice to quit, but the law does not apply to those places where custom is paramount.²

¹ Code Nos. 846 and 847.

² The system of permanent tenancy seems to be a protection of the peasant against a quick process of losing land rights owing to the financial needs of the rural industry. It should be studied not as a historical survival but as an adjustment of the interests of cultivator and financier, an integral part of the absentee landlord system. This can be illustrated also by observation in South China. "It is a remarkable fact," says Chen Hanseng, "that nothing is ever heard of permanent tenancy in the south-western part of Kwangtung, just the sort of region where one would expect some such reminder of the old economy, because here, so far, the influence of modern commerce has been comparatively little felt. On the other hand, the custom does obtain, where it would least be expected, namely, in the extreme eastern part of the province, up and down the Han River where not only junks and barges but also modern steamers and a local railway ply a lively trade, emerging the modernizing influence of the Swatow business world far into the interior. Indeed, in the region there are not merely remnants of a system of permanent tenancy but a considerable part of the cultivated area is actually under this form of lease," *op. cit.* p. 52. Chen tends to solve the system by an historical explanation, p. 51, although, as the above quotation shows, the present fact does not fit in with his expectation. To me the historical explanation may be interesting by itself but is not important if we are trying to understand the function of the system in the institution of land tenure. Without his ungrounded expectation, Chen may be able to realize the importance of the financial problem in relation to the land problem which he has very rightly pointed out on several occasions in his analysis but not been able to emphasize.

The practical difficulty of ejecting a tenant is to find a substitute. Absentee landlords do not cultivate the land themselves. Outsiders from the villages will not be welcomed into the community if they come at the expense of old members. Villagers are not willing to cut the throat of their fellow members who for any good reason cannot pay their rent. In these circumstances it is in the interest of the landlord to tolerate the default in the hope of getting rent in the future. This situation does not really challenge the status of the landlord, since there are positive sanctions to enforce payment of rent whenever this is possible.

By this analysis several important points in the problem of land tenure are cleared up. The actual cultivators of the land in the village—except labourers—continue unchanged even in the event of a change of ownership of the subsoil. Since the practice of usury is regarded as morally wrong, it is not possible for neighbours to squeeze each other. The institution of absentee landlord arises only in the relation between village and town. The ownership of the land surface remains in the hands of the villagers; even the outsiders who live in the village do not find it easy to become owners of land surface, *i.e.* cultivators of the soil (II-5).

The institution of absentee landlord, thus described, has acquired a new significance as the result of the close financial relation between the town and the village. Professor R. H. Tawney has rightly put it, "What appears to be occurring, in some regions at least, is the emergence . . . of a class of absentee owners whose connection with agriculture is purely financial."¹ Again he said, "Nor must it be forgotten

¹ *Land and Labour in China*, p. 67-68.

that the nominal owner is often little more than the tenant of a money-lender."¹

The change in ownership of the subsoil actually means the investment of town capital in the village. Thus the value of the land in the town market is quite different from the real value of the land. From the point of view of the landlords the value of the land resides in the ability of the tenant to pay rent. The price of land fluctuates according to the amount of capital available for investment in land and the security of rent collection. Thus the market price of land does not include the price of the land surface. As my informant told me, if his landlord likes to cultivate his land, he must buy the land surface from him. Since such a case has never been known, the price of the land surface cannot be calculated.

The ownership of the subsoil implies only a claim to rent and can be sold on the market in the same way as bonds and stocks. It may belong to any legal person,

¹ *Op. cit.* p. 36. The present material seems to confirm the general point suggested by Professor Tawney that the problem of tenancy is a function of the financial relation between village and city. "Occupying ownership," says he, "is least prevalent in the proximity of great cities where urban capital flows into agriculture—in the Canton delta 85 per cent. of the farmers, and in the neighbourhood of Shanghai 95 per cent., are said to be tenants—and most generally in the regions but little affected by modern economic developments. The provinces of Shensi, Shansi, Hopei, Shantung, and Honan, where some two-thirds of the farmers are stated to be owners, are the original home of Chinese agriculture. They have been little touched as yet by commerce and industry. The yield of the soil is too low to make it an attractive investment to the capitalist, while the farmer has not the resource to rent additional land. In the south, where the soil is more productive, agriculture yields a surplus, the commercialization of economic relations has proceeded further and both the inducement and the ability to invest capital in land are accordingly greater. It is reasonable to expect that, with the expansion of modern industry and financial methods into regions as yet unaffected by them, similar conditions will tend to establish themselves in other parts of the country. In that case, the struggle which has so often taken place in Europe between the customary rights of the peasant, farming largely for subsistence, and the interest of the absentee owner in making the most of his speculation is likely, it may be anticipated, to be repeated in China. In parts of the country, it is being repeated already," *op. cit.* pp. 37-38.

whether an individual, a clan, or the government. It can be private or public. But we cannot here go into details, since this would require an investigation beyond our present scope.¹

The security for rent payment, an important condition for the development of the institution of absentee landlordship, leads to an examination of the method of rent collection and the attitude of tenants towards this obligation. Owing to the free market for land (*i.e.* the subsoil) in the town, the personal relation between the owners and the land they own has been reduced to the minimum. Most of the absentee landlords know nothing about the location of the land, the crop raised upon it, and even the men who pay the rent. Their sole interest is the rent itself.

Rent is collected in various ways. The simplest system is the direct one; the landlord comes in person to the village. But this is not a very efficient way. It takes time and pains for the landlord to visit each tenant in different villages. Most of the landlords are unwilling to burden themselves with this. Moreover, direct and personal contact sometimes handicaps the process of collecting. The tenants may be poor and always ready to ask for exemptions or reductions. The landlord, on the other hand, is not infrequently inspired by humanitarian teachings, especially if he belongs to the old literati. On several occasions I knew that they were reluctant to squeeze their tenants. The conflict between traditional ethics and the practice of living as parasites sometimes leads these gentlemen landlords to derive only moral satisfaction from their trip but not enough money to pay the tax. But this direct system is limited to a small group of petty

¹ *Cf.* Chen Han-seng, *op. cit.* Chapter II, 24-41.

landlords. The majority collect their rent through agents.

Landlords of big estates establish their own rent-collecting bureaux and petty landlords pool their claims with them. The bureau is called Chü. The tenants do not know and do not care who is their landlord, and know only to which bureau they belong.

Names of the tenants and the amount of land held by each are kept in the bureau records. At the end of October, the bureau will inform each tenant of the amount of rent that should be paid that year. The information is forwarded by special agents. These agents are employed by the bureau and have been entrusted with police power by the district government. The bureau is thus in fact a semi-political organ.

Before deciding the amount of rent to be collected the landlords will hold a meeting in their union to decide what exemptions are to be made on account of flood or drought and also to decide the rate of exchange for converting rice rent to money. (The rent is regulated in terms of quantity of rice but payment is made in money.) The rate of exchange is not the market one, but is arbitrarily determined by the union of landlords. The peasants must sell their rice in order to get money for the payment of rent, and at the time when this is due the market price is usually low. Thus the combination of rent in kind and rent in money considerably increases the burden of the rent payer.

Nine grades are made in rent for different qualities of land. The average is about eight pints (2.4 bushels) of rice per *mow*. This amounts to 40 per cent. of the total rice produce of the land.

In the village, rent is paid into the hands of agents

of the bureau. This is a peculiar practice different from that of other parts of the same district. The actual amount of payment is not necessarily equal to the amount written on the demand notice. As an old agent told me, "The villagers are illiterate. They don't know how to calculate from rice to money. There is no receipt or anything like that." If the tenant refuses to pay, the agent has power to arrest him and put him into the prison of the district government. But if the tenant is really unable to pay, he will be released at the end of the year. It is no use keeping him in prison and leaving the farms uncultivated.

A more detailed description of the system of rent collecting would be beyond the scope of the present study. But it is interesting to notice the different attitudes of the tenants towards their obligations.

By the old people, rent payment is regarded as a moral duty. As some of them said: "We are good people. We never refuse to pay our rent. We cannot steal even when we are poor. How then can we refuse to pay rent?"—"Why do you pay your rent?"—"The landlord owns the land. We cultivate his land. We only have the land surface. The surface cannot exist without the subsoil." These positive sanctions are adequate to maintain the institution. It is not only the fear of imprisonment that makes the tenants discharge their obligation. Where the tenant does not pay the rent, it is on account of distress for which he has no responsibility such as famine, illness, etc. A good landlord will then allow exemptions and reductions.

Recently the situation has been changing. The economic depression in the rural district has made rent a heavy burden on the peasant, and the income

derived from the rent much more vulnerable for the landlord. The peasants are more susceptible to new ideas offered to the institution. "Those who till the land should have the land" is a principle laid down by the late Dr. Sun Yat-sen and accepted, at least theoretically, by the present government.¹ A more extreme view is spreading among the communists and other left groups. All these ideas have affected the sanctions described above. Peasants unable to pay rent now feel justified in neglecting to do so, and those who are able to pay will wait and see if they are compelled to do so. On the side of the landlords, strong measures must be taken to maintain their privileges, and their available capital tends to be no longer in agricultural land. The result is an intensification of

¹ In the Preface to the *Annual* of the land Bureau of Chung-shan Hsien, a follower of Dr. Sun Yat-sen wrote, "The agrarian problem is fundamental to our national livelihood. If this problem were to be rightly solved, naturally there would be a proper way out for our national livelihood. Only by the solution of this problem can mankind gradually get rid of war. Equality in land ownership has been the principle advocated by the Kuomintang. Our chief purpose is to prevent the monopoly by a few, and to provide equal rights and equal opportunity of land utilization for all the people." Quoted in Chen Han-seng, *op cit.* p. 23.

Declaration of the First National Congress of the Kuomintang, 1924, contains the following statements: "The principle of the People's livelihood—This principle of the Kuomintang contains two fundamental aspects. The first is the equalization of land and the second is the control of capital. In as much as the greatest cause of the inequality of economic organization lies in the fact that the right of land is controlled by the few, the Kuomintang proposes that the State shall prescribe the law of land, the law for the utilization of land, the law of the taxation of land, the law for the taxation of the value of land. Private landowners shall declare its value to the government, which shall tax it according to the value so declared with the option of buying it at the price in case of necessity. This is the essence of the equalization of land. . . ."

"China is an agricultural country, and the peasants are the class that have suffered most. The Kuomintang stands for the policy that those peasants that have no land and consequently have fallen into the status of mere tenants should be given land by the State for their cultivation. The State shall also undertake the work of irrigation and of opening up the waste land so as to increase the power of production of land. Those of the peasants that have no capital and are compelled to borrow at high rates of interest and are in debt for life should be supplied by the State with credit by the establishment of rural banks. Only then will the peasants be able to enjoy the happiness of life." T. C. Woo, *The Kuomintang and the Future of the Chinese Revolution*, Appendices C, pp. 255-6.

conflict between tenants and landlords, and a financial crisis in rural economy. The district jail has been repeatedly crowded with default cases. Organized action of the peasants in refusing rent payment has provoked serious conflict with the landlords who are backed by government force. In this part of China, a peasant revolt took place in 1935 and led to the death of many peasants in villages near Soochow. The value of land has depreciated rapidly, and the whole financial organization of the village is at stake. This situation is general in China. The gravest part is found in central China, where the issue has taken the form of a political struggle between Chinese Soviets and the Central government. But in the village which we are now describing the problem is less acute. The better natural endowment and the partial success of reforming rural industry have been effective palliatives. The positive sanction in favour of rent payment is still functioning.

5. FULL-OWNERSHIP

Absentee landlordship is only found when there is close financial relation between village and town. Corresponding to the investment of town capital in the countryside, the ownership of the subsoil of the farm land passes into the hands of the townspeople. At the present time, about two-thirds of the subsoil of the village is owned by absentee landlords. The other third is still in the hands of the villagers. (I am not able to give accurate statistics on this point. The estimate was given to me by my informants.) The villagers themselves may lease their land, may employ labourers, but never acquire the title to the subsoil only.

The full-owners, lessees and tenants do not form clear-cut or water-tight classes. The same Chia may possess all rights to some part of its land, may lease another part from or to others, and a part may belong to absentee landlords. The amount of land actually cultivated by each Chia is determined by the amount of labour available. Since the number of male adult members of each Chia does not vary much, the amount of land cultivated by each is much the same. But if we inquire how far a Chia is cultivating its own land, or how much land is fully owned by each Chia we find a considerable variation. The administration office of the village gave me the following estimate :

Amount of land (<i>mow</i> s).	Percentage of Chia.
50-70	0.6
30-49	0.7
15-29	0.9
10-14	4.0
5-9	18.0
0-4	75.8

According to this estimate, about 90 per cent. of the population in the village have less than ten *mow* or 1.5 acres of their own land. They have surplus labour but not enough land. Therefore they become lessees and tenants.

Theoretically the tenants are free from the obligation to pay taxes. Land tax falls on the owner of the sub-soil. But the practice is somewhat different. The system of tax collecting in the region is a peculiar one, and differs from that of other parts of the same district.

From the ex-magistrate, I received the following explanation. At the end of the last imperial dynasty, the government tried to register the tax payers. But

this was never completed. The tax in the region has been divided yearly between the cultivators of each *yu* ; a definite amount is assigned to them. One of the cultivators who owns more than twenty *mow* in the *yu* will be responsible for collecting the sum. This job is taken in turn by all the qualified persons in the *yu*. The government will not interfere with the way in which the collector distributes the tax.

The amount of tax to be paid by each *yu* is determined by its size. But since the land was only recently surveyed, and the land register has not yet been completed, the size is determined according to the estimate of the local collectors. The estimate is thus made not strictly according to the actual size of the land but according to the ability of the people to pay taxes. The collector is obliged to hand over the assessed amount to the government regardless of how much he has actually collected. To avoid the danger of having to pay a deficiency himself, he will submit a low estimate on the pretext that land has been deserted. In case of flood or drought, he will request the government to make reductions. (This request was formerly made in connection with petitions for magical help.)

Thus the actual distribution of the burden of tax is not rigid. The collector is able to use common sense in distributing the burden according to the ability of the people. Honesty and the sense of equality checks the abuses possible under such an informal practice.

Under the present system, tenants are not actually exempted from the obligation to pay taxes. I have no definite material on this point to show how the actual allocation is made.

The government will try to collect taxes according to the actual size of the land of each individual owner

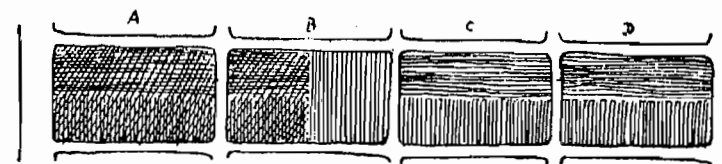
when the land survey and registration are completed. By this action the traditional system is likely to be changed. It may relieve the burden of the tenants but it will certainly increase the total sum of taxes if the rate is not reduced because the reported size is always smaller than the surveyed size. The villagers realize the possibility and frequently try to sabotage the government action. At present, the problem is far from settled.





6. INHERITANCE AND AGRICULTURE

In Chapter III, I postponed the problem of how the land is actually divided in the process of transmission of property, because it required a prior knowledge of the system of land tenure. On the other hand, some points of land tenure and of agricultural technology still remain obscure unless the factor of kinship is taken into account. In this section, I intend to link the land tenure and agriculture with kinship.

Let us take the example, given in the previous chapter, of the division of a Chia among a father and two sons. The land is divided in this case into three unequal parts. Let us suppose that before division the Chia possesses a strip of farms consisting of four successive plots: A, B, C, and D. These four plots are different in value because their distances from the streams are different. In principle the father can choose his own share. Suppose he takes plot A and half plot B, which may be divided parallel to the margin. The rest of plot B is assigned to the first son as his extra portion. The remaining two plots are equally divided among the two brothers. To ensure equality of division, they must be divided perpendicularly to the margin. Each son takes one belt. If, on the death

of the father, the share reserved to him is divided again, it would be divided in the same way. This is illustrated in the following diagram.



-  For the first son when the Chia is divided.
-  For the second son when the Chia is divided.
-  For the first son after the further division of their father's reserve.
-  For the second son after the further division of their father's reserve.

These lines of division, or the boundaries of holdings, do not necessarily coincide with the dykes constructed for the regulation of water. They are immaterial demarcations, and are marked by planting two trees at each end of the plot on the dykes. The boundaries of individual holdings become very complex as the result of successive divisions upon inheritance. The farms are divided into narrow belts, with a width of a few tens of metres.

Non-contiguity of farms is widely observed in China. It is found in the village. Although the frequency of land division cannot be taken as the origin of this, it definitely intensifies the scattering of holdings. Each Chia possesses several belts of lands widely apart. It sometimes takes twenty minutes for the boat to go from one belt to another. According to the estimate of my informants, few belts are above six *mow* in size. Most of them are not more than one or two *mow*. Each Chia, at the present time, has three to seven belts.

The narrow belt and the scattered holdings hamper the use of animal labour or other collective methods of farming. They are the chief causes of the technical backwardness of farming in China.

Moreover, in a single plot there may be several owners, each of whom is responsible for his own belt. We have seen how this gives rise frequently to disputes on water regulations.

The small size of holding of the Chia limits the number of children who can be raised. On the other hand, the relatively large landholders will raise more children and consequently the size of their holding will be reduced within a few generations. Under these conditions, the ratio between land and population is adjusted.

CHAPTER XII

THE SILK INDUSTRY

Scheme of the Process of Change — Conditions Working for Industrial Change — Agents of Change and Their Intentions — Local Support for Change — Programme of Change in Raising Silkworms — The Co-operative Factory — Government Support — Difficulties in Change — Effects on Kinship Relations

The silk industry is the second main source of income of the villagers. This is characteristic of the villagers around Lake Tai. The domestic silk industry has been carried on by the people for more than a thousand years. But during the last decade, for the reasons mentioned above (II-3), it has been declining. A new factory system of silk manufacturing has been introduced. The industrial change has deeply affected the life of the people in the villages. It has also called forth various attempts on the part of the government and other institutions to control the change in order to reduce or eliminate its disastrous consequences. The village we are studying, being one of the centres of the industry, provides a typical case for analysing the process; and also, owing to the fact that an experiment has been made by the Sericultural School to reform the industry, it is specially interesting to see the possibilities and difficulties involved in such a deliberate effort of economic change.

I. SCHEME OF THE PROCESS OF CHANGE

The present analysis will take into view the different forces effecting the situation. They are classified into outside forces working for the change and traditional forces bearing on the change. The interplay of these forces results in a changing situation. Thus the process can be schematically represented by three columns as follows.¹ The items listed in the scheme will be discussed in the following sections.

A Outside Forces Making for a Change	B. Changing Situation	C. Traditional Forces Bearing on Change
I. World economic depression; and world-wide development of silk industry on scientific lines and by factory methods.	I. Decline of the price of raw silk. Decay of domestic silk industry. Resulting economic poverty in the Chinese village as seen in : (A) Deficiency in family budget and shortage of food. (B) Suspension of recreative meetings and postponement of marriage. (C) Usury.	I. Minimum standard of living. Domestic silk industry as an indispensable supplement to farming in a Chinese village. On which rest : (A) Daily necessities. (B) Ceremonial expenses. (C) Capital for productive work.
II. The Sericulture School as an active agent for industrial changes.	II. Readiness of the people for change. Support of the local leaders : (A) Assuming leadership in the reform. Increase of personal influence through participating in the reform.	II. Lack of sufficient knowledge for industrial change on the part of the villagers. Social position and function of local leaders. (A) Source of influence not hereditary, not by wealth but by strategic position in cultural contacts.

¹ The method of three-column analysis is devised by Professor B. Malinowski to study cultural contact. The theoretical basis of this method is expounded in his "Introductory Essay on The Anthropology of Changing African Cultures," *Memorandum XV of the International Institute of African Languages and Cultures*, 1938.

A. Outside Forces Making for a Change	B. Changing Situation	C. Traditional Forces Bearing on Change
III. Intentions of the agent of change : (A) To apply scientific knowledge of the silk industry in order to :	New leader created by the reform. (B) Economic benefit of the reform to the leaders.	(B) No direct economic reward for the position of the village head as such.
(1) Prevent disease germs carried by the egg of the worm. (2) Increase the quantity and improve the quality of the cocoons. (3) Produce raw silk up to the export standard.	III. Programme of Reform : (A) Initiating, organizing, and directing the reform programme by the staff and students of the School in : (1) Dependence on the specialists for egg supply. (2) Raising worms under the supervision of the teaching centre. (3) Establishment of factory equipped with modern machines.	III. Traditional method subject to change : (A) Technical defects of the traditional method : (1) Infected eggs produced by individual families or by local hatcheries caused widespread disease. (2) Customary method leaves the process of growth of the worm unregulated, causing high reduction in production and poor quality of the cocoons. (3) Irregular fineness and frequency of break of the silk fibre reeled by the old type of machine.
(B) Organize the industry on the principle of co-operation.	(B) In the reform programme. (1) Co-operative aspects : (a) Common house for raising young worms. (b) Co-operative factory. (i) Ownership belonging to members. (ii) Raw material supplied by members. (iii) Profit distributed among members.	(B) Individualistic nature of the domestic industry. (1) Confirmation of the new idea from the tradition : In classical teaching, and In practice in collective drainage and credit system.

A. Outside Forces Making for a Change	B. Changing Situation	C. Traditional Forces Bearing on Change
	<p>(2) Non - co-operative aspects :</p> <p>(a) Labour is paid by wage system.</p> <p>(b) Management is in the hand of reformers and local leaders.</p> <p>(c) Members have no practical control over the management.</p> <p>(d) Lack of initiation of the members and of auditing.</p> <p>(3) Counter - co-operative aspects :</p> <p>(a) Members refuse to subscribe their shares in full after the factory has failed to distribute annual profit.</p> <p>(b) Members reluctant to fulfil their obligation in supplying raw material.</p>	<p>(2) Lack of education in practising the system of popular control and in exercising the new right.</p> <p>(3) Interested only in practical benefits.</p>
<p>(C) To improve the economic condition of the village.</p>	<p>(C) Improved economic condition in the village.</p> <p>(1) Success :</p> <p>(a) Reduction of cost in the process of raising worms. Production of cocoons increased.</p> <p>(b) Wage as a new source of family income.</p> <p>(2) Failure :</p> <p>(a) Profits have not reached the expected amount.</p> <p>(b) Waste of female labour in the household owing to the labour-saving of machine work.</p>	<p>(C) Expectation of economic recovery.</p> <p>(1) (a) High cost of production of the traditional method.</p> <p>(b) Labour did not form a commodity.</p> <p>(2) Survival of traditional reeling.</p> <p>(a) Small profit in domestic industry.</p> <p>(b) Division of labour between sexes, small size of farm and no other work to absorb female labour.</p>

A. Outside Forces Making for a Change	B. Changing Situation	C. Traditional Forces Bearing on Change
<p>IV. Government as change agent with the intentions :</p> <p>(A) Balance of international trade.</p> <p>(B) Rural reconstruction policies concerning rural industry.</p> <p>(1) Encouraging technical improvement.</p> <p>(2) Encouraging the co-operative movement.</p>	<p>(c) Delayed payment of the full value of raw material supplied to the factory.</p> <p>(IV. Government supports the reform programme...</p> <p>(A) Subsidizing silk export and giving high price for the production of the factory in 1935.</p> <p>(B) Governmental participation in the reform.</p> <p>(1) Inspection of egg production and taking over the work in supervising the raising of worms.</p> <p>(2) Dependence on governmental loans of the factory.</p>	<p>(c) Need of raw material for domestic reeling which is still partially preserved in the village.</p> <p>IV. Local autonomy and suspicion of the government by the people.</p> <p>(A) Importance of raw silk in Chinese export.</p> <p>(B) Economic obligation towards the government.</p> <p>(1) Inferior production affecting export.</p> <p>(2) Lack of financial ability of the people to maintain the new enterprise.</p>

2. CONDITIONS WORKING FOR INDUSTRIAL CHANGE

Several facts already mentioned in the above chapters must be noticed once more in order that a proper estimate may be made of the relative importance of agriculture in the domestic economy. The average holding of land is about $8\frac{1}{2}$ *mow* (IV-4). Under normal conditions each *mow* can produce six bushels of rice every year. The total produce will then be 51 bushels for that average holding of land. The amount of rice needed for direct consumption by members of the household is 42 bushels (VII-5). Therefore there is a surplus of 9 bushels. At the time when the new rice comes to market the price of rice is about $2\frac{1}{2}$

dollars per bushel. If the surplus is sold the return will be about 22 dollars. But for current expenses alone a Chia needs at least 200 dollars (VII-8). It is thus evident that life cannot be supported by agriculture alone. The deficiency amounts to 175 dollars a year. The situation is much worse with the tenants, and these are the majority of the villagers (XI-4). Tenant farmers with an average holding have to pay 20 bushels of rice as rent to the landlord. This amounts to 40 per cent. of the total produce. The remaining 30 bushels are barely enough for the consumption of the household.

Thus it becomes clear that a supplementary industry is indispensable for maintaining a normal livelihood, which must be sufficient to cover daily necessities, ceremonial expenses, tax and rent and capital for future production (Col. C. I). When the silk industry was prosperous the production of raw silk could yield an average household about 300 dollars with a surplus (profit and wages) of 250 dollars. (The highest price of native silk exceeded 1 dollar per Liang (1/14 lbs.) and the total production for an average household is 280 Liang. The cost of production, excluding wages, is about 50 dollars.) Under these conditions the standard of living was much higher than the minimum expected standard given above (VII-8). The villagers had then sufficient money to finance the various recreative and ceremonial activities which have been suspended for more than ten years.

The price of native silk has fallen. In 1935 the price was 1 dollar for 3 Liang. Without any decrease in the amount of production, an average household could then only obtain a profit of 45 dollars. In such conditions and with the traditional system of

production, it is difficult to balance the domestic budget. In the next chapter, I shall show how a new industry has been introduced and how the villagers have also attempted to increase their income by expanding their trading activities. But in many cases they have sold their rice reserves in the winter and borrowed rice from the shop in the summer (XV-3). In case of urgent need they have appealed to usurers (XV-4). On the other side they have tried to cut down expenses which are not immediately necessary, such as those for recreative meetings and marriage (Col. B, I).

The fall of income of the villagers is not due to a deterioration of quality or decrease of quantity of their production. Villagers produce the same type and the same amount of silk but it does not command the same amount of money from the market. The factors affecting price lie, of course, outside the village, and here I will only note two of the most important of them, namely, the post-war depression of world economy and the uneven quality of the domestic silk which renders it unsuitable to the highly mechanized weaving industry (Col. A, I).

3. AGENTS OF CHANGE AND THEIR INTENTIONS

The relation between the decline of silk prices and the increase of poverty was clear to the people. At first they tried to discover what changes in the industry were necessary in order to restore the former conditions. But with their limited knowledge they were by themselves not able to take any definite action. Initiative and direction in the process of change come from outside.

The initiating party in this case was the Sericulture

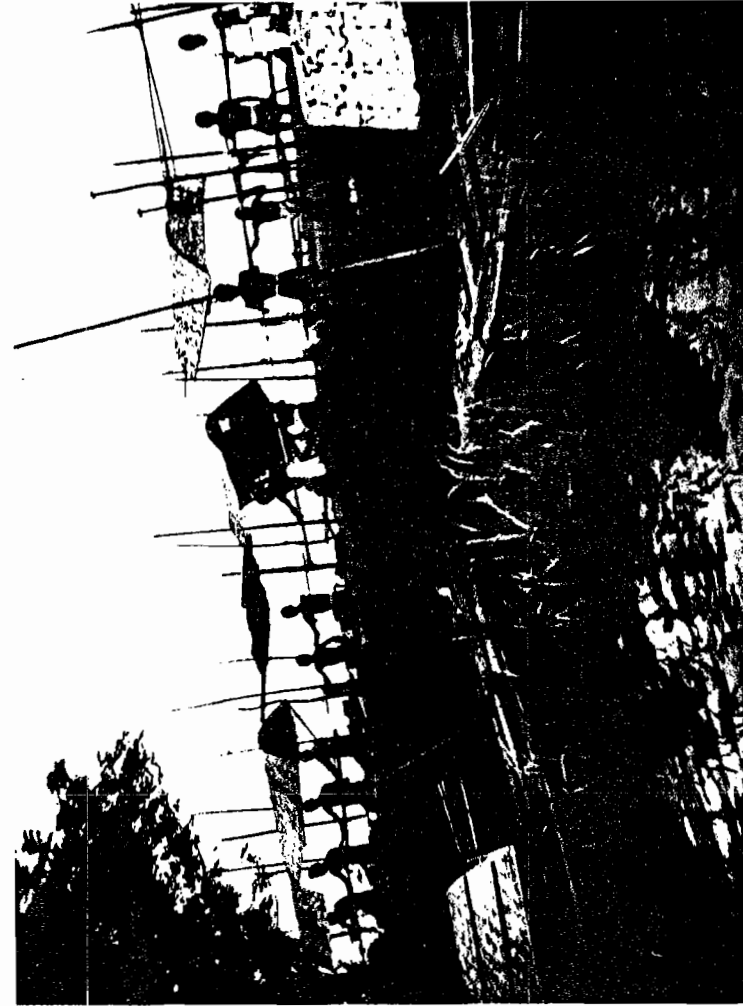
School for Girls, in Houshukuan, near Soochow. This has had a profound influence on subsequent development but has of course been a factor outside the village.

A technical school in China is one of the centres for spreading modern technique in industry. Modern technique has been chiefly introduced from foreign countries, in the case of the silk industry chiefly from Japan. It is the result of the meeting of Chinese and Western civilizations—a typical contact situation. The difficulty of the technical school in fulfilling its function is that unless the new technique is accepted by the people, it cannot by itself serve progress. A failure in this respect is reflected in unemployment of the trained students. The situation there is most acute in the silk industry. The silk industry, especially the process of raising silkworms, is a kind of domestic work in the villages. In order to make the improved technique acceptable to the people and to find jobs for the students, industrial reform in villages has become an urgent problem for the technical schools. They cannot remain as purely educational institutions. Therefore, the Sericulture School has established a special department responsible for spreading in rural districts a knowledge of the new methods.

The nature of the change agent is important because it determines the change programme. The measure introduced to cope with the situation is formulated and actions are organized by the agent whose understanding of the situation is the premise. But the definition of situation influenced by the social setting of the agents is usually a partial representation of the reality.¹ To come back to our village, the causes of

¹ Cf. Karl Mannheim, *Ideology and Utopia, and Introduction to the Sociology of Knowledge*, 1936.

Plate XI.



COLLECTIVE DRAINAGE

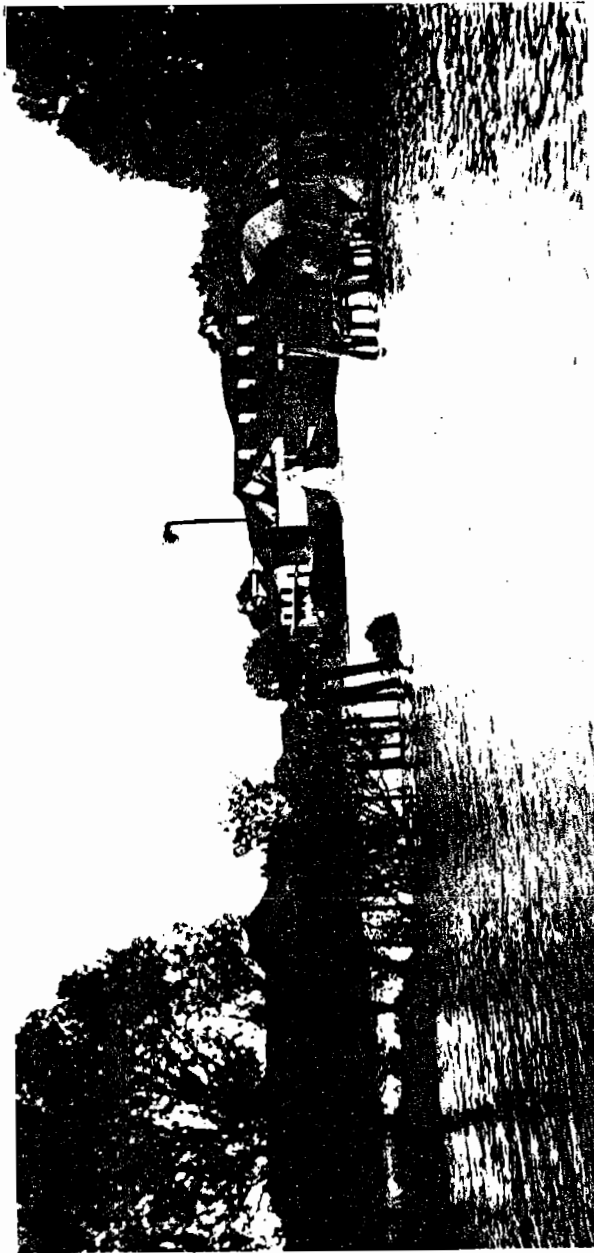
Drainage is the only collective activity in farming, and also one of the sensational occasions in the village.

the fall in silk prices are multiple. The capitalistic structure of world economy, the struggle among imperialistic countries, the control of world finance by a special "racial group," the political status of oppressed nations as well as the modern girls' newly acquired æsthetic valuation of bare feet—all these might directly or indirectly be responsible for the decline of the price of the silk produced in Chinese rural districts, but not all of them came under the consideration of the change agent. Since the change agent in this case is the technical school, the situation is defined in terms of technical factors. The person responsible for initiating the reform programme in the village gave me the following account.

In the worst years, by means of the traditional method only about 30 per cent. of the total silkworms reached the final stage and produced cocoons. The amount of silk given by the worms was small. This unsatisfactory state of affairs was due to the lack of preventive measures against the spread of disease among the worms. The micro-organism responsible for the disease was carried by the mother moth to the eggs through physical contact between them. Thus disease was handed down from generation to generation, and there was no way of stopping it. The house and the implements were not disinfected before they were used for raising new worms. Once a house was infected by disease, it would suffer for years and years. The diseased or dead worms were cast under the mulberry trees. People thought that these dead worms were fertilizer for the trees. But actually they spread the germs, which were brought back with the mulberry leaves to the house. (Col. C. III. A. 1.)

H

Plate XII.



THE CO-OPERATIVE SILK FACTORY

The temperature and humidity, which are very important conditions in the process of the growth of the worms, were left unregulated. According to custom, after the third exuviae, fire was put out regardless of the actual fluctuation of the climate. In the village there were not enough mulberry trees. The people had to buy mulberry leaves from neighbouring villages. Owing to the difficulties of transport they usually fed the worm with leaves already withered. The quantity and frequency of feeding were irregular. Even those worms unaffected by disease were unhealthy and not able to produce good cocoons. (Col. C. III. A. 2.)

The fundamental principle in silk reeling is to draw the silk fibre from the cocoon and to combine several fibres into one thread that can be used in weaving. The old type machine used for reeling consisted of three parts, namely, a furnace to boil water, a wheel to collect the thread after the fibre had been combined into one thread, and a rotating axle connected to a plate for treading by foot. Warmed water was used for dissolving the sticky matter of the cocoon. But the temperature was not constant. Thus the degree of dissolution was uneven. This affected not only the lustre of the silk thread but the frequency with which the fibre broke.

Several cocoons are drawn at the same time by the movement of the wheel. The fineness of the thread depends on the number of fibres combined. The fibres from different layers of the cocoon are not of the same fineness. To maintain regular fineness of the thread, it is essential to keep a constant number of fibres and adjust the fibres from different layers

of the cocoon. This was not easy to attain by hand reeling, because first, the frequency of breakage was high, secondly the movement of the wheel was not even, and thirdly the workers were not specially trained. (Col. C. III. A. 3.)

Silk is the raw material for the weaving industry. Since the silk produced in the village is mostly exported, it must be adjusted to the technical development in the weaving industry in western countries. The highly mechanized weaving industry has imposed a new standard on the raw silk. The degree of fineness should be uniform and accurately defined. Breaks should be reduced to a minimum. Such requirements cannot possibly be fulfilled by traditional hand reeling. The result is that the silk produced by the villagers is unsuitable for the improved weaving industry. The decline of demand for such crude silk leads to a decline of price. That is the reason why we must introduce the scientific method to the village. (Col. A. III. A.)

But technical change cannot be produced without corresponding changes in social organization. For instance, the smooth movement of the wheel can be attained only through the regular mechanical movement of a central power. Introduction of the steam engine for technical purposes leads to a change from individual domestic work to collective factory work. The use of electric power, which might again decentralize the productive process, requires a much more complicated co-ordination among industries. Under a system of collective enterprise, the relation between the means of production and labour also become more complicated. To introduce new social organizations for production, the agent must also teach new social

principles. The selection of the social principle in organizing the new industry is also related to the interest of the agent. The technical school is not interested in making a profit for itself because it is not an economic institution. Who would therefore gain from industrial reform? The agent's answer is the people. The organization of the new industry is on the principle of "co-operation." (Col. A. III. B.) The agent justified this change as follows :

Machines should be used to increase human happiness. Unfortunately, they have been used for the contrary purpose. But I still believe that it is the duty of the reformer who is trying to introduce these types of tool into China to find a way of using them properly. To me, the most important thing is that men should not be the slaves of machines. In other words, machines should be owned by those who use them as a means of production. That is why I insist on the principle of co-operation. It would be much easier to organize the new factory on capitalistic lines, but why should I do it? Should I work for the interests of the capitalists and intensify the sufferings of the people? The profit secured from the improved technique should go to the people who share in the production.

My other conviction is that the silk industry has been, and should remain, a rural industry. My reason is that if we attract the industry away from the village, as has been done by many industrialists and is so easy to accomplish, the villagers will in fact starve. On the other hand, 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

can 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.

The aim of my work is to rehabilitate the rural economy through the introduction of scientific methods of production and the organization of the new industry on the principle of co-operation.

The socialistic ideas of the reformers represent a part of the current ideology of the present literate class in China. In their new version they are introduced from the West, side by side with the modern technology and capitalistic system of industry. The position of the Chinese people in the world economy and the repeated struggle with the western powers have created a situation favourable for the spreading of socialist ideas. A reaction against capitalism, as understood by the Chinese people, prevails among the general public. Even those who stand for capitalism do not dare openly to justify its principles. This attitude was explicitly stated in the "Three people's principles" of the late Dr. Sun Yat-sen, which have been accepted, theoretically, by the present government as the guiding principle of its national policies.

On the other hand, socialist ideas are nothing new in China. The basic political idea of Dr. Sun Yat-sen was to realize the traditional teaching such as, "Under the heaven every thing is public," or "Those who till the land should have the land." (Col. C. III. B. 1.)

disruptive forces in social stability becomes a force to counteract the present mobility. It is difficult to say at the present stage how far the traditional forces will give way in the novel situation. But on the whole the slow mobility of population, especially of the male population, indicates the slow effect of the outside demand for labour and the rigidity of the traditional productive system in the village.

Nevertheless it is clear that the market affects production strongly. It has led to various changes which are not limited to economic life only. The reaction of the productive system to market conditions does not take a simple course but is a long and involved process which requires investigation in a wider perspective than that of a purely economic inquiry.

CHAPTER XV

FINANCE

Saving and Deficiency — Financial Aid Society — Agent Boats as Credit Agent — Usury — Co-operative Credit Society

The problem of credit rises when, in the process of exchange, the return either in the form of goods and services or of money is delayed. Credit, in its simple sense, is the trust by one party in another for an eventual return after a certain lapse of time.

In this sense non-immediate forms of exchange such as mutual obligation, mutual accommodations, and gift-making, are forms of credit. The return of these types of credit is secured by the principle of reciprocity inherent in the social institutions and is bound up with the ties of kinship and friendship. For transactions outside the group thus related, the time for repayment has to be explicitly agreed upon and credit can only be received by the economic benefits of the transaction.

The loan may be used for any purpose or may be limited to certain uses prescribed by the agreement. But the term credit cannot be limited to refer only to advances for future production. In the village, credit is in most cases for consumption or for payment of tax and rent which is only indirectly related to the process of production. Similarly it is difficult to regard (except in a very metaphorical sense) the money borrowed to

finance a marriage ceremony as a help to the borrower's productive ability.

Professor Tawney, in his discussion on the problem of the credit system in rural China, says, "The characteristic feature of the system . . . is that neither borrower nor lender appears to make any clear distinction between loans needed to finance the business of farming, and loans sought to eke out the domestic budget. Everything goes down, so to speak, in a common account, with the result that there is no discrimination in the mind of either debtor or creditor between the borrowing and advancing of money for productive purposes, which should yield a return sufficient to meet the interest, and household expenses which ought, in the absence of exceptional misfortune, to be met out of income."¹

In this chapter, I shall use the term credit in its broad sense.

I. SAVING AND DEFICIENCY

Credit is possible only when there is saving on the one hand and deficiency on the other. Saving is the surplus of income over expenditure in an economic unit, in the village the Chia. Income is the total production of the Chia. It may or may not be converted into money. Expenditure includes all the goods, produced by the unit or purchased on the market, used by the members for consumption, for fulfilment of social obligation and for production.

The amount of production of each Chia in the village does not vary much because the groups are very similar in size, and in their technique of production. There is also uniformity in the amount of consumption

¹ *Land and Labour in China*, p. 62.

among them (VII-1). The inequality in the distribution of wealth is, apart from special reasons in individual cases, mainly due to the system of land tenure. A tenant has to bear a heavy burden of rent. Two-thirds of the land in the village is now in the hands of absentee landlords. Each year the villagers pay in total 4,800 bushels of rice for rent. This burden is not shared equally by the villagers, but is spread over about 70 per cent. of the people. Among these again the burden is not equal (XI-5). The system of land tenure has resulted in an annual outflow of a large quantity of wealth from the village to the town and an unequal distribution of wealth in the village.

When the silk industry was prosperous the villagers, in spite of high rents, were able to enjoy a sufficient standard of living and could in consequence save. This saving was usually hoarded. The opportunity for investment in the village is limited and there is no other means, except in rent, for the town to absorb its accumulated wealth. The goods or money hoarded were used firstly for a reserve against recurrent disaster and secondly for financing expensive ceremonies. The elaborate ceremonies in connection with individual life crises or periodical religious meetings of the local groups were in fact an important outlet for the hoarded wealth of the rural district. On ceremonial occasions the idea of thrift gives place to competitive display. Wealth was lavishly expended in burials, on marriage gifts, on dowries and feasts, and especially in inter-village parades (VII-7).

The depression of the silk industry has caused a decline of one-third of the average income of the village (XII-2). On the side of expenditure, consumption and social obligations have remained largely

as they were. The only elastic item that can be reduced or suspended is ceremonial expenditure ; and according to my estimate, the minimum amount of such expense at present is only one-fifth of the total money expenditure (VII-8). With the rapid decline of the income level, accompanied by a rigid level of expenditure, deficiency is the result.

Deficiency may be urgent or may not be urgent. Urgent deficiency calls for immediate measures. It is found in such situations as food shortage, lack of capital goods, and inability to pay rent and tax. Unless financial aid in these cases is forthcoming there will be disastrous consequences to the individuals concerned. Owing to the unequal distribution of rent obligations, deficiencies of this urgent kind are confined to a part of the villagers. There is still a small group which, even in present circumstances, is able to save and another group which is able to meet all the minimum requirements of subsistence. But deficiency of a less urgent nature, such as inability to pay for ceremonial occasions, is more common even among the better-off group. I have already described how the villagers have suspended their annual meeting, delayed their marriages, and reduced their ceremonial expenses.

The decline of the ability to save has caused an increasing need for outside financial help. The internal credit system functions only as a means to cope with the unequal distribution of wealth within the community. It cannot meet the situation of general insolvency. Thus external aid has become the urgent financial problem in the village.

In the following sections, I shall describe the working of various internal and external credit systems. But the present material is not sufficient to define their

relative importance in quantitative terms. Such data, important as they are, require more extensive inquiries than I was able to make.

2. FINANCIAL AID SOCIETY

As with goods and services, small sums of money can be borrowed from relatives or friends for a short term without interest. This system of mutual allowance is found chiefly in cases of temporary deficiency, and the creditor is confident in the ability of the debtor to repay within a short time. But the term of such allowance may extend over a period of months. Such relatively long-term credit is frequently found among brothers after division of the Chia. Although they may have separate houses and properties, they are still bound by social ties to look after each other's welfare. To demand interest from a brother for any small loan is considered to be impossible.

But when a large sum is needed, it is difficult to borrow from one individual and to repay in a short time. Here the mutual help among brothers or other relatives becomes inadequate. Hence there is the financial aid society.

The financial aid society is a mechanism for collective saving and lending. It consists of a number of members and lasts for a number of years. The members meet several times a year. At each meeting, each subscribes a share. The total subscription of the members is collected by one of the members who can thus use the money to finance his activities. Each member in turn collects the sum. The first collector is the organizer. From the very beginning, he is a debtor to the society. He repays his loan bit by bit during the whole course with a certain amount of

interest. The last collector is a depositor. He collects at the end the sum of his deposit and its interest. Other members change from depositor to debtor as they collect the sum. The order of collection is determined either by contract or by lot, or by auction. The system of calculating the amount of subscription of each member in each meeting is sometimes complicated by various factors which will be described later.

Such a society is organized on the initiative of the person who needs financial help. Members who join the society are considered as having rendered help to the organizer. According to the system described above, it would appear that all the members in turn would profit by the society. But we must remember that, with the limited opportunity of investment, to raise a loan and to pay interest on it may be uneconomical. Moreover, owing to the uncertainty of time of the collection, it may be difficult for the collector to find a profitable use for the money collected. Therefore, the organizer cannot appeal to members on economic grounds only. He must state his need of aid and ask for help. Membership is thus usually limited to certain groups of persons who are obliged to help the organizer and those who are willing to join for other purposes.

The usual purpose of organizing such a society is to finance marriage ceremonies. Repayment of a debt incurred for such proper reasons as the financing of a funeral ceremony may also be regarded as acceptable ground. But productive purposes, such as starting a business or buying a piece of land, are not so regarded.

Given a proper purpose, the organizer will approach his relatives; father's brother, brother, sister's hus-

band, mother's brother, wife's father, etc. These have an obligation to join the society. Even when they are unable to subscribe, they will find some of their relatives to take their place.

The number of members varies from eight to fourteen. In the village the kinship circle, in which intimate relations are maintained, is sometimes smaller. Membership may then be extended to relatives' relative or friends. These are recruited by appealing, not to social obligations but to mutual benefits. If someone needs financial help which does not justify organizing a society by himself he will join a society formed by others. Those who are known in the community to be rich will respond to a justifiable appeal for help in order to show generosity and to avoid public criticism. For example, Chou has gained much prestige by subscribing to more than ten societies.

But the nucleus of such a society is always the kinship group. The person who has a larger sphere of relatives has a better chance of gaining support in a financial crisis. In this connection we can see that institutions such as the *siaosiv* (III-8), which diminish the kinship circle, will in the long run produce unfavourable economic consequences. On the other hand, the widening of kinship relation, even through such means as pseudo-adoption, has an important economic significance (V-3).

In theory the organizer will be responsible for any default by the members, and will pay the share of the defaulters. But since he is usually in need of financial help himself, his responsibility does not give a real guarantee of security. Default is prevented not by legal sanction but by the acknowledged social obligations between relatives. The possibility of default

is again diminished by the supplementary system of mutual allowance. It is easy for a person to raise an allowance in such a situation, especially when he has the prospect of collecting a sum from the society. Reciprocity is also an essential consideration. The defaulter will find it difficult to organize his own society in case of need. Nevertheless defaults do occur, and have done so especially during the past few years. As I have mentioned, the efficiency of the local credit system depends on the general saving ability of the villagers. The economic depression has caused defaults to be increasingly frequent, and these have threatened the local credit system. This has had far-reaching consequences in disrupting the existing kinship ties. But as I did not make a detailed study of this problem, I can only leave it for further investigation.

There are three types of financial aid societies. The most popular one is called Yao Hui. In this the organizer gathers fourteen members, each of whom subscribed 10 dollars. The organizer thus gets 140 in all. The society will then meet twice a year: first in July or August when the silk industry is completed, and again in November or December, when rice is reaped. At each meeting, the organizer will repay to the society 10 dollars of capital and 3 dollars of interest. He will thus clear his debt at the end of the fourteen meetings.

At each successive meeting, one of the members will collect a sum of 70 dollars. The one who has collected this sum is a debtor to the society and will repay at each succeeding meeting 5 dollars of capital and 1.5 dollars of interest. The system of calculation is complicated by the fact that the member's sum is reduced to half of the organizer's own. Thus half of

the organizer's annual subscription will be equally divided among the members ($13/2 \div 14 = 0.464$), this being called the organizer's surplus. The actual member's sum is $70 + 0.464$, and the actual debtor's annual subscription is 6.036 ($6.5 - 0.464$).

The organizer's and the debtors' annual subscriptions and the member's sum of collection are constant. Those who have not collected the member's sum are depositors of the society. Since at every meeting there is a member who collects the sum, the number of debtors increases and the number of depositors decreases accordingly. The depositors' subscription at each particular meeting is determined by the following formula: Member's sum (70.464) - {Organizer's subscription (13) + [Number of debtors \times debtor's subscription (6.036)]} \div Number of depositors.

The total amount of the depositor's subscriptions decreases at every meeting.¹ For each individual

Order of Meeting	Number of Depositors	Amount of subscription of each Depositor
1st	13	4.420
2nd	12	4.286
3rd	11	4.126
4th	10	3.936
5th	9	3.702
6th	8	3.410
7th	7	3.035
8th	6	2.535
9th	5	1.838
10th	4	0.785

¹ At the eleventh meeting, the sum of subscription of the organizer and the debtors has already exceeded member's sum of collection. The depositors need not pay anything but share the new surplus. The principle of distributing the surplus is that, excluding the organizer and the collectors of first four meetings, all the members will have a share in proportion to the order of their collection. For instance, in the eleventh meeting the collector of the fifth meeting will get a share of 0.11 dollars or $5/110$ of the total surplus (2.432). But the three depositors in that meeting, whose orders of collection

member, the total amount of subscription decreases according to the order of collection. Since the amount of collection is constant, the difference between the amount of subscription and the amount of collection is the interest either paid for the loan or received from the deposit. The rate of interest fixed for the debtor is 4.3 per cent. per annum. But owing to the combination of deposit and loan as well as the two kinds of surplus, the actual rate of interest is different among the members and from each year.¹ The collector at

are still not certain, will have an equal amount of 13/110 of the surplus. The total amount of surplus of each meeting from the eleventh is :

11th	.	.	.	.	2.432
12th	.	.	.	.	8.004
13th	.	.	.	.	14.968
14th	.	.	.	.	21.004

1 Order of Collection	Amount of Subscription	Amount of Collection	Average rate of Interest per Half Year (in Per Cent.)	
			For Loan	For Deposit
Organizer	182.00	140.00	2.2	—
1st	88.47	70.47	2.1	—
2nd	86.85	70.47	2.3	—
3rd	85.10	70.47	2.6	—
4th	78.96	70.47	2.0	—
5th	74.71	70.47	1.5	—
6th	71.99	70.47	1.0	—
7th	69.06	70.47	—	2.0
8th	65.62	70.47	—	3.4
9th	62.70	70.47	—	2.8
10th	57.08	70.47	—	3.1
11th	51.41	70.47	—	3.4
12th	44.91	70.47	—	3.6
13th	38.43	70.47	—	3.8
14th	31.06	70.47	—	4.0

Average rate of interest is calculated by dividing the total difference between subscription and collection by the amount of collection and the difference between the numbers of times of deposit and repayment.

each meeting is determined by lot. Each member throws two dice, and the one who scores the highest points is the collector. A feast is prepared at each meeting by the organizer and paid by the collector of that particular meeting. Lot drawing comes after the feast, when all the subscriptions, having been collected, are in the hand of the organizer.

This system is rather complicated. But it has its merits—

(1) The members who join the society have no definite prospective use for the sum collected. By reducing the member's sum, the burden of the members is reduced. Thus it diminishes the risk of default. (2) To determine who is to be the collector by lot gives every depositor an equal hope of collecting. This induces subscription by those who are in need of financial help. (3) The rapid decrease of subscriptions of the depositors compensates their delayed collection. (4) The rich feasts attract the members. Some people had modified the system by offering the feast once a year in the winter, and the collector for the next period was determined beforehand. It has been found that collection of the shares in the spring was very difficult. Therefore the practice was given up.

The complexity of this system is too difficult for every ordinary villager to understand. In fact, very few persons in the village know the system of calculation. They have therefore to invite the village heads to instruct them. To meet this difficulty, another and simplified system was introduced a relatively short time ago. This is called Hui Hui, because it is supposed to have originated in Anhwei Province. According to this system, the order of collection and the

amount to be subscribed by each member is fixed in advance.¹

The total collected at each meeting is constant. This is 80 dollars, including the collector's own share. This system is convenient for calculation, and each member can foresee his turn of collecting and adjust it to his need.

A third type is called Kwangtung Piao Hui, an auction system supposed to be originated in Kwangtung. All depositors will offer a sum expected to collect from the meeting. The one who offers the lowest bid will be the collector. The surplus of subscription, after the sum for the collector is deduced, will be equally divided among the members, both the debtors and the depositors. This type is not popular in the village because, as my informant put it, there is too much gambling.

3. AGENT BOATS AS CREDIT AGENT

Kinship ties between the village and the town are very limited. The number of villagers living in the town is small. Those who have been resident in the town for some generations, have allowed kinship ties with their clansmen in the village to become very loose. As I have mentioned, the clan is usually divided when the members disperse (V-1). Marriage between village and town is rare, except in the case of

¹ Order of Collection	Amount of Subscription for Each Meeting
Organizer	13.5
2nd	12.5
3rd	11.5
4th	10.5
5th	9.5
6th	8.5
7th	7.5
8th	6.5

maid servants in the town who may return to the village upon marriage. It appears to me that the relation between the town people and the villagers is mainly of an economic nature. It may, for example, be the relation between landlord and tenant, which under the present system of land tenure, is impersonal. More intimate relations are found between the master and the servant who temporarily works in the town; but on the whole, the social relation between townsmen and villagers is not strong enough to maintain a system of mutual allowance or the financial aid society. When the villagers need external financial help, they usually resort to the system of rice-lending and usury.

Deficiency of food supply is extraordinary in a village where rice is the staple produce. It is a result of the decline of price of rural produce. To receive the same money income as formerly, the amount of output must be increased. As a result, the rice reserve of the villagers is sometimes exhausted before the new rice is ready. In this connection the agent boat plays an important function in the village economy.

The villagers sell their rice to the town collectors through the agent boat. The collector deals with the agent, not with the real producers. To secure a constant supply, especially against the competition of the town market, the collector must maintain good relations with the agent. On the other hand, the agent is indispensable to the producers. They rely upon him for selling and buying. These relations enable the agent to bring the collector and the villagers into financial relationship in case of need.

The agent will ask the collector on behalf of his clients to lend rice and he will guarantee the return when the new rice comes to market. His guarantee

is effective because the rice produced by the debtor will pass through his hand. Moreover, by extending credit, the collector can not only make a profit, but ensures his future supply.

The rice borrowed from the collector is valued at 12 dollars per 3 bushels, which is higher than the market price. The debtor repays an amount of rice equivalent to 12 dollars at the market price (which during the winter is about 7 dollars per 3 bushels). The rate of interest works out at about 15 per cent. per month if the term is two months. This rate is comparatively low. It is made possible because the creditor does not run much risk owing to the institution of the agent boat and the economic value for the collector of insuring his future supply. The existence of a number of collectors on the market makes the supply of credit more elastic and gives the debtor a better position in negotiation.

This credit system is comparatively a recent one. It has not been developed beyond the sphere of rice-lending. But by the same principle it might be gradually extended to money-lending through rice and silk collectors as a payment in advance for produce which is relatively stable and can be counted on beforehand.

4. USURY

Money-lending from the town to the village is indispensable when the village finance is in distress. Villagers borrow money from wealthy people in the town with whom they have relations. The interest on such a loan varies according to the closeness of the personal relation between the debtor and the creditor. But, as I have mentioned, the personal relation between

villagers and townsmen is limited, and the townsmen with whom the villagers have personal relations may be unable to lend money. As a result there emerge professional money-lenders in the town. Professional money-lenders advance money to the villagers on very high rates of interest. This traditional institution we may term usury.

A person who finds himself unable to pay land tax, for instance, and is not prepared to spend the whole winter in prison, has to borrow money. The usurer's door is open to him. The money from the usurer is expressed in terms of an amount of mulberry leaves. At the time of the transactions, there are no mulberry leaves at all and a market price does not exist. The price is arbitrarily set at 70 cents per picul (114 lbs.). For instance, a loan of 7 dollars will be regarded as a loan of 10 piculs of mulberry leaves. The term of the loan expires at Ch'ing Ming (April 5th), and it must be repaid not later than Ku Yü (April 20th). The debtor has to pay an amount of money according to the market price of mulberry leaves, which at that time is about 3 dollars per picul. Thus a loan of 7 dollars or 10 piculs of mulberry leaves, concluded in October, yields a return of 30 dollars to the creditor in April. During these five months, the debtor is paying an interest of 65 per cent. per month. This system of money-lending is called "living money of mulberry leaves."

At the time of Ch'ing Ming the people are just starting their silk industry. This is a financially vulnerable period in the village. Persons who were unable to pay their rent in the winter are not likely to be able to pay the amount back to the creditor. In the previous five months, they have been engaged on no major pro-

ductive enterprise, except trade ventures. In these circumstances, the debtor may ask the creditor to renew the loan in terms of rice. This process is called "changing to rice." The price of rice is counted, irrespective of the market, at 5 dollars per 3 bushels. The term is extended to next October. Repayment will be made according to the highest market price of the rice, which is about 7 dollars per 3 bushels. The person who borrowed 7 dollars in one October will thus repay 48 dollars in the next October. The rate of interest is thus about 53 per cent. per month on the average.

If the debtor is still unable to clear up his debt, no prolongation of the term will be allowed. The debtor must settle by handing the legal title of his land to the creditor. In other words, he will transfer the right of ownership of the subsoil of the land to the creditor. The price of land is counted as 30 dollars per *mow*. From then on, he is no longer a debtor but a permanent tenant. Instead of paying interest, he will pay an annual rent (XI-4).

The rent is 8 pints (2.4 bushels) of rice or about 4.2 dollars per *mow*. If we take Professor Buck's estimate of the average rate of interest from the investment in rural land as 8.5 per cent,¹ we find that a *mow* of land has a money value of 56 dollars. Thus a loan of 7 dollars will ultimately in one year yield as return to the creditor a piece of land worth 89 dollars.

Through the usurer, the ownership of the subsoil is transferred from the hand of the cultivators to the absentee landlords who buy the land titles from the usurer. Upon this financial institution, the system of absentee landlordship is based (XI-4).

¹ *Chinese Farm Economy*, p. 158.

Usury is an extra-legal system. According to law, if the rate of interest agreed upon exceeds 20 per cent. per annum, the creditor is not entitled to claim any interest over and above 20 per cent.¹ Therefore, the contract must be enforced by other means than legal force. The usurer employs his own collector to force the debtor to pay when the term has expired. If payment is refused, the collector will use violence and take off or destroy anything at his disposal. In one case, I know, on the death of the debtor, the creditor took off a girl of the deceased to town as his slave. The debtor is usually too ignorant to seek the protection of the law and the community gives him no support. He is actually at the mercy of the usurer. If the debtor really has nothing to pay the debt with, and possesses no subsoil of land, the creditor will find it to be wiser to let him continue farming and reserve his claim on the future produce. In the worst situation, the debtor may commit suicide at the house of the usurer. The usurer will then face the revenge of the spirit and also the pressure of public resentment which will force him to forfeit his claim. This drastic means, though rarely used, is, to a certain extent, effective in preventing the usurer from going too far.

Usurers live in the town. Each has a nickname. The one connected with the village of our study is Sze, the Skin-tearer. This nickname indicates the public hatred. But he is an important source available to the villagers in case of urgent need. The supply of credit is very limited while the demand is urgent. The consequence of being imprisoned or losing the entire silk crop is more immediate and irreversible

¹ The Civil Code, Article 205.

To borrow money from the usurer at least leaves open the possibility of repaying when the time comes.

I was not able to calculate the total amount of loans from usurers outstanding in the village. Since there are few, if any, other ways for the ownership of the subsoil to pass out of the village, the extent of tenancy might be an indication of the extent of the usury system (XI-5).

The existence of the system is due to the lack of a better financial organization between the town and village. Under the present system of land tenure, the villagers supply an increasing amount of produce to the town in terms of rent while there is no means for the villagers to draw back an equivalent amount from the town. Formerly when the chief textile industries in China, such as silk and cotton, were developed in rural districts, the villagers were able to offset the outflow of rural wealth by the profit made from the industrial export. The rapid deindustrialization of the rural district has dislocated the financial balance between town and village. The rural problem, broadly speaking, originated in deindustrialization, finds its concrete expression in financial insolvency and is crystallized in the issue of land tenure. In the village, effort for an immediate solution has been directed to the rehabilitation of the silk industry. The partial success of this industrial reform is significant also as a factor relieving the acute land problem.

5. CO-OPERATIVE CREDIT SOCIETY

In this connection I should also mention the well-intentioned measure by the government for stabilizing rural finance through the co-operative credit system. The co-operative credit system, introduced into the

village, in fact, is not an organization of the villagers themselves but a means for them to borrow money from the national bank at low interest rates. A sum was allotted by the Provincial Peasant Bank for credit to the villagers. This system promised a fundamental solution of the problem of rural finance. But the success of this system depends on its administration, and the capacity of the government to afford the credit. In our village, I found that a few thousand dollars had been borrowed by the people from the "co-operative society." But owing to the financial insolvency of the debtors, they were not able to repay their debt when the term expired. The creditor does not possess the same extraordinary means as the usurer to compel the debtor to pay, and the small interest on the loan is not enough to finance an elaborate administration. When the small sum allotted was exhausted, the society ceased to function and had a full list of black debts.

The present failure of the experiment, at least in the village, teaches the importance of a full knowledge of the local financial organization. It might be better if the government could use the existing system, such as the agent bank and the financial aid society, to finance the people. To introduce a new credit system requires a new system of sanctions. In the local credit system, sanctions are ready. There seems better chance of success if the traditional channel can be utilized and improved by governmental effort.

CHAPTER XVI

AGRARIAN PROBLEMS IN CHINA

The above account of the economic life of a Chinese village is the result of a microscopic examination of a specimen. The phenomena observed in this confined area undoubtedly are of a local character. But they also have wider significance because this village shares a common process with most other Chinese villages. Hence we can learn some of the salient features of the agrarian problems in China.

The essential problem in Chinese villages, putting it in the simplest terms, is that the income of the villagers has been reduced to such an extent that it is not sufficient even to meet the expenditure in securing the minimum requirements of livelihood. It is the hunger of the people that is the real issue in China.

In this village, the immediate cause of the present economic depression is the decline of domestic industry. The present depression is not due to a deterioration of quality nor to a decrease of the quantity of production. Had the villagers produced the same type and the same amount of silk, they could not get the same amount of money from the market as before. The cause of depression lies in the relation between the village industry and the world market. It is the lack of adjustment between production and demand that accounts for the fall in the price of silk.

In view of the decline of domestic industry, the only

alternatives open to the peasants are to improve their produce or to give up the industry. To improve the produce, as I have shown, is not only a matter of technical improvement but also a matter of social reorganization. Even this is not enough. A successful reorganization of rural industry depends ultimately on the prospects of industrial development in China. The present analysis is a warning to reformers who tend to underrate the force of international capitalist economy.

If there is no immediate recovery of rural industry, the peasants will be forced to adopt the second alternative. They will in despair give up their traditional source of income, as has already happened in the weaving industry. If the labour released from the doomed domestic industry could be used in other productive activities, the situation would not be so desperate. It must be recognized that in industrial development there are certain industries which it may not be advisable to retain in the village. But in so far as there is no new occupation to take the place of the old, the waste of labour will mean a further reduction in family income.

As their income is diminishing and as there is no hope of immediate recovery, the peasants can naturally only resort to a corresponding reduction of expenditure. In expenditure, as the Chinese peasants are concerned, there are four categories: necessary daily account, periodical ceremonial expenses, capital for production, and interest, rent, and tax. As we have seen, the villagers have already suspended ceremonies as far as possible, and even sold their rice reserve when necessary. It appears that the most rigid category is the last one. If the people are not able to pay their ever-

increasing interest, rent, and tax, they will be threatened by brutal treatment from the usurers, and rent and tax collectors, and by legal enforcement through imprisonment. But when hunger is stronger than the fear of being shot, peasant revolts take place. Perhaps, this is the situation that has resulted in the disturbance of the Red Spear Club in North China and the Communist movement in Central China. If the author of *Red Star Over China* is right, the main force that drove millions of peasants in the heroic long march was nothing but hunger and its derived hatred of landowners and tax collectors.

In the present study, I have tried to show that it is incorrect to condemn landowners and even usurers as wicked persons. When the village needs money from outside to finance their production, unless there is a better system to extend credit to the peasants, absentee-landlordism and usury are the natural products. Without them, the situation might be still worse. At present, owing to the insecurity of rent, there is already a tendency for urban capital to move into the treaty-ports instead of into rural districts, as seen in the recurrence of crises in Shanghai speculative enterprises. The scarcity of capital available in rural districts encourages the development of usury in the town. The more depressed is the country, the less capital is available, and the more active is the usury—a vicious circle which saps the life of the peasants.

There was another dilemma in the Chinese land problem. The national government with all its promises and policies on paper was not able to carry out any practical measures owing to the fact that most of the revenue was spent in its anti-communist campaign, while, as I have pointed out, the real nature of

the communist movement was a peasant revolt due to their dissatisfaction with the land system. Despite all kinds of justification on either side, one thing is clear: that the conditions of the peasants are getting worse and worse. So far no permanent land reform has been accomplished in any part of China since the recovery of the Red Area by the government.

It must be realized that a mere land reform in the form of reduction of rent and equalization of ownership does not promise a final solution of agrarian problems in China. Such a reform, however, is necessary and urgent because it is an indispensable step in relieving the peasants. It will give a breathing space for the peasants and, by removing the cause leading to "revolt," will unite all forces in finding the way to industrial recovery.

A final solution of agrarian problems in China lies not so much in reduction of expenditure of the peasants but in increasing their income. Therefore, industrial recovery, let me repeat once more, is essential. The traditional industry of China was mainly rural, for example, the entire textile industry was formerly a peasant occupation. At present, China is, in fact, facing a rapid decay of this traditional industry directly due to the industrial expansion of the West. By arresting this process, China comes into conflict with the Western Powers. How this conflict can be solved peacefully is a question I would like to leave to other competent scientists and politicians.

But one point connected with the future industrial development in China must be stressed here. Being a late comer in the modern industrial world, China is in a position to avoid those errors which have been committed by her predecessors. In the village, we

have seen how an experiment has been made in developing a small-scale factory on the principle of co-operation. It is designed to prevent the concentration of ownership of means of production in contrast with the capitalist industrial development in the West. In spite of all difficulties and even failures, such an experiment is of great significance in the problem of the future development of rural industry in China.

Finally, I would like to emphasize that the above-mentioned problems have not disappeared since the present Japanese invasion. The tragedy is unavoidable in building our new China. It is a part of our international adjustment that sooner or later we must face. Only by going through it, can we hope for a real reconstruction of our country. During the struggle, the agrarian problems in fact have become more vital. Our victory against foreign aggression can be insured only by removing internal conflicts through relieving the peasants by a reasonable and effective land reform. Now Japan has offered us an opportunity to break our old vicious circle in the land problem. It is true that thousands of villages have already, like Kaihsienkung, been destroyed by the invaders, but in their ruin our internal conflicts and follies should find their last resting-place. From the ruin, a new China will emerge. The coming generation will, I sincerely hope, credit us with facing the problems of our age in a spirit of understanding and sympathy; our sacrifices and the hardship we are undergoing shall stand vindicated only if we look forward to the future with oneness of purpose and clarity of vision.

APPENDIX

A NOTE ON CHINESE RELATIONSHIP TERMS

In view of the special interest in anthropology on the problem of relationship terms, I would like to add an appendix to the present book as a supplement to the chapter on kinship extension.

It is essential to make clear that a structural analysis of relationship terms, at best, covers only a part of the whole problem of kinship system and that a mere presentation of a chart of terms is of little use by itself because it fails to show their sociological implications. Such a treatment, which most of the previous studies have followed, from the old work of Morgan and Hart up to the recent publication of H. Y. Feng,¹ is resulted from the unsound conception of language which views words as representations of reality. Therefore it is believed that an analysis of the relationship terms will be enough to understand the organization of kinship.

Relationship terms, like all other linguistic data, should be studied in their contexts. They are used for pragmatic purposes in establishing claims, in expressing affectional attitudes and, in short, as a part of the behaviour of the speaker towards his relatives. An adequate analysis must be carried out by direct observation of how the terms are actually used.² But in the present note it is not possible to treat the problem in detail; I only intend to suggest an outline for further investigation.

Chinese relationship terms can be classified into four categories based on the general contexts of speech: (1) the context

¹ My criticism on the historical-literary method in studying Chinese kinship system, cf. "The Problem of Chinese Relationship System," *Monumenta Serica*, Vol. II, 1936-37, Fac. 1; and my review of H. Y. Feng's *The Chinese Kinship System*, *Man*, August, 1938, p. 135.

² Theory of language, cf. Malinowski, *Coral Gardens and Their Magic*, Vol. II.