

# Economic Organization in Chinese Society

Edited by W. E. Willmott



# ECONOMIC ORGANIZATION IN CHINESE SOCIETY

*Edited by* W. E. WILLMOTT

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## *Preface*

The papers in this volume were presented in their preliminary form to a conference on economic organization in Chinese society that took place at Sainte-Adèle-en-haut, Quebec, in August 1969 under the auspices of the Subcommittee on Research on Chinese Society of the Joint Committee on Contemporary China of the Social Science Research Council (New York) and the American Council of Learned Societies. This conference was one of a series that has become the basis of a Stanford University Press series, *Studies in Chinese Society*. The present volume is the third in this Stanford series, on which particulars are given opposite.

Apart from the papers published together here, four others were read and discussed at the conference. Christopher Howe, of the School of Oriental and African Studies in London University, read a paper on the employment structure and the sources of labor in Shanghai, 1949–1957, which appears in *The City in Communist China*, edited by John Lewis, in the Stanford series referred to above. Carl Riskin's excellent paper on small-scale local industry in contemporary China appears in *China Quarterly* 46 (April–June, 1971), and Barry Richman's interesting summary of management ideology and organization in large-scale industry in contemporary China will appear in modified form elsewhere. Myron Cohen's comparative study of corporation and contract in Taiwan, mainland China, and overseas, was unfortunately not available for publication here.

In addition to these authors, the conference was enriched by the participation of four discussants, Robert F. Dernberger, Albert Feuerwerker, Ralph Heunemann, and G. William Skinner. The diversity of disciplines represented at the conference—history, economics, anthropol-

ogy, and sociology—led to a fruitful interchange of points of view, ably recorded by Clive Ansley and J. Bruce Jacobs. After the conference the record of the entire proceedings was made available to the writers of all the papers, and copies have been deposited at a score of the major centers of Asian studies in the English-speaking world. The conference record was also available to me in writing the introduction, many of the ideas in which are therefore the products of discussion, although I must bear full responsibility for the interpretation they reflect. Kay Ryland and Bryce Wood of the SSRC (New York) looked after the administration of the conference and distributed the materials; Mrs. Ryland also attended the conference. I wish to record my thanks to all these individuals, whose work has contributed substantially to the preparation of this volume.

There are serious gaps in this book. For instance, there is only one paper on economic organization in the People's Republic of China. My original plans, which called for others, had to be abandoned because the kind of fieldwork necessary to solid anthropological research was still virtually impossible when this conference was being organized. Another serious omission is the whole subject of handicraft industry, knowledge of which is of course crucial to an understanding of economic organization in traditional China and thus to the transformation of that organization in the twentieth century. Here is a fruitful area of investigation that awaits the student, whether he be anthropologist, historian, or economist.

The central aim of the series of conferences from which this volume emerged is to encourage sociological and anthropological research on Chinese society. This book therefore represents a beginning in the study of Chinese economic anthropology, not a definitive or general statement on it. It is our collective hope that the papers will inspire other social scientists to follow the lines here pursued, to design and carry out more definitive research on our topics, to test our propositions in the light of this further research, and to fill out those areas in which our knowledge of Chinese economic organization is as yet so rudimentary.

W.E.W.

*Vancouver, Canada, October 1971*

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## *Introduction*

W. E. WILLMOTT

Each of the papers in this volume can stand alone. When they are brought together between two covers, it is valid to ask what unites them, for the reader will immediately appreciate that the topics range widely, including such diverse areas as North China, Hong Kong, and Taiwan, such diverse times as the eighteenth and twentieth centuries, and such diverse societies as contemporary mainland China, Hong Kong, pre-war Taiwan, and late Imperial China. However, they are united by more than having benefitted from discussion in a single conference: each deals with some aspect of Chinese economic organization. It might be well to explain at the outset what we mean by that term.

As we have tried to indicate in the title, this is not a book on Chinese economics, for it does not attempt a purely economic analysis of the movement of goods, factors in production, or monetary systems. Rather, it examines the system of social relationships that underlie and surround the economic processes. We are interested in the kinds of groups involved in the production and distribution of goods, in the quality of the relationships that unite individuals and groups in the process, in the cultural values that shape the motivations of people entering into economic transactions. In brief, we are interested in examining the nature of Chinese society and culture as it is manifest in economic activity.

For such an undertaking the kind of questions asked of the material is dictated by considerations quite different from those of formal economic analysis. Our approach is that of economic anthropology, which in this context includes economic sociology. Neil Smelser has put it succinctly (1963: 32):

Economic sociology is the application of the general frame of reference, variables, and explanatory models of sociology to that complex of activities concerned with the production, distribution, exchange, and consumption of scarce goods and services.

Smelser goes on to point out that economic sociology examines social relationships in two "settings": within "concrete economic units," and "between economic units and their social environment" (*ibid.*: 33). A paper with the first kind of setting is Professor Pelzel's unique description of the internal organization of a single production brigade in a commune in southern China. Some of the papers, like Susan Jones's study of the *ch'ien chuang*, or native banks, of Ningpo, operate in both settings. This paper analyzes both the internal structure of these banks and their relationships with Ningpo trade, government officials and institutions, guilds, family loyalties, and other financial institutions both Chinese and foreign.

In Smelser's second setting, the social environment of economic units, the expectations of anthropology are somewhat wider than those of sociology. For an anthropologist, the "environment" of any social institution includes not only the society in which it functions but also its physical surroundings and the technological connection between the two: in brief, the cultural ecology. When, therefore, Professor Pasternak, an anthropologist working in history, analyzes the relationship between irrigation systems and the structure of family groupings in central Taiwan, he is looking at the ecological determinants of social forms. When Professor Elvin, an historian doing excellent anthropology, analyzes the relationship between the technology of cotton production and the social institutions surrounding it, he is looking at the social determinants of technology. Both of these approaches are those of economic anthropology.

In economic anthropology today there is a strong emphasis on exchange, based on the assumption that every economic relationship involves exchange between the parties. In a formal sense this is true by definition, for there is no relationship unless something—goods, money, words, women, respect, terror—is transacted. The shortcoming of exchange theory lies in its facile assumption of the reciprocal nature of all relationships and its consequent neglect of the phenomenon of exploitation. Our understanding of the landlord-tenant relationship, for instance, is obscured rather than clarified if we think of that relationship as a reciprocal transaction in which the rice and deference moving in one direction somehow equal the tenancy and contempt moving in the other. Exploitation involves non-reciprocal economic relationships in which the more advantaged party uses political means to maintain his advantage. The importance of recognizing exploitation can be seen here in the papers by Myers, Metzger, Elvin, and Jones. Indeed, the Chinese methods of handling exploitative relationships are of particular interest in the comparative study of culture, as I shall point out later.

What, then, is meant by Chinese economic organization? It should be apparent now that by economic organization we mean the system of social relationships involved in the production and distribution of scarce goods and services, whether the system involves equal exchange or exploitation. But what is meant by *Chinese* economic organization? The production brigade on the mainland of China and the rice village on Taiwan, the factory in Hong Kong today and the silk manufactory in eighteenth-century Canton, the government salt monopoly in Ch'ing China and the government-sponsored irrigation project on Taiwan today—all these we recognize as “Chinese” forms of economic organization simply because they are all products of Chinese minds tackling different environments at different times. One could say that this book attempts to provide some preliminary and partial answers to the question, for out of the comparison and sociological analysis of these different economic units in their different historical contexts should come some indications of what specifically is meant by “Chinese” in the context of economic organization.

Because we are still only at the beginning of the study, it would be grossly premature to attempt any general statement on the nature of Chinese economic organization. Nevertheless, taken individually and together, the papers here presented afford us useful insights into some aspects of it.

One of these aspects is the role of the state in Chinese economic enterprise. Professor Metzger's paper sheds new light, not only upon the salt monopoly *per se*, but also upon the rationality and organizational ability of the state in handling an immense enterprise two centuries ago. Even in times of crisis, the state was able, through its various agencies, to ensure the steady flow of vast quantities of salt from the coastal pans throughout the Yangtze Valley, constantly adjusting its relationships with private enterprise as the exigencies of the situation demanded. It is in the nature of these relationships that one may search for the “Chineseness” of state enterprise, for they appear to involve a measure of mutual adaptation that is not found, for instance, either in the state domination of the economic system of Meiji Japan or in the struggle between city and state in eighteenth-century Western Europe. Metzger calls this relationship “co-optation.” It may also be found in the relationship between state and financial institutions, notably the Shansi banks described by Susan Jones, and in the relationship between the Imperial Silkworks and private contractors outlined by Professor Sun. An echo of it is heard even in the commune described by Professor Pelzel, where an administration is able to benefit from the talents of a local entrepreneur, despite his ideologically dubious motives, by offering him some

recompense in power and prestige within the brigade. The relationship is one that serves the state while at the same time permitting private gain, and it involves a compromise between public and private interests at every point.

Another aspect of Chinese economic organization, obviously impinging on co-optation, is the compartmentalized nature of all enterprise, a structure that Professor Audrey Donnithorne in a private communication to me has aptly characterized as "cellular." This cellular form is most clearly demonstrated in the papers on the cotton and silk industries, but it is also apparent in the paper on the so-called salt monopoly. Professor Dietrich shows that during the Ch'ing dynasty the production and distribution of cotton textiles were divided into various stages, each of which was undertaken by separate small units. Professor Elvin has developed this picture to demonstrate how such extreme compartmentalization inhibited technological development in cotton manufacture once the basic technology had been established during the early Ming dynasty. A similarly compartmentalized process of production was to be found in silk manufacture, as Professor Sun ably shows. Even in salt, where the government monopoly was of immense proportions, production and distribution were carried out by many small units, in partial competition with each other, all of which were coordinated by the salt commissioner by means of varied and complicated techniques. Chinese economic organization reveals little vertical integration.

In agriculture, too, local units are relatively self-sufficient, whether they be the manors of Sung agriculture, the households and standard market communities of Ming-Ch'ing rural China, or the group-team-brigade-commune-*hsien* system of today. For more than two millennia, the Chinese have emphasized local economic autonomy, the integration provided by state and market being based solidly upon local responsibility rather than upon central control or forced redistribution.

A conclusion that might be drawn from the cellular nature of Chinese economic organization is that there is no overall Chinese economic system and that future research should therefore focus primarily on local systems or on the internal organization of small units. Although such an approach would undoubtedly prove fruitful, there are grounds for arguing that these units are pervaded by a common set of values, a common Chinese economic culture that molds individual motivations in economic relationships. This culture is examined most directly here by Olsen, DeGlopper, Silin, and Ward. Co-optation and responsibility are aspects of this culture that I have already mentioned. Another is the strongly positive valuation of work itself. Whether it be in a small glass factory in Hong Kong, in the rice fields of Taiwan, or in the tangerine

orchards of Kwangtung, the Chinese believe that hard work is good. The value placed on work is examined briefly here by Professor Olsen, who refers to Ryan's earlier and more detailed analysis of the values of overseas Chinese in Java (Ryan 1961), but it is so fundamental to Chinese economic enterprise that it has been taken for granted by most social scientists represented in this volume. Here is an area of Chinese ideology that could benefit from research in various disciplines.

Several of the papers here deal with the question of particularism in Chinese economic relationships. Professor Silin finds that in a situation of sharp competition in a Hong Kong vegetable market the relationships between individuals involve non-economic strands that he summarizes in the term *kan-ch'ing*, "rapport."\* Even in an unusually stable business community like that of Lukang, Taiwan, Professor DeGlopper demonstrates that, despite an emphasis upon individual entrepreneurial freedom of action, businessmen base decisions about buying goods and extending credit upon the particularistic relations they have developed. The same phenomenon is described by Professor Ward in the hiring policy and organization of work in a glass factory in Hong Kong, and one can also see it in the historical studies of the salt monopoly and the Ningpo banks by Professor Metzger and Susan Jones. Indeed, the "co-optation" of entrepreneurs by the state, discussed above, operates through the development of particularistic relationships between individual agents and businessmen.

Of course the coincidence of economic relationships with particularistic relationships based on kinship or locality is a worldwide phenomenon, particularly evident in societies not yet pervaded by the bureaucratic values of advanced industrialism. What seems to be uniquely Chinese is the *conscious particularization* of economic relationships, the attempt to develop a multiplicity of ties between individuals associated by economic transactions. Professor Ward has described this as "the strong preference for multiplex rather than single-stranded relationships." To point out the difference by hyperbole, one might say that economic transactions occur along particularistic lines in all pre-industrial societies, but the Chinese develop particularistic links between those involved in economic transactions. Even in contemporary China, if the River Brigade studied by Professor Pelzel is typical, planners try to bring brigade membership into correspondence with the particularistic loyalties of previous village communities.

Each of these aspects of Chinese economic culture can be placed in

\* All Chinese words appearing in the text are rendered in Wade-Giles romanization. All but the most familiar words appearing in italics and the less familiar proper names as well may be found in the Character List, pp. 441-46.



the context of Chinese culture by examining its consistency with Chinese values governing other kinds of relationships. I have already suggested that the four values mentioned here are interrelated. Explaining them, however, involves going beyond a mere integration with other values, and seeking their historical roots in earlier patterns of relationships, for culture can be seen as an adaptation to previously existing social and ecological systems. Using this cultural-ecological approach, Professor Elvin provides a clue to understanding perhaps far more than the technology of cotton in his concept of a "high-level equilibrium trap." The evolution of traditional Chinese society from the manor to the standard market community produced a large measure of stability in the face of rising population and increasing productivity throughout the Ch'ing period.

This process, called "agricultural involution" by Geertz (1966), involves the absorption of increasing population into an existing social structure through elaboration rather than basic modification of social forms and cultural values. A scarcity of labor, which would have favored technological innovation on all fronts, did not develop in China because increasingly intensive cultivation was able to support a rapidly expanding population. Professor Elvin demonstrates that labor was in greater supply than cotton, which competed with wet rice for land, so that there was no impetus to increase labor's productivity in the industry. Unlike eighteenth-century England, where the rise in population followed technological advances (Childe 1951), China experienced a rapid increase in population during the Ming and Ch'ing dynasties (Ho 1959) that was supported by unchanging agricultural techniques operating within unchanging social forms. The standard market community was thus a social "high-level equilibrium trap," somewhat different from the "folk society" usually associated with peasant agriculture (Steward 1959: 53).

In Java, Geertz argues that involution resulted from the intervention of Dutch colonialism, in particular from the economic isolation of the exploitative Dutch capitalists from subsistence agriculture despite their social integration in the rural village. In China, this same process came about without colonial intervention because the cellular nature of rural society isolated agriculture from the emergent capitalist forms in cotton production and distribution. Chinese rural society became "relatively egalitarian, competitive, and fragmented," as Professor Elvin has said in another context (1970: 108).

Professor Myers provides a sort of "proof" of my interpretation in his paper. He demonstrates that the increasing commercialization of agriculture on the Mainland in the early decades of this century did not

produce new forms of agricultural production, but merely lowered the standard of living by increasing the ratio of people to land on the farm. In contrast, Myers shows that on Taiwan, where a Japanese government intervened decisively on the rural scene, commercialization was accompanied by advances in the technology of agriculture and a marked rise in standards of living.

In my mind, this contrast is borne out in the findings of Professor Crissman on the nature of marketing in central Taiwan. Crissman's study indicates, among other things, that instead of the traditional Chinese pattern of discrete market communities (Skinner 1964) a far more complex pattern of marketing has emerged involving the specialization of markets and the patronage of multiple markets by farmers ("post-peasants") who are not satisfied with doing all their marketing in one town. Perhaps one can predict that in such circumstances the values underlying economic relationships will become more universalistic than traditional Chinese culture could allow. In contrast, the persistence of cellular economic organization on the Mainland, in the form of brigades and communes, may have preserved traditional values even in a socialist society—values considered so undesirable in that society that massive intervention on a cultural level has been undertaken against them in the form of successive "anti" campaigns and, more recently, the Great Proletarian Cultural Revolution.

I would be wrong to imply that the foregoing speculations represent the aims of the scholars whose painstaking and judicious research has produced this book. I have included them simply to indicate that this volume provides a wealth of material on which anthropologists, historians, sociologists, and institutional economists may work, and that they will find this wealth, not only in the papers themselves, but in the comparisons that will inevitably be made between them.