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Negotiating Debt

The Making of Puhan Rural Community in North China

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Introduction

> *"The banks and corporations grow by exploiting the people's property."*
>
> —Zhang Hongshu

In 2012, the above calligraphy painting was hung on the wall of Puhan Peasant Technological Training School. The calligrapher, Zhang Hongshu, was a local peasant from the Puhan Rural Community. Quoting Thomas Jefferson from the Chinese version of *Drucker Sayings on Society*, he maintained that "the banks and corporations that will grow around [the banks] will deprive the people of all property." The painting reflected the local peasants' perception of exploitation by financialization.

In 2012, after six years of working with Fuping Microfinance Company of Fuping Development Institute—a famous Chinese nonprofit founded and run by neoliberal economists and private entrepreneurs to alleviate poverty through rural microfinance and training programs of domestic helpers—the Puhan Rural Community, the first officially registered peasant association in China, broke with the organization.

Originally set up in 1998 in China, Puhan was the first peasant-initiated, cross-village organization established after the collapse of the top-down people's communes and the implementation of the household responsibility system, which divided up land into family units. Puhan had been highly praised by academic circles, media groups, social movements, and even some governmental institutions as a model of an integrated grassroots organization in rural China. It was represented as a society run in the interests of the well-being of its people and, in particular, that took care of women, children, and the elderly, as well as organized cultural, educational, and social activities, such as dancing performances, technological trainings, collective purchases, handicraft workshops, a youth farm, children's summer schools, alternative kindergartens, and services for the elderly.

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Puhan learned a lesson about the exploitation of usurious microfinance and decided that it was capable of establishing a system of mutual aid credit by itself, changing the cultural emphasis on money. Its story of struggling with rural financial organizations opens up a debate on the trap of marketization and monetization, the root causes of loans and debts, the negotiating power of collectives, the production mode of ecological agriculture, and the redefinition of the commonwealth.

Monetization, Usury, and Debt

Before Puhan found itself negotiating usurious finance, the problem of monetization in China began in the 1990s. In 1992, Deng Xiaoping visited South China to encourage local governments to open up to foreign investment, promote converting state-owned enterprises into shareholding enterprises, and open the domestic capital market. The goal of socialist market reform was confirmed. The central leadership in charge of economic affairs pushed for urban reforms modeled on Western financial systems, such as economic monetization, state-owned enterprises converted into shareholding companies, and management restructuring, as well as asset securitization. Government bonds were expanded, the money supply was increased enormously, and the voucher system was abolished. The proportion of export in the economy also rose rapidly.

Along with monetization, financial reform was pushed through: commercial banks were separated from policy banks. The People's Bank of China took up the function of regulating the system. Previously, the four major state-owned banks—the Industrial and Commercial Bank, the Agricultural Bank of China, the Bank of China, and the Construction Bank of China—were specialized banks directly managed by the state. During this period, the Chinese financial system was in chaos and the banks were saddled with large quantities of bad assets, leading to severe shortfalls of capital.

With the Agricultural Bank of China as its flagship, the rural financial system, which included rural credit cooperatives, had maintained its monopolistic position as well as its closed and ossified way of functioning. Its main function was to absorb capital in rural areas and transfer it to nonagricultural sectors. Its supply of capital to agriculture and its development of rural areas were inadequate. The Agricultural Bank of China and rural credit cooperatives were not only strictly controlled by the state in terms of scale and credit structure, but also chastised by far-reaching bad debts and overblown credit as money was used up to purchase agricultural goods. On top of this, the inflexibility of their operation made them unresponsive to the diverse needs of an environment undergoing reform and marketization, creating a vacuum for any credit agent to fill.[1]

At the end of 2015, the loans of financial institutions totaled ¥93.95 trillion. The loans for townships and villages were ¥21.61 trillion, while the loans for peasant households were only ¥6.15 trillion, accounting for 6.5 percent, whereas the rural population made up 46 percent of the whole country. The national standard of loan-deposit ratio was 75 percent. Among thirty-one provinces, including four municipalities, the loan-deposit ratio in the countryside was always less than 40 percent, which means around 35 percent of capital had been drained out of rural areas into urban areas.

With the withdrawal of agricultural banks from the agricultural sector and the decline of government investment in agriculture to an all-time low, peasants struggled to make ends meet, not to mention pay the various taxes and levies imposed by local governments. In short, peasants were forced to go into debt.

According to the *Report on the Development of Household Finance in Rural China (2014)*, conducted in 2013 by the director of the Survey and Research Center for China Household Finance, Southwestern University of Finance and Economics, the demand of rural households for bank loans was very high, but the success rate was only 27.6 percent. Rural households received loans mainly through private lending, which accounted for 64.6 percent of the total debts of rural households. The report stated that 34.7 percent of the country's households were involved in private lending, among which rural households made up 43.8 percent. Furthermore, 37.7 percent of rural households were in debt; the ratio of debt-income was 155 percent; and, worse still, 10.5 percent of the rural households in debt were insolvent.[2]

Microcredit has become a booming enterprise in China. In 2005, the new socialist countryside policy was listed as the top strategy for China's future development. Since the government took up rural credits and loans, surplus urban capital has gradually flooded into the countryside. In 2008, the China People's Bank issued instructions on experiments of microfinance companies, leading to the mushrooming of this type of enterprise. At the end of 2011, there were nearly four thousand microfinance companies in the country, most of which were in urban areas. According to the People's Bank of China, at the end of 2018, there were a total of 8,133 microfinance companies and total loans amounted to ¥955 billion. Of this, Shanxi province had 275 microfinance companies and loans of ¥16.372 billion. At the end of 2018, the total domestic and foreign currency loans totaled ¥141.75 trillion, with microfinance accounting for less than 1 percent. Agricultural activities accounted for about 23 percent, ¥32 trillion, with the figure gradually increasing. Yet, many private loans, such as individual loans, online loans, peer-to-peer lending, and credit funds, were not counted in official statistics. In general, different methods of

calculation and discrepancies in what was counted made it difficult to get concrete numbers. It was estimated that, in 2014, private loans exceeded ¥5 trillion, six times more than the official statistics of microfinance. On April 16, 2018, the China Banking and Insurance Regulatory Commission was established and issued its "Notice of the China Banking Regulatory Commission, the Ministry of Public Security, the State Administration for Market Regulation, and the People's Bank of China on Matters Concerning Regulating Private Lending and Maintaining the Economic and Financial Order." It stated that "in recent years, private lending has developed rapidly. Illegal activities featuring violent collection of payments have become increasingly common, which have seriously disrupted the economic and financial order and social order."[3]

Microcredit revealed the problems of cash inflows and debts that governed the lives of the poor. Peasants were indeed vulnerable to usury. According to the officers of Yongji Fuping Microfinance Company, peasants found it difficult to get loans for agricultural production, animal husbandry, medical care, education, house building, and weddings, among other things. From 2012 to 2013, the monthly interest rate of underground usury was 3 percent to 5 percent, which meant annual interest was somewhere between 36 and 60 percent.

Negotiating with Microfinance Agents

Puhan's Organizational Capability

Puhan attracted microfinance agents to cooperate and then, due to its self-organization, gradually began to develop its own credit union. Over the past twenty years, Puhan has been committed to organizing peasants through different production projects and social and cultural activities, rather than merely providing financial services.

Puhan was the first peasant association in China officially registered under the Ministry of Civil Affairs in 2003. During the 1990s, Zheng Bing, a primary school teacher, and her husband opened a shop selling agricultural inputs and organized science and technology training courses for local peasants in Zhaizi village of Shanxi province in northern China. Zheng Bing gradually realized that it would be very easy to divide peasants if they were not organized and did not see their common interests.

As the Asian financial crisis revealed the fragility of the bubble economy, Zheng Bing quit her teaching job and, in 1998, began to devote herself to organizing cultural and economic activities based in grassroots women's collectivities. With the support of the Women's Federation of Yongji City, she launched a women's club, the Center for Women's Cultural Activities and

Women's Association. When male peasants showed interest in the association, they were also accepted as members and the scale of the association became increasingly larger. Zheng Bing's business grew and she eventually established five chain shops of agricultural inputs. Once the Peasant Association was registered in 2003, she incorporated all the shops under it. In other words, she did not continue to expand her family business, but rather turned it into a community enterprise, channeling its profits into social services.

Puhan had 3,865 members from forty-three villages in two towns, namely Puzhou and Hanyan (Puhan). Puhan elected 773 representatives every three years, 35 of whom as board directors, and 9 as executive directors. Zheng Bing was elected as the board chairperson and the general secretary. There were about fifty full-time employed staff, of whom 60 percent graduated from college and technical secondary school. The average age was 30 years old.

Puhan began to engage in cultural regeneration and rural sustainability projects, like ecological agriculture, collective consumption and distribution, community services, and cultural activities. Located near the Yellow River, the land of Puhan, a total of eighty thousand *mu*, is relatively fertile, with twenty thousand *mu* for fruits (over ten varieties), ten thousand *mu* for wheat, five thousand *mu* for cotton, five thousand *mu* for canola, and forty thousand *mu* for asparagus, vegetables, and other crops.[4] Puhan had the following registered working units:

- an association of eighteen peasant professional cooperatives involved in ecological agricultural production, as well as handicraft and handmade products;
- an association of six technological services centers that dealt with collective consumption of agricultural inputs like fertilizers;
- a peasant technological training school;
- a rural-urban service center that promoted fair trade between peasants and urban consumers.

The profits generated from these economic activities played an important role, mainly going to support community services such as elderly care services, women's cultural activities, and children's education programs. The net profit accounted for at least 50 percent of the total income of the association in 2013 and 2014. Despite this, Puhan did not choose to accelerate and expand the financial sector, but rather directed its profit into production sectors and community building. Puhan learned lessons in the process of working with microfinance agents, recognizing that its organizational power should be used for local development and basic livelihood, not abused for profit making by microfinance agents.

Argument over Profit Making

As one of the best organized peasant groups, Puhan attracted Fuping Development Institute and its Fuping Microfinance Company, which was set up by mainland neoliberal economists and entrepreneurs who claimed they improved peasant livelihood and rural development.

In 2006, Puhan and Fuping worked together as partners after signing an agreement on loans and repayments. Fuping provided Puhan with a principal fund of ¥400,000, from which Puhan then gave loans to its members with a monthly interest rate of 1.5 percent (an annual interest rate of 18 percent). Each loan was between ¥5,000 and ¥30,000. Peasants usually borrowed loans for different purposes, among them farming and husbandry (40 percent); consumption like weddings and building houses (20 percent); business such as selling merchandise and wholesale (nearly 20 percent); and schooling and medical services (very few cases). Borrowers were families, although it was not necessary to provide any mortgage in order to secure a loan. There were about thirty microfinance project officers, all local villagers. In the following three years, there was no bad debt and the scale of the project continued to grow. In 2007, the principal fund was ¥2 million. In 2008, it increased to ¥4 million.

However, in the same period, tensions between Puhan and Fuping started to develop around the means of profit making and the distribution of profits. In 2009, Fuping was set up in Zhaizi village in Puzhou town, with registered capital of ¥30 million. The microfinance project officers signed a three-year working contract with the company, which provided a steady monthly salary of ¥1,200. Their roles turned from partners to employees. Once the company was set up, the Fuping management decided to increase the monthly interest rate to 1.75 percent (an annual interest rate of 21 percent). During that period, the interest rate of interbanking was 5.31 percent; an annual interest rate of 21.24 percent was defined as usury. Almost all microfinance project officers from Puhan objected to the near usurious interest rate of the new policy, but it went ahead anyway.

In order to expand the microfinance business, Fuping requested that Puhan turn the peasant technological school—where women training, comprehensive peasant training, and technological skill classes were held—into a training center for microfinance project officers. Fuping was preoccupied with profit making whereas Puhan preferred to focus on social relations and community building.

The distribution of profits was equally contentious. According to the 2012 Fuping Financial Report, the cumulative income from interest was ¥20.99 million, the cumulative expenditure was ¥15.45 million, and the net profit was ¥6.01 million. Fuping claimed that it gave 30 percent of its net profit

to local public activities, but Puhan alleged that Fuping took advantage of their organizational structure and social network to make profit for itself.

Toward a Mutual Aid Credit Union

Puhan's board members mobilized to resist Fuping's policy and tactics. In board meetings, they resolved to request Fuping to leave given that it refused to channel 30 percent of its net profit into local developments, such as digging wells and repairing roads. In September 2012, Puhan officially started its own mutual aid credit union in the community.

Basically, Puhan's new mutual aid credit union had three components of principal capital:

- Deposits of land shares: To promote ecological agriculture, Puhan required every member to do organic soil conversions, starting with one to five *mu* of land, within three years. Peasants were not allowed to use chemical fertilizers and pesticides and had to follow ecological principles. After they finished the organic soil conversions, they joined the mutual aid credit union, with a deposit of ¥500 for one *mu*. At last, two thousand peasant households, with a total of eight thousand *mu* of land, finished the organic soil conversions and Puhan received a total deposit of ¥4 million.
- Deposits of trading income: Puhan worked for collective marketing of agricultural products. After sales, many peasants did not usually take their income immediately, but deposited their money in Puhan as savings, with a monthly interest rate of 0.3 percent.
- Financial support from the Shih Wing Ching Foundation (SWCF) in Hong Kong: The SWCF promised to provide a principal fund of ¥30 million each year. Puhan could decide on the scale of loans according to monthly demand, with a monthly interest rate of 0.7 percent (an annual interest rate of 8.4 percent).

As overseas financing costs were much lower than the domestic standard in China, the SWCF undoubtedly earned profits through rural microfinance and even much more than the Agricultural Bank of China, which charged 4.35 percent as an annual interest rate for borrowing loans. According to the SWCF's 2016 general summary of grants and loans, it allocated about 58 percent of its total budget to loan projects. Of this, Puhan received nearly 71 percent, that is, ¥26.3 million for microfinance projects. In other words, the SWCF clearly earned very substantial profits in Puhan.

Used to negotiating with the financial capitalists, Puhan adjusted its strategy when working with the SWCF. Puhan requested a lower interest rate—an annual interest rate of 8.4 percent, in contrast to the 21 percent requested by Fuping. Moreover, Puhan had control over the distribution

of profits, with 60 percent of net profits going to members, paid not in cash but in material returns or social services to the local community. To search for an alternative financial practice, Puhan set up its own mutual aid credit union that dealt with savings and loans. Its principal fund came from deposits of land shares and sales of organic food products. In these ways, Puhan sought to gradually reduce its dependency on cash demand, as well as on foreign or outside capital.

Puhan then announced a new loan and interest rate policy in its mutual aid credit union. Unlike the microcredit model of Grameen Bank or Fuping, the credit union had an alternative theory and practice: the more money you borrow, the more interest you pay, and vice versa. Most significantly, the credit union provided interest-free loans to any member who borrowed below ¥2,000. This meant that Puhan tried to implement a policy that worked to the advantage of the poorest of the poor. In 2014, loans amounted to ¥32.8 million and nearly two thousand rural households were borrowing. The bad loan rate was less than 1 percent. There were only three cases of bad loans, of which two were overdue loans, both of which were settled. Thus, the only bad loan was due to the borrower, a couple, dying in a car accident.

The net profits accounted for at least 50 percent of the total income of the association in 2013 and 2014. Profits were divided: 60 percent went to members, 10 percent went to working teams, and 30 percent went to public funds for community projects, like elderly care services. They replaced money with services to change the habit of consumption – for example, they helped members make toilets and kitchens cleaner and more ecological.

Puhan intended to tackle the problem of monetization by restricting the scale of mutual aid credit. It stopped giving out loans for business outside the community. Instead, it preferred to give loans to small-scale ecological agriculture and animal husbandry projects. Meanwhile, it allocated ¥200,000 from the public fund for interest-free loans to the most vulnerable peasants who desperately needed money.

For the past twelve years, Puhan paid members regular home visits to operate microfinance projects. They not only collected information about members' incomes and expenses in order to secure loan payments, but also strengthened a social network of support and trust, which in turn tackled the problems of soil pollution, land transfer, sick elderly, and rural youth exodus.

Community Regeneration

Integration with Ecological Agriculture

Puhan integrated mutual aid credit services with ecological agriculture and community services not only to promote sustainability and stable

livelihoods, but also to strengthen the capacity of rural society to resist money-oriented culture. Puhan stated that conversion to organic soil was one of the basic requirements for membership. Each household member was required to convert one to five *mu* of land into organic soil, as well as to pay for four compulsory seminars on organic farming each year. The fees were very cheap, ¥5 for each seminar. In other words, once you become a member of Puhan, you start converting soil and are then entitled to enjoy mutual aid credit services, including lower interest rates, no mortgages, and a quick application process. By providing organic farming services, Puhan not only rebuilt an ecological relation with the earth, but also created a new social network of practicing alternative modes of agricultural production.

In the soil conversion program, eighteen tutors provided technical services. Each tutor was responsible for more than two hundred households. The soil conversion program started in 2010 and the area of converted soil reached 10,800 *mu*. Normally, it took three years to convert organic soil. Puhan provided field management services and collectively purchased organic matter such as biological bacteria and raw sugar for making organic compost. In addition, the Bureau of Agriculture of Yongji City taught them how to make organic compost, which not only fed the soil but also effectively killed pests. Making compost and organic ferment was very cheap.

With advancing ecological agriculture, Puhan dealt with issues of land transfer, idle land, and lack of rural labor. According to the land transfer project, about 1,500 households worked in the city. They let their families, relatives, or the association work on their idle land. Land transfers were restricted within a township, a village, or the association, meaning that the association could persuade each household individually to practice organic farming. In contrast, many peasants elsewhere transferred their lands to agribusiness companies that adopted modern, large-scale, chemical agriculture.

Tree planting was another ecological project Phan undertook. Puhan rented the land of some members at an annual rent of between ¥100 and ¥300 per *mu*, depending on quality and distance. By then, the association had rented 2,400 *mu* of land and decided that it should plant twenty trees. The association subcontracted the task of field management to some members who were good at farming. Generally, it took three to four years for the trees to bear fruit. During that period, any agricultural products belonged to any member who managed the fields. This meant that Puhan did not need to pay any management fees in cash. Afterward, Puhan sold fruit products to urban consumers in nearby cities like Yuncheng and Yongji. The income was around ¥500 for one *mu* of fruit

products. In a decisive project of rural-urban cooperation, Puhan and urban consumers together shared costs and profits.

Elderly Learning Centers

Instead of dividing up its profits from credit services among its members, Puhan reserved 30 percent of its profits for community projects, particularly its elderly learning centers.

In Puhan, there were more than two thousand people over the age of 65. It was impossible to build a big elderly care center, so instead thirty elderly learning centers were set up in different zones. Each zone covered three to four villages, with each center managed by one regular volunteer and two staff members, and supervised by village cadres and thirty mobile volunteers. The volunteers did not receive any subsidies. Each staff member earned a monthly honorarium of ¥300, which came from Puhan's profits and public fund. From local villages, they selected qualified volunteers who loved to take care of the elderly. Every volunteer had to cook three meals for the elderly each month. The centers had two kinds of service charges: the elderly who could basically take care of themselves paid a monthly fee of ¥200, while the elderly who could not take basic care of themselves had two different service options. The first was that the family pay a monthly fee of ¥600. The center sent two staff members to provide home services, such as companionship and cooking. The two members took weekly shifts. The second option, called the "seven to one model," was that the center recruited seven volunteers with whom the elderly could get along. Every afternoon, they took turns going to the elderly person's home to care for them for two hours, free of charge. Volunteers did not receive any honoraria.

Each center opened from 7:30 a.m. to 6:00 p.m. In the evening, the elderly went back home. Each center provided breakfast, lunch, care services, and physical exercise. There were also special activities: (1) morning sessions included exercises, writing, reading, composing songs, watching films, singing, paper cutting, drawing, and storytelling; (2) afternoon sessions were comprised of dancing and singing. The elderly were also invited to teach children and young people who were interested in traditional skills such as weaving and paper cutting, often inspiring in the elderly a sense of fulfillment. Each center became a nexus of social networking for women, children, the elderly, and the disabled. It not only fostered a sense of belonging, but also a culture of give and take.

Youth Organic Farm

In the face of a rural youth exodus, the core group of Puhan committee members mobilized their children to return to the countryside

beginning in 2008. For example, Han Lei, the son of Zheng Bing's classmate, was persuaded to work for the association after graduating from Yuncheng Agricultural College. Going against his original dream of being a government official in the small city, he explored a different lifepath in a rural area. Another example was Liang Xiaoli, whose mother was a core member of the Hongniang Women's Handicraft Cooperative. She found a job in the supermarket in the city after she graduated. She eventually found it unnecessarily expensive to lead a boring city life and decided to go back to her home village.

In 2008, Zheng Bing recruited more than twenty young people and then set up a youth organic farm, contracting about twenty-eight *mu* of land. Each person was required to cultivate one *mu* and record the progress. They were also required to collectively farm, experimenting with organic farming for three years. In 2010, after a good harvest of organic cotton on some experimental farmland, they shared the relevant techniques and skills with other farming households. The target was to gradually improve soil fertility. The youth farm grew to fifty-three young staff members who did experimental organic farming on sixty-eight *mu* of land at a monthly salary between ¥800 and ¥1,000.

Every young staff member was also requested to collect a monthly garbage collection fee (¥2) from each villager. At the beginning, they were not willing to collect the fee because they considered themselves educated people and felt embarrassed relating to garbage work. Zheng Bing and other senior staff members arranged a series of meetings between the young staff, village heads, village cadres, and garbage collectors. The latter taught young staff how to conduct household interviews through the process of garbage collection, so that they could better understand the reality of different peasants and respect physical laborers. Since then, the young staff members organized monthly lunches for garbage collectors to show their appreciation. Over time, the young people grew to identify more with peasants and workers, and they were no longer arrogant outsiders in the eyes of villagers.

In addition, Puhan cooperated with the rural youth training program of the Liang Shuming Rural Reconstruction Center to introduce zero-waste natural farming fermentation bed technology to six hundred livestock farming households. Laoshi Farm, named after famous rural reconstruction movement leader Liu Xiangbo, became not only a model farm of natural farming and husbandry but also a model of rural youth engaged in organic agriculture. By raising livestock at the scale of five pigs, five goats, and twenty chickens, each household could convert between ten and fifteen *mu* of corn and wheat into organic farming using compost made with

fermented manure. On top of this, participants were encouraged to document and learn traditional knowledge and skills, such as making sesame oil by stone grinder, natural dyeing and weaving, and paper cutting.

Concluding Remarks

Since the 1980s, Chinese peasants have been trapped by marketization and monetization, and then burdened with loans and debts. Hence, the significance of Puhan's story lies in confronting not only the economic problem, but also its associated social, cultural, and ecological crises. Its negotiations with microfinance projects show how scattered peasant households can connect with each other and work together to reverse the effects caused by individualization, monetization, and financialization. After six years of being exploited by Fuping, which charged a usurious annual interest rate up to 21 percent, Puhan cut its contract with the company. Puhan subsequently worked with the SWCF, which charged a lower annual interest rate of 8.4 percent. Addressing the question of cash dependency from outside funders and the market, Puhan set up its own credit union with members' money from land shares and farm product sales. It provided loans of low and even free interest to members. Puhan returned profits to members in terms of technological and social services, as well as reserved 30 percent of profits for community building. Compared with the failures of microfinance in other places, Puhan had a capacity to negotiate with microfinance companies to reduce interest rates thanks to its organizational power. Puhan members were able to gradually get rid of usury and avoid a debt crisis. Puhan's collectivity was based on cultural values that provided alternatives to individualism and self-interest. Perhaps most pointedly, it took care of the poorest of the poor and redistributed resources in order to ensure everyone met their needs of a dignified life, including things like funerals and weddings.

Despite all this, Puhan was inevitably impacted by the larger social and economic context. Microfinance expanded at an exponential rate across China after 2013, and there were occasional eruptions of bad debts. For example, China was the world's largest online peer-to-peer lending market. Microlending rapidly grew into a ¥1 trillion market, recording a compound annual growth rate of 131 percent from 2015 to 2017. Meanwhile, peer-to-peer lending debacles exploded. A multiagency government task force on Internet finance, for example, launched a rectification campaign to clean up the industry in 2016 and 2018. China's intensified online lending crackdown was expected to slash the number of lending companies to three hundred, to drop by 70 percent at the end of 2019. On August 14, 2020, according to Guo Shuqing, chairman of the China Banking and

Insurance Regulatory Commission, only twenty-nine of the more than six thousand peer-to-peer lenders remain after China's four-year crackdown.[5]

The government intermittently intervened to contain the situation. In 2017, a law regulating overseas nonprofit organizations, including those involved in lending, was promulgated: Law of the People's Republic of China on Administration of Activities of Overseas Nongovernmental Organizations in the Mainland of China. Under this law, all overseas nonprofit financial budgets and reports were required to be submitted to the Ministry of Public Security. The SWCF thus withdrew its loans from Puhan in 2018. In addition, Puhan found itself caught in contradictory policies at different levels. On the one hand, the government recognized that small peasant households found it difficult to get loans, leading it to stipulate that the state-owned banks, particularly the Agricultural Bank of China, give loans to peasants. However, the amounts were often inadequate. According to the Law of the People's Republic of China on Peasant Professional Cooperatives (2017 amendment), credit activities were allowed but only within a cooperative, hence the Puhan Association, as a federation of eighteen cooperatives, was not eligible to run credit. There were two other options: Puhan could register either as a village-town bank or as a microcredit company to operate its credit activities among its members across two towns. The former required that a financial banking institution owned not less than 20 percent of its capital; the latter required a registration capital of ¥30 million in 2009, ¥50 million in 2012, and ¥100 million in 2017. These would involve many formalities as well as access to a substantial amount of capital not easily available to an association with the intent to serve only its members without aspirations of becoming a commercial business. These challenges stood in the way of the Puhan community charting its future path.

In the stormy sea of conflicting politics and practices devised or imposed by various levels of governments, ministries, departments, interest blocs, corporations, and other market forces, Puhan, often positioned on the receiving side, like any subaltern actor, could not make "rational" blueprints or steer its sails on its own volition. It could only work out a general orientation and be ingenious and adept in negotiating the pressures from without and within.

A review of Puhan's history of twenty years shows one general, unwavering orientation: that of strengthening a collectivism based on community identification of their rural roots and bonds, and an attention to the needs of the marginalized in the community. The roots of Puhan's collectivity lay in popular participation in cultural and social activities. Women from different villages knew each other through dancing, social gather-

ings, study groups, debate competitions, public performances, as well as volunteer work for village sanitary and road reconstruction. They talked with each other about all topics, from family matters to public affairs, reaching out from their own homes, villages, and even counties. Meanwhile, they nurtured their bargaining power through projects of collective production and marketing. They integrated the mutual aid credit services with a healthy and low-cost mode of ecological projects, as well as with community services of rebuilding harmonious social relations. In the process, vulnerable groups such as the elderly, women, children, and youth were connected in a new network of social relations based on mutual respect and solidarity. The only way to offer alternatives to the predominant orientation on money and financial speculation is by nurturing the social and ecological in a collective remaking of the common.

Puhan's story redefined the dominant discourse on building a moderately prosperous society based on calculation of economic growth and economic returns, through improving the physical and social environment, as well as regenerating community. Puhan took pains in dealing with finance and credit, but the ultimate concerns were agriculture and the small peasantry, with 40 percent of Puhan's loans to members involving agricultural activities. In the context of food insecurity and agricultural demise in China, the Puhan experience was exemplary in its emphasis on two key areas: (1) supporting agriculture, especially promoting ecological agriculture; and (2) regenerating community bonds, especially engaging the younger generations. These endeavors were rare, but much needed in China today, and Puhan demonstrated the initiatives of the subaltern in charting its own way forward, not for grandiose dreams of modernization, but for on-the-ground struggles for ecology, justice, and dignity.

Notes

1. Wen Tiejun, "Credit for Peasant Households and Private Lending" and "The Rise and Demise of the Rural Co-operative Fund: 1984–1999," in *Asian Exchange: China Reflected* 19, no. 2 (Hong Kong: ARENA, 2002), 87–122.

2. Li Gan, Zhichao Yin, Jijun Tan, *Report on the Development of Household Finance in Rural China (2014)* (Singapore: Springer, 2016).

3. "Notice of the China Banking Regulatory Commission, the Ministry of Public Security, the State Administration for Market Regulation, and the People's Bank of China on Matters Concerning Regulating Private Lending and Maintaining the Economic and Financial," State Council Information Office of the People's Republic of China, April 5, 2018.

4. Fifteen *mu* is equivalent to one hectare.

5. Daniel Ren, "China's Financial Clean-Up Whittles Thousands of Peer-to-Peer Lenders Down to Just 29, with US$115 Billion in Outstanding Debt," *South China Morning Post*, August 14, 2020.