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Rural Industry and Its Social Foundation in the Integrated Urban-Rural Development Process: A Case Study of Processing in Remote Villages under the Jurisdiction of City L, Zhejiang Province

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乡村产业是乡村振兴的重要基础，乡村产业的发展亦可促进城乡融合。我国乡村长期存在着复杂多样的乡村产业，乡土社会为乡村产业提供了存在与发展的社会基础。以浙江省L市偏远乡村地区的来料加工为例：近年来，浙江省内发达地区产业向偏远乡村扩展，通过来料加工的形式带动偏远地区的乡村产业发展。来料加工是全球生产体系的一环，通过灵活分散的加工形式，偏远地区乡村的剩余劳动力与广阔的全球市场联系起来。来料加工的生产过程紧紧“嵌入”乡土社会，乡土社会的人际关系与社会伦理确保来料加工的生产管理得以可能，成为乡村产业发展的社会基础，其中“曲尽人情”是社会伦理的具体运作机制。来料加工塑造了独具特色的乡村发展和社会转型道路。实施乡村振兴战略，除在土地、金融、产业政策上对乡村加以扶持外，还需识别、理顺乡土的社会基础，充分利用乡土的社会资源，激发乡村社会的内生性动力。

关键词：来料加工 乡村产业 乡土伦理 社会转型

Rural industry provides an important basis for rural revitalization, and its development can promote urban-rural integration. Rural China has long had complex and diverse rural industries whose existence and development is founded on rural society. Complex and varied rural industries have long existed in rural China, where local society provides the social foundation for their existence and development. One example is the processing of supplied materials or putting-out system (*lailiao jiagong* 来料加工) in remote rural areas under the jurisdiction of City L, Zhejiang. In recent years, industries in the developed areas of Zhejiang have expanded to remote villages through processing to order, driving the growth of rural industries in remote areas. The processing of supplied materials is a link in the global production chain. Flexible decentralized processing links surplus rural labor in remote areas to the vast global market. The industry's production process is deeply embedded in local society; interpersonal relationships and social ethics facilitate production management, forming a social foundation for the development of rural industry. Social ethics in these areas takes the particular operational form of sensitive cultivation of personal relationships or

“human feelings.” The processing of supplied materials has shaped the distinctive character of rural development and provides a route for social transformation. To implement the strategy of rural revitalization, besides provision of land, finance and industrial policy, China needs to handle the social foundation of rural areas rationally, make full use of rural social resources and stimulate endogenous motivation in rural society.

Keywords: processing of supplied materials/putting-out system, rural industry, local ethics, social transformation

I. Problems and Background

The development and prosperity of rural industries is the basis for rural revitalization. Such industries take many different forms: specialist planting and aquaculture; labor-intensive processing; industry chains that span urban and rural production, supply and marketing and that integrate primary, second and tertiary industry; “Taobao villages” which have emerged in the new circumstances, etc.¹ Rural industry provides a large number of employment and business opportunities, and has become an important channel for migrant workers to “return home to start their own businesses.”²

The main content of rural manufacturing and sideline industries has rich historical connotations and cultural foundations. Rural manufacturing and sideline industries are the result of the interaction between urban and rural areas; they form not only an industrial system that grew out of agriculture, but also one that depends on the three-level urban/rural system of villages, towns and counties. Rural industry’s strong dynamic derives from Chinese social and cultural nurturing and cultivation. Many studies consider that the “sudden emergence” of township enterprises during reform and opening up is partly attributable to the special governance logic and cultural tradition of Chinese rural society.³ Only by gaining an in-depth understanding of the concrete social basis of rural industry can we grasp how successive enterprises have emerged and survived in China’s vast rural areas and understand the internal development logic and unique transformation path of rural society.

In recent years, the processing of supplied materials (the putting-out industry) in remote Zhejiang villages has been a typical form of rural industry, as industries in the economically

1 Fu Wei, “Rural Industry and Family Management in the Urbanization Process: A Case Study of S City.”

2 Zhu Zhongkun, “A Study of the Behavior of Migrant Workers Returning to the Countryside to Build Themselves Houses: An Interpretive Framework Based on Push-pull Theory”; Xie Yong and Zhou Runxi, “A Study of the Returning Home Behavior and Employment Differentiation of Migrant Workers”; Chen Wenchao, Chen Wen and Jiang Lihua, “An Analysis of the Factors Influencing Migrant Workers’ Returning Home to Start a Business.”

3 Qu Jingdong, “Possession, Management and Governance: The Trio of Analytical Concepts of Township Enterprises”; Zhou Feizhou, “Returning Home and the Reality: Reflections on the Path of Township Enterprise Research.”

developed areas expand into the province's less developed rural areas. In this industry, the developed areas send orders to less developed areas, where they can use idle rural labor for production. This form of processing has developed rapidly to cover almost all of Zhejiang's underdeveloped rural areas and spread further to some areas outside the province. In 2015, Zhejiang had 22,000 processing centers with 23,800 brokers; the putting-out industry reaped nearly 10 billion RMB a year and employed more than 1.4 million people.⁴ Locally, 190,000 people under the jurisdiction of City L were engaged in processing supplied materials together with more than 1,800 top-level brokers, and the industry earned more than 1.3 billion RMB, followed by earnings of 1.745 million RMB and employment for 200,500 people in 2015.⁵

II. Rural Society and Rural Industry

Over the past hundred years, China's rural areas have developed a complex plural system of rural industry that includes agriculture, industry, commerce, transportation, services and other sectors.⁶ In the old days, rural handicraft industry was an important part of rural industry; rural industry and commerce cooperated closely to form a complex economic ecological system.⁷ Rural industry has always survived in the countryside, developing and adapting in line with the specific conditions of different periods and regions. The continuity and development of rural industry in China's countryside has been very vigorous.

There are exogenous and endogenous viewpoints on the dynamic mechanism behind Chinese rural development. The former holds that exogenous factors have encouraged rural areas to relinquish over-density. For example, Philip C.C. Huang believes that rural industrialization was the result of the traction of urban industry and the establishment of a collective economy.⁸ The latter view holds that "the motive force of rural development comes from within the community and the main force in development is members of the community."⁹ Since reform and opening up in 1978, the rise of rural industry in Eastern China has made full use of the economic resources and social foundation provided by local society. "Economic resources" refers to the labor force, collective land, villagers' self-financing, etc., while "social foundation" means the family, clan or acquaintance society, all members of whom come from one's native place, as well as a steadfast set of cultural ethics¹⁰ or

4 Ding Jingzhi and Jin Lei, "Yiwu Women Makers' Garden Opens."

5 Wu Jianjun, "The Increase in Lishui City Farmers' Income Tops Zhejiang for the Seventh Consecutive Year."

6 Wu Chengming, *China's Modernization: Market and Society*, p. 52.

7 Fan Shuzhi, "'Early Industrialization' of Towns South of the Yangtze River in the Ming and Qing Dynasties"; Zhao Gang, *History of Chinese Cotton Textiles*, p. 44; Wu Chengming, *China's Modernization: Market and Society*, p. 88.

8 Philip C.C. Huang, *The Peasant Family and Rural Development in the Yangzi Delta*, p. 265.

9 Zhe Xiaoye, *Community Practice: The Development of a "Super Village"*, p. 5.

10 Li Yingfei, "China's Economic Growth and the Utilization of Social Resources by Small and Medium Enterprises: A Case Study of Enterprise H in Town Pu."

“social implicit knowledge.”¹¹ Economic resources too need a certain social foundation to be activated.

China’s rural society has a long history and a relatively stable social structure. It possesses established social relations and a special form of action ethics, referred to in this paper as “the social foundation,” that links many localized sociological phenomena such as relations, reciprocal favors, “face,” popularity, etc. In terms of relationships, the social foundation presents as family, clan, acquaintance society, and community. Researchers have further deepened the discussion on relational ethics, summing up some special behavioral principles such as the family-based concept and the pattern of difference sequence. The social foundation presents differently in different regions. He Xuefeng believes that villages in different regions of China have different kinds of social relevance,¹² and Dong Leiming has further divided them into different types: “kinship-led,” “geo-led” and “kinship + geo-led.”¹³

Reform and opening up has seen a rapid rise in rural industry in the eastern region, a progress that cannot be separated from the existing social structure of the family, clan,¹⁴ acquaintance society and community¹⁵ that form the social vehicle of its development. The fact that the social foundation has different presentation modes in different regions means that rural industry shows distinct regional characteristics. There are different development paths: what Fei Hsiao-tung called the Wenzhou model; the Southern Jiangsu model; the Pearl River model; the Jinjiang model, and so on. Rural industry is thus extremely flexible and shows a complex pattern of practice.

Scholars have carried out research on the families, clans, acquaintance society and communities on which rural industry relies. In research on township enterprises, they have made an extensive study of the various informal relations and systems that affect rural industry, putting forward analytical concepts such as “relational contracts” and “relational property rights,”¹⁶ and discussing how economic behavior is embedded in society. In the course of concrete analysis, many studies on embeddedness have taken the form of formal analyses of social networks that regard economic action as a process of rational choice under conditions of scarcity, in an analytical paradigm applicable to all economies.¹⁷ Karl Polanyi proposed “embeddedness” in order to break away from the formal analysis of economic behavior; the means by which humans earn a livelihood are embedded in different systems,

11 Yang Shanhua and Sun Feiyu, “‘Social Implicit Knowledge’: Field Experience and Thoughts.”

12 He Xuefeng and Tong Zhihui, “On the Social Relevance of Villages and the Social Foundation of Village Order.”

13 Dong Leiming and Guo Junxia, “The Concept of ‘Face’ and Rural Governance in Rural Society.”

14 Jiao Changquan and Zhou Feizhou, “Ancestral Hall and Temple: The Social Foundation and Historical Origin of Jinjiang Spirit.”

15 Zhe Xiaoye, *Village Reconstruction: Social Changes of a “Super Village.”*

16 Liu Shiding, “Embeddedness and Relational Contracts”; Zhou Xueguang, “Relational Property Rights: A Sociological Interpretation of the Property Rights System.”

17 Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” pp. 481-510.

and the market is only one of them.¹⁸ Max Weber emphasized that the modern mode of rational thought occupied a dominant position in Western society only after the rise of capitalism; China had not established a rational organizational form in the Western sense because of the influence of traditional forces.¹⁹ Therefore, only by transcending the formal analysis of social relations can we gain a better understanding of the operational mechanisms of the social foundation.

In his later years, Fei Hsiao-tung pointed out that apart from working on the external conditions and material basis of regional economic development, sociologists should pay more attention to its social aspect, that is, not only to its “visible and tangible” institutions, laws, regulations, etc., but also to the “indescribable and unnamable” element of interpersonal relationships that can only be intuited.²⁰ The form of the relationship—family, clan, acquaintance society and community—remains the “external part” that the social sciences can grasp through empirical methods. To explore the social foundation, we must also discover the purely natural ways of communication in daily life in different social foundations, ways that can be intuited but not spoken; the “everyday, subtle interpersonal relationships, modes of communication, communication mentalities and related customs and values.” Fei Hsiao-tung went so far as to believe that this was at the heart of culture and the real reason for differences in economic and social development.²¹

The production process of the putting-out trade depends on tacit understanding among the participants. The actors “show empathy” and “are thoughtful about others’ feelings.” Failing to act this way courts embarrassment. This situation involves different “attitudes” based on the actors’ specific relationships.²² It is through these delicate communicative processes that the social foundation plays its part. Without such a mindset, the putting-out trade would not take off even if external conditions were the same.

To understand these phenomena, one cannot take the stance of an outsider but must adopt an introspective approach; in fieldwork and the analysis of materials, understanding must be built on empathy and standing in another’s shoes.²³ At the same time, the “indescribable” part of interpersonal relationships is related to the distinctive mentality of the Chinese, and is the product of given action ethics. Fei Hsiao-tung believed that this had an intrinsic connection with the Confucian tradition of “putting oneself in another’s place.” Confucian ideas advocate “following man’s natural feelings and rural society’s code of conduct for human relations. This emerges from grassroots society, is then refined and thence elevated to the level of the sages.”²⁴

18 Karl Polanyi, “The Economy as an Instituted Process,” p. 35.

19 Max Weber, *Wirtschaft und Geschichte: Typen der Herrschaft*, p. 161.

20 Fei Hsiao-tung, *The Complete Works of Fei Hsiao-tung*, vol. 17, pp. 438-465.

21 *Ibid.*

22 *Ibid.*

23 Zhou Feizhou, “From ‘Aspiring to Enrich the People’ to ‘Cultural Consciousness’: Mr. Fei Hsiao-tung’s Intellectual Turn in His Later Years.”

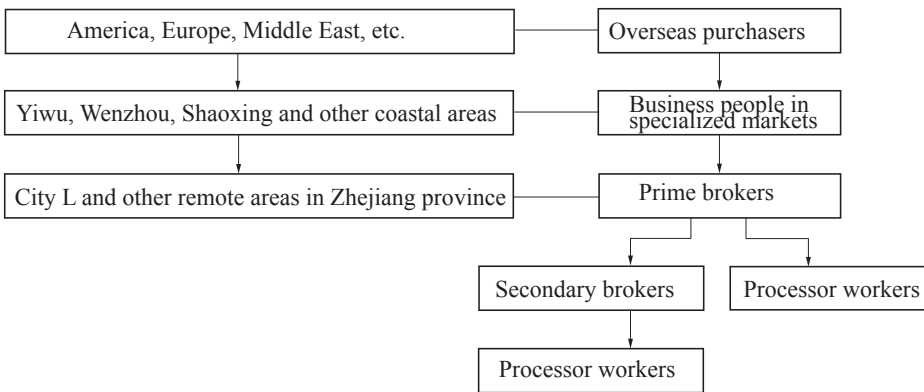
24 Fei Hsiao-tung, *The Complete Works of Fei Hsiao-tung*, vol. 17, pp. 438-465.

Our case study of the processing of supplied materials in the remote areas under Zhejiang’s City L presents in detail the specific relationships involved in the spread of this industry. Importantly, we need to understand the social foundation of rural industry in terms of its ethical connotations. The main methods we adopted to obtain material were field research and in-depth interviews with key people including brokers, workers and the relevant government officials in County J and County Q under City L, Zhejiang.

III. Industry Going Down to the Countryside; the Rise of the Putting-out Industry

Since reform and opening up, China has given free rein to its comparative advantage and has had great economic success by relying on labor-intensive industries. The processing trade working on supplied and imported materials makes up half of China’s foreign trade.²⁵ In recent years, affected by rising labor costs and other factors, some of the production links of labor-intensive coastal industries have shifted to remote areas under the rubric of “industry going down to the countryside.” The processing of supplied materials in areas under City L is the direct result of the dispersion of industry from the developed areas of Zhejiang.

Table 1 Chain Diagram of the Processing of Supplied Materials in City L



The processing of supplied materials in areas under City L is a part of the global production chain. The orders come from the developed regions of Zhejiang province, especially the Yiwu and Wenzhou commodity markets, and the products are sold all over the world. In this global production system, the specialized markets of Yiwu, Wenzhou, Hangjiahu and other developed areas in Zhejiang mainly play the role of organizing production; specifically, they obtain overseas orders, purchase raw materials, organize and coordinate production, and so on. Backward areas within the province, such as this paper’s County J and County Q under

25 Ma Qiang, “Research on the Transformation and Upgrading of China’s Processing Trade.”

City L, are responsible for the labor-intensive links in the processing chain. In the course of the development of the putting-out system in less developed areas, a large number of brokers have emerged in rural areas; these people are responsible for receiving orders from the specialized markets of Yiwu,²⁶ Wenzhou, etc., and then organizing production in rural areas.

Changes in the village economy and social structure provide the industry with a distinctive labor force. City L is a typical labor exporter, but the exodus of labor mainly consists of young and middle-aged men. Some family members—mainly children, women who stay behind, and the elderly—remain in rural areas. The last two groups, being unable to do factory work, constitute the main labor force for the putting-out system.

“Mothers accompanying their student children” are an important source of labor for the processing work. The policy of merging villages and schools in rural Zhejiang has led to the concentration of primary and secondary schools in a few central towns and counties. The many rural women who move thither with their student children are called *peidu mama* (陪读妈妈) or “mothers who accompany their student children.” These women are usually in their thirties or forties, of working age, but they cannot leave home for work because they need to look after their children. In Town Yang of County J, for example, they account for one third of the town’s population.

The particular character of the labor force has a great influence on the form of production and labor management in the putting-out industry. Under capitalism, the rational organization of production, rational management and calculation of capital are possible because the labor force is “free.” In Weber’s works, this kind of “freedom” involves discarding the shackles of various “traditions” and separating production from family and traditional relations.²⁷ However, in the case of the processing of supplied materials, whether women are in the countryside or concentrated in the county seat where their children are studying, they still have land and dwellings in the countryside and maintain close ties with rural production and rural life, especially family life. This is totally different from the loss of rural land and housing of Marx’s “rural surplus population” during Western Europe’s period of primitive accumulation of capitalism, when families migrated wholesale to cities and towns.²⁸ More importantly, these workers enter the production system of the putting-out trade through specific social relations, and the production process and management process conform to the ethics of their native place.

IV. The Production Process Embedded in One’s Native Soil

1. Production networks depend on social relations

Brokers are important organizers of the processing of supplied materials. Using flexible

26 At present, a few brokers in County J and County Q receive orders directly from foreign buyers.

27 Max Weber, *Wirtschaft und Geschichte: Typen der Herrschaft*, p. 161.

28 Karl Marx, *Capital*, vol. 1, p. 797.

forms of production organization and an informal employment system, they organize different kinds of labor scattered through villages, towns and county seats in backward mountainous areas of Zhejiang and bring them into the global production system.

Depending on the production process of different items, brokers adopt three organizational forms: distributed processing; centralized processing; and “distributed + centralized” processing. Where products are simple to process and do not require machines, the broker receives the order and distributes the raw materials or semi-finished products to the workers, who take them home for distributed processing. Products that need machines or have to be completed cooperatively are usually processed in a centralized way. In addition, some brokers will outsource some processing links or orders while also operating centralized processing locations, thus combining “centralized + decentralized.”

The production network of the processing of supplied materials expands alongside existing social relations. As Fei Hsiao-tung said in *From the Soil: The Foundations of Chinese Society*, rural society is an acquaintance society in which everybody knows everybody’s background.²⁹ The broker knows who has the time, who has the ability and who wants the work. When they first set up, brokers usually choose their closest friends, neighbors and acquaintances as the initial process workers. After all, when there’s a chance to make money, we must first take care of those closest to us. But on the other hand, those first orders are usually small and have high quality requirements, so workers unfamiliar with the processing technology earn very little. An implicit intention in brokers’ recruitment of people they are familiar with is to seek their help. If the production scale needs to be further expanded, secondary brokers will emerge to take orders from the primary brokers and outsource them to other process workers.

Of course, the production network of this industry is not limited to brokers’ existing social relations. As they scale up, brokers often deal with strangers, especially where they are hiring mothers accompanying their student children. However, the production relationship between brokers and strangers needs to be situated in specific social relationships to be effective. The broker in Case 26 said, “You need to know something [about a stranger]. For example, if it’s the first time I’ve met you, I’ll definitely want to know your phone number and address.” In rural society, interpersonal and regional relations are highly complex. If you know people’s addresses, you have actually put them in a certain social relationship.

Brokers’ most important skill is the ability to organize and build production networks, which is why upstream manufacturers value them. The most competitive brokers are those who have extensive interpersonal networks. For example, the broker in Case 21 is engaged in the processing of shoes in Town Shu; she has a number of apprentices, as her husband runs a training course on shoe processing. The broker in Case 14, who is engaged in hairpin processing in Town Yang, used to run a small shop in a distribution center and knows a lot of

29 Fei Hsiao-tung, *From the Soil: The Fertility System in China*, p. 30.

people, while the broker in Case 11, who is engaged in glove processing in Town Du, built a complex interpersonal network by purchasing vegetables.

2. Local society and the embeddedness of the putting-out system

In addition to the forms of relationship, those who are engaged in this industry are deeply embedded in local society in terms of ideas and ethics. This means that their economic and social life—industrial production and family life, as well as their production networks and local society—are closely intertwined. As a result, economic life is itself a part of social life and generally obeys the logic of local life.

The processing labor force, whether scattered in the countryside or temporarily resided in cities and towns, define themselves as “rural people” and live in accordance with the behavioral logic of the countryside. In production management, brokers have to face a delicate relationship with their workers, one that is quite different from the industrial relations in modern factories.

In the first place, brokers know that they are not leaders and cannot give orders. The broker in Case 13 said, “We’re not going to yell at workers because they are fellow villagers and we are in frequent contact with them.” The broker in Case 26 couldn’t say whether it was better to be strict with the workers or to have close personal relations with them. Being “strict” means making workers start and finish work on schedule and exercise strict quality control; but such a requirement may seem unkind to those who need to take care of their families. More importantly, they may ask, “Why are you doing this to me?” “It seems that I have an employment relationship with the workers, but it’s delicate. If you get rid of the employment relationship, you can’t give them orders and you’re not afraid of them. When the orders are wanted in a hurry, they may say ‘I’ve been drinking today so I won’t come to work’ or ‘I’m going to visit a relative tomorrow so I’m asking for leave’” (from the interview record of the broker in Case 26).

Brokers and workers do not just define their relationship as an employment relationship; they first situate themselves in the context of social relations, and then define and coordinate their economic relations on that basis. Economic life is only part of social activities. If, in economic life, we act in accordance with the logical principle of maximizing efficiency, this will conversely affect social life. Wrecking social relations in order to make money is not cost-effective.

The unique cultural ideas of the countryside also affect the production management process. Workers in rural society do not understand their relationships only in terms of production itself; their views on work are embedded in overall village life and ethics. For example, rural workers do not understand fairness in terms of “hard work brings rewards.” On the contrary, they have a strange logic about wages. They may ask, “They work hard, so they’ve already earned a lot, and then you go and give them bonuses?” (from the interview record with the broker in Case 09). This logic dictates that brokers can neither publicly reward workers nor punish them for poor product quality.

V. The Pattern of Difference Sequence in Rural Industry

Due to the special nature of the labor force and the scattered distribution of processing procedures and locations, the production management of the putting-out system faces quality and scheduling challenges. As the labor force consists mainly of women and the elderly who cannot leave home, processing may well be delayed due to family issues and agricultural production tasks. This may prevent the broker from meeting the processing deadline. Moreover, many products are processed in different households, further increasing the risks to quality management. Even with centrally processed products, brokers find it hard to require strict factory discipline and systems from their workers. Agricultural production too conflicts with the processing of supplied materials; in the busy season, brokers often face labor shortages. More importantly, the processing work is deeply embedded in local social relationships and ethics. The relationships between brokers and process workers and among the process workers themselves involve complex and delicate social relations and ethical concepts. The workers can neither be easily rewarded nor publicly punished, which further complicates production management.

Only when a series of such problems are solved can the putting-out trade spring up and develop into a major industry. In practice, it is precisely local relations and ethics that are important resources for the expansion of the production network and the viability of production management.

1. Relationships and organizational forms

The unequal relationships among brokers and between brokers and process workers constitutes a network similar to the “pattern of difference sequence.”

First, brokers form their own community to share customers and information, and also help each other to ensure the completion of their projects on time.³⁰ The brokers in County Q have defined their own communities and it would be considered inappropriate to recruit workers from other communities.

Second, there is a “pattern of difference sequence” between the brokers and the labor force. Workers can be divided into two categories: ordinary workers who may come and go at any time, and “diehard followers” named for their relationship with the brokers. The core competence of brokers lies in how many “diehard followers” they can bring together.

Table 2 shows that no matter how many process workers a broker has, the “diehard followers” will form a small fraction of them. They come into play when deadlines are tight. “Like that day, I called the women up [the diehard followers]. I had to finish the work by four o’clock. It’s at times like this that they swing into action. If we don’t make the deadline, I won’t be able to deliver the goods and my credibility will be shot” (interview record with the broker in Case 16).

30 Fu Chunhui, *The Circle Operation of the Putting-out System: A Case Study of the Processing of Supplied Materials in Lishui City, Zhejiang Province*, pp. 97-103.

Table 2 Ordinary Workers and “Diehard Followers” of Different Brokers

Cases	Number of ordinary workers	Number of “diehard followers”
Case 07	Over 100	Twenty or thirty
Case 16	Over 400	More than a dozen
Case 18	Over 100	More than a dozen
Case 44	Over 600	Twenty
Case 42	Over 200	Several

It is undeniable that the relationship between brokers and “diehard followers” contains utilitarian elements. Brokers want to build a close relationship to enable them to finish urgent work, while the “diehard followers” hope to benefit from this good relationship in terms of income and job opportunities. But we should not overlook the fact that this kind of good relationship has more subtle emotional factors, and cannot be built overnight on a utilitarian attitude basis. When the broker in Case 28 introduced the way he built a relationship with the diehard followers, he said, “Sometimes we hit it off straight away; if not, you have to look at it seriously.” The establishment of such relationships requires years of interaction, mutual recognition and adjustment between brokers and their labor force, and the mode of interaction between brokers and their diehard followers is closely related to local society’s concept of human relations. As the broker in Case 16 said, “This is a special relationship that cannot be built up at once. It’s because I’ve been in the trade for so many years, so I’ve been dealing with them for years, and over time we come to feel for each other. We always think of them when something good comes, and they help us too.”

2. The management model of knowing each other thoroughly

The processing of supplied materials is based on a relationship network that relies on the acquaintance society to establish a management model of knowing each other thoroughly. Without frequent contact in local society, production in the industry would be almost impossible.

First, knowing each other thoroughly is the basis of ensuring the processing deadline is met. Due to the nature of the labor force, some workers will come to work, others won’t. The complex and specific reasons for this are related to the family situation, the agricultural economy and the personal life of each worker. It is only when brokers have a complete understanding of their workforce that they can tell whether a particular worker has been able to come to work recently and how productive each one is. Only in this way can they estimate the production capacity for the period and thus decide how many orders can be taken on and when they can be completed.

Second, knowing each other thoroughly is the basis of production management. The specific content of the broker’s production management is to ensure product quality and prevent workers from speculating (stealing raw materials and even going missing). “Specific human relationships” play a practical role in quality control. Brokers build trust on the

basis of acquaintance relationships, and this trust saves the transaction costs of production management. The broker in Case 09 said, “I’ve checked it the last few times and there was nothing wrong, and the same for checking the quantity, so I don’t need to count it again. This is based on long-term understanding.” Being thought “a good type” is brokers’ source of authority as production managers, and this assessment grows from a society in which people know each other really well. In summing up his experience as a successful production manager, the broker in Case 09 said, “Some people say I’m a good type (that is, the workers think she is a nice person). When I tell them to do something, they do listen.”

Third, only knowing each other thoroughly can ensure the smooth operation of the centralized production line. Centralized processing adopts the production line method. For example, the broker in Case 09 divides his clothes processing into more than a dozen processes. In the village centralized processing sites, no fixed number of workers shows up each day, and they may come or go at any time, which makes it difficult for the production line to operate smoothly. In addition, all the workers have their own particular characteristics. When arranging the production process, these factors have to be taken into account. To solve this problem, brokers must be familiar with every worker. The broker in Case 09 said, “The general principle is that the long serving and hard-working workers do the complex processes, while the lazy and thick do the simple ones.” Brokers guarantee the smooth flow of the production line on the basis of their understanding of their workers. Their effective (or limited) control of production has to be implemented through the control of “specific persons.”

VI. Full Use of Human Feelings: The Operational Mechanism of Embeddedness

Relying as it does on specific social relations, the processing of supplied materials uses a quite sophisticated and complex method to achieve its organization and management goals: we term this “making full use of human feelings.” This means feeling empathy for others and giving full consideration to their feelings or their codes of conduct.³¹ To achieve this, both actors need to fully weigh the interests of all parties in an economic action, and more importantly, they need to fully consider each other’s feelings and perceptions; that is what we call “human feelings.”

The role played by the “diehard followers” mentioned above in tight delivery times is a specific example of “making full use of human feelings.” Their special relationship with the broker obliges them to give him a hand (“face”) when he needs it; they’ll come even if they don’t get overtime pay. Below we give a detailed example describing the specific operational process of the “full use of human feelings” in quality management.

What should brokers do if the products have a quality problem? They rarely punish workers

31 Xu Zongyang, *Making Full Use of Human Feelings—Another Possibility for Efficiency: A Case Study of the Processing of Supplied Materials in Jinyun County, Zhejiang Province.*

for quality problems, and they can't yell at them. As the broker in Case 06 said, "It's not easy for country folk to be doing this work. If something goes wrong, can I shout at them? They're all fellow villagers, it would be really embarrassing." Brokers can't make or threaten to make deductions from workers' wages. The broker in Case 09 said, "[If you threaten to make deductions,] workers would rather not to be paid for the work at all than do it again." A broker who often fines workers will be regarded as "a harsh person." An image of this kind has no particular consequences for professional relations, but will have a far-reaching effect on the village community. In production for the putting-out trade, no broker has ever dismissed a worker. This is because the relationship between them is not only an employment relationship, but also a social one, and cannot be easily dissolved.

Of course, the use of human feelings is mutually reinforcing. If there is a serious quality problem, the main way brokers ask their workers to rework the product also invokes "making full use of human feelings." The broker in Case 09 describes the process of "helping me get this order done." "I've already helped you take all the threads apart. Can you go back and rework it? I'm not demanding this and I'm not ordering you to do it, I'm asking you to give me a hand." In the eyes of the workers, the broker has made a concession, and it would be unreasonable not to return to the task. In practice, "making full use of human feelings" is a delicate psychological process that is borne by both sides in the form of "embarrassment." The strategy adopted by the broker in Case 09 is to stand next to the workers and help them remove the thread. Generally, the workers will feel embarrassed so will rework the product. As they see it, "Actually, I did this wrong, and the broker's helping me correct it. If I don't accept his offer, it would be hard to explain" (from the interview record with the broker in Case 06). Generally speaking, workers feel that they should accept this request for "help" and choose "to give someone else a hand"; otherwise, they would be "embarrassed."

To a certain extent, "making full use of human feelings" is very similar to the informal operation of power, with local resources acting as the technique for implementing power.³² But this kind of formal and reductionist analysis of relationships and human feelings cannot explain the ethics implicit in such actions. A major feature of local society is "the pattern of difference sequence" with "the social sphere as a network made up of a myriad private connections."³³ In a tightly connected rural community, the cultivation of relationships tends to be a form of cultural self-construction rather than a strategy for exchanging resources with others.³⁴ In his later years, Fei Hsiao-tung revised the self-centered individualism of the pattern of difference sequence. He believed the process was one of "putting oneself in another's place" and was connected with the traditional Chinese ethics, especially Confucian

32 Sun Liping and Guo Yuhua, "Combining Harsh and Mild Measures: A Process Analysis of the Informal Operation of Formal Power," pp. 21-47.

33 Fei Hsiao-tung, *The Complete Works of Fei Hsiao-tung*, vol. 6, p. 131.

34 Yan Yunxiang, *The Flow of Gifts: Reciprocity and Social Networks in a Chinese Village*, pp. 240-241.

ethics.³⁵ Therefore, the idea, rooted in local society, of “making full use of human feelings” is not an expedient like “the informal operation of formal power,” but has profound ethical and moral implications.

Recently, some scholars have advocated tapping the core values of traditional society to understand the relationships and human feelings in Chinese society, in what has become an important dimension of social history.³⁶ Zhou Feizhou further links the relationship with ethical standards. “The pattern of difference sequence described by Fei Hsiao-tung is the basic feature of Chinese social structure, while the ethical standards proposed by Liang Shuming are the basic spirit underlying it.”³⁷ Liang Shuming especially emphasizes the ethical implications of relationships. He holds that “Our affection for one other is almost like being with our flesh and blood; with all, whether the people we meet are familiar to us and however long we’ve known each other, we naturally have feelings for them and the feelings produce what is right.”³⁸ The core principle of Confucian values is benevolence and righteousness, and it is this that constitutes the core spiritual principle of Liang Shuming’s ethical standard.³⁹ The most important aspect of benevolence and righteousness in rural society is the operation of the acquaintance relationship and the human feelings and “face” based on it.

We further show that “making full use of human feelings” is the specific operating mechanism of relational ethics. Ethics based on concrete relations refers to the specific emotions generated by actors on the basis of particular relationships and the specific principles of action generated by specific emotions. In practice, this is evinced in “making full use of human feelings” and “feeling for others,” and its final effect is “making people feel embarrassed.” This kind of interpersonal communication process based on a specific social structure and historical tradition is self-evident, and “can only be perceived rather than expressed”; Fei Hsiao-tung called it the “communication mentality.”⁴⁰ He pointed out that “mentality” was the most important basis for the study of regional development and even ethnic relations, an approach that became an important part of his cultural consciousness in his later years.⁴¹ These subtle, frequently used mentalities have had a great impact on the smooth operation of the putting-out trade. This process of interaction is not confined to rural society, but also pervades the daily life of every Chinese. However, it is demonstrated most prominently in rural society, where it directly constitutes an important social basis for the development of rural industry.

35 Fei Hsiao-tung, *The Complete Works of Fei Hsiao-tung*, vol. 17, pp. 438-465.

36 Zhou Feizhou, “On the Historical Dimension of Sociological Research.”

37 Zhou Feizhou, “The Pattern of Difference Sequence and Ethical Standards: Basic Principles of China’s Social Structure from the Perspective of the Funeral Apparel System.”

38 Liang Shuming, *Essentials of Chinese Culture*, p. 72.

39 Zhou Feizhou, “The Pattern of Difference Sequence and Ethical Standards: Basic Principles of China’s Social Structure from the Perspective of the Funeral Apparel System.”

40 Fei Hsiao-tung, *The Complete Works of Fei Hsiao-tung*, vol. 17, p. 451.

41 Zhou Feizhou, “From ‘Aspiring to Enrich the People’ to ‘Cultural Consciousness’: Mr. Fei Hsiao-tung’s Intellectual Turn in His Later Years.”

VII. Summary and Discussion

In the new era, the rise of rural industry has enriched and prospered rural businesses, becoming an important basis for rural revitalization. The regional differences in rural industry are the result of flexible exploration by different regions together with historical conditions and a variety of social foundations. This article sets out from the social foundation of rural industry to provide a case study of the processing of supplied materials in City L in Zhejiang, discussing the relationship between rural society and the development of rural industry in order to understand the “Chinese characteristics” of rural industry. The material and human resources provided by local society and the outside world are not sufficient to constitute all of the conditions for the rise of rural industry; the development of rural industry and rural revitalization must also have a social foundation that is dependable and can be mobilized.

In recent years, there has been a “paradigm shift” in the study of relationships in Chinese society from relationships to action ethics.⁴² Action ethics is related to the understanding and recognition of specific relationships (ethics) by the Chinese. On the one hand, it is based on the traditional mental structure, and on the other, it is based on specific emotions and obligations arising from particular close relationships. This paper deepens our understanding of the social ethics on which the putting-out trade relies by analyzing how the people concerned “make full use of human feelings” and “feel for others.”

Although rural industry has complex and diverse forms, and the social foundation has varying roles in rural industry, people always act in accordance with specific behavioral ethics. The process by which social relations and action ethics play their part is ultimately implemented in some seemingly natural details in the course of interpersonal interaction, and these largely determine the success or failure of the action. These specific emotions are on the one hand rooted in specific social relations, and on the other related to a special “mental structure.” In the course of communication, the Chinese pay attention to feeling for others and to the sentiment “What you do not wish for yourself, do not do to others” or reciprocity. This is directly related to the core value connotations of Confucianism. In this sense, this paper’s striving to “return to one’s native place” is an attempt to practice the shift from relations to ethics and to deepen our understanding of many sociological phenomena of our native soil in practice and theory.

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42 Zhou Feizhou, “Action Ethics and Relational Society: A Path to the Sinicization of Sociology.”

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