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Borrowing from the Buddha

Buddhist Temples as Financial Centers in Premodern East Asia

By Matthew Mitchell

We would not be surprised to hear the Buddha tell us how to meditate or how to be compassionate. We might be surprised to hear him offer financial advice. Yet in several cases, he does exactly this. In one early example, the Buddha advises a young layman to divide his wealth into four parts: “One part should be enjoyed, two parts invested in [your] business, and the fourth set aside against future misfortunes.”¹ This demonstrates that rather than entirely renouncing money, Buddhism developed alongside it and devised ways for laypeople to effectively use it.

The matter of the right use of wealth extends beyond simple advice that might be offered to a Buddhist layperson. Money has flowed between laypeople and the Buddhist monastic community since the origins of the religion over 2,500 years ago. In fact, the exchange of economic support for spiritual assistance lies at the heart of the lay monastic relationship, where laypeople provide for the worldly needs of the monks and nuns, while the monks and nuns teach and perform ceremonies for the laity. This basic relationship becomes more complicated when we learn that Buddhist monks and nuns offered loans to local laypeople.² In the essay that follows, I discuss how Buddhist monastic loans supposedly developed out of the concept of merit in India. After that, I examine two types of loans used by entrepreneurial monks and nuns in China, Korea, and Japan. In the first, temples lent money or seeds on interest. In the second, monks, nuns, and laypeople organized mutual funding and aid associations.

Understanding Buddhist loans is important for a few reasons. First, it demonstrates how Buddhism and money have been closely intertwined for centuries. By looking at loans, we can see monks and nuns as people who paid attention to infrastructure and interest rates, as well as meditation. Indeed, we will see along the way how some monks and nuns could be predatory lenders, while others displayed seemingly boundless compassion for the less fortunate. Monastic banks were widespread. We have records of both monks and nuns (or their administrators) at medium and large temples providing loans in East Asia from the arrival of Buddhism in China until the development of modern banks in the nineteenth century. Second, these loans were a way that Buddhist monastics maintained a relationship with society beyond the walls of the monastery. These loans enabled Buddhism to flourish, while at the same time they often boosted the local community economically. Finally, understanding these types of loans highlights the diversity of loans available historically, especially in times and places without access to modern-day financial institutions. In fact, many of these types of loans are important because they were later



Graphic: Willa Davis.

used by entrepreneurial moneylenders throughout East Asia, even up until the present day.

The Merit of the Situation

The idea of merit lies at the heart of the economic and spiritual relationship of laypeople and Buddhist monastics. To understand merit, we must first understand karma and rebirth. While an extended discussion of rebirth, karma, and their relationship to the idea of merit lies beyond the scope of this essay, a brief mention of these concepts is essential to our understanding of the economic dimension of clerical-lay relationships in Buddhism.

In many Indian religious traditions, this current life is not our only one. Prevailing beliefs are that humans

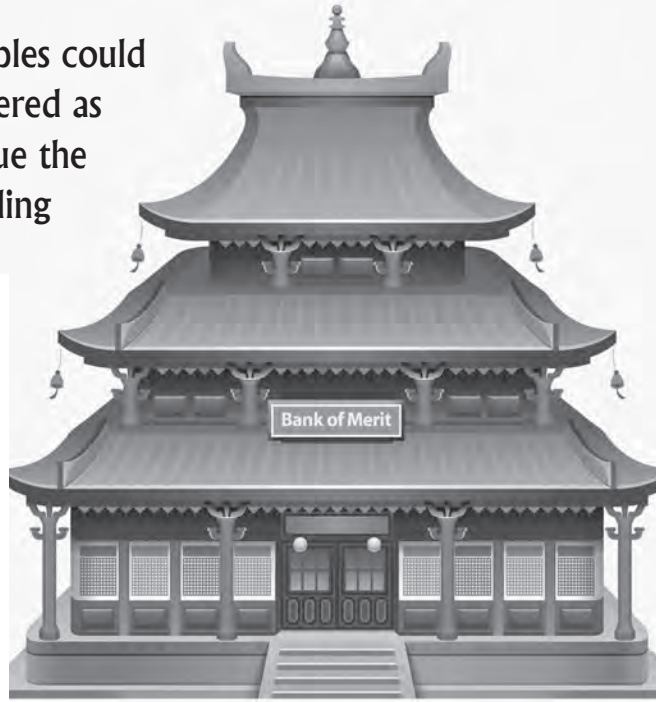
have lived many lives before and will (most likely) live many more after. Where beings are reborn is determined by their actions (or, for Buddhism, the intentions behind their actions), known as karma. The goal of many Buddhist monks and nuns is to escape this cycle of birth and death through the cultivation and practice of right morality, meditation, and wisdom. For many laypeople, however, the goal is to perform enough wholesome actions to earn a better rebirth.

By looking at loans, we can see monks and nuns as people who paid attention to infrastructure and interest rates, as well as meditation.

The not-yet-realized result of wholesome deeds is often referred to as “merit” (Sanskrit: *punya*). You can think of merit as a form of spiritual money, being earned and saved to be spent on a better rebirth. In fact, Buddhists talk of accumulating merit as if they were storing karmic money in a bank account. Wholesome actions add to the account, while unwholesome ones detract from it. Furthermore, just like with our modern-day bank accounts, merit can be transferred from one person to another. There are many examples of this, but a common one is the transference of merit to one’s deceased ancestors in the hopes that they have a good rebirth. Because transferring merit is seen as a selfless act, it does not detract from one’s store of merit, and in some cases, it may add to it.

So what actions generate merit? Following the Noble Eightfold Path, which encourages Buddhists to have right view, resolve, speech, action, livelihood, effort, mindfulness, and concentration, is one way. Practices that follow this path generate merit and at the same time develop the body, mind, and actions that will eventually lead to liberation from the

In premodern Japan, temples could directly seize property offered as collateral, or they could sue the borrower for any outstanding principal and interest.



Modified Illustration by Willa Davis. Source: © Shutterstock by Ico Maker.

cycle of death and rebirth. However, this seems to have been an advanced teaching that the Buddha taught to those who had attained a degree of spiritual attainment. Before this, and typically the first teaching the Buddha would give to a layperson, was a talk on “giving” (Sanskrit and Pali: *dāna*), morality, and karma. Therefore, giving, or charity, was one of the bases of the Buddha’s teachings, and it retained importance throughout one’s path to liberation. Indeed, charitable giving is thought to be one of the ten practices that must be perfected before one can achieve Buddhahood.³

While anyone can be the target of charitable giving, people considered the Buddha, the community of his followers, and individual Buddhist monks and nuns the best recipients because of their roles as teachers and their dedication to a moral and spiritual life. For this reason, this group of recipients is called a “field of merit.” By performing good deeds for or giving to the Buddhist monastic community, laypeople plant karmic “seeds” in the “field of merit,” and the merit produced by those “seeds” is thought to be greater than that produced by any other action. In economic terms, they offer a better return on one’s investment. This, of course, motivated people to support the Buddhist monastic community.

Merit is also connected with the story of how Buddhist temples began lending with interest. According to a monastic code compiled in the first or second century CE, a group of laypeople offered money to maintain monks’ and nuns’ housing. The donors were excited to offer money and get merit, but they were frustrated when they later discovered that the monks had simply left the money in the monastery’s storeroom, where it was not used. If offerings to the monastic community are not used, they do not produce merit for the giver. Instead of letting their frustration get the better of them, these donors suggested that rather than simply store the money until it could be used, the Buddhist community should lend the funds with interest and use the interest income to maintain the buildings. This would offer two forms of perpetual income: one would go to the monastic community as it continually drew income from the interest; the other would go to the donors who continually earned merit as long as the temple earned interest income from their offering. After some discussion, the Buddha was said to have established rules for Buddhist loans as a perpetual endowment: the loan was to have a detailed written contract with witnesses, and the borrower was to offer collateral of twice the value of the loan. This example became a standard for monastic loans throughout Central and East Asia.⁴

Buddhist Lenders, Pawnshops, and Seed Banks

People in China had lent money on interest before Buddhism arrived in the first century CE. Buddhists also offered a similar type of loans with interest to some clients. However, as French economic historian Jacques Gernet argues, Buddhists brought with them the idea of pawning or pledging an item in exchange for a loan. Like today’s pawnshops, pawned items

would be returned when the loan and interest were paid. Gernet suggests that these borrowers were well-to-do individuals who would have had a use for cash and whom the monastery could trust for repayment.⁵

Another type of loan offered by Chinese monasteries was aimed at poor villagers and farmers. These individuals borrowed wheat, millet, hemp, or other seeds from nearby monasteries. Borrowers planted the seeds, tended the crops, and repaid their loan in seeds or grains with the harvest. In cases where the borrower was a temple serf, temples charged no interest unless the borrower paid after the deadline. In the case of free farmers, however, interest on seed loans was the norm, and it could be as high as 50 percent, due at the time of the harvest. Although borrowing seeds could raise farmers out of poverty, it could also place these farmers in a state of semiperpetual servitude to the

monastery, especially if they could not repay the loan, as Gernet notes.⁶

Defaulting on a loan from a Buddhist monastery could come with a variety of consequences. Some said that failure to repay a monastery carried negative karmic consequences, affecting future rebirths.⁷ In this life, however, borrowers could lose any collateral or pawned items after the repayment deadline had passed. In the case of Chinese monastic seed banks, borrowers agreed to pay twice the amount of the loan in seeds or lose their “movables and other effects in compensation for the value” of the loan if they defaulted or missed the deadline.⁸ In premodern Japan, temples could directly seize property offered as collateral, or they could sue the borrower for any outstanding principal and interest. Collecting collateral in this way often led to an increase in temple property, and especially temple lands, but the practice was outlawed in Japan in 1762.⁹

In some cases of default, however, temples chose to cut their losses or offer extensions rather than force repayment or collect property. Priests or administrators might have thought it was too troublesome to pursue litigation or seize property. Alternatively, priests could have wanted to keep goodwill in their community: since many borrowers were locals, the temple would have damaged its standing by being too forceful with delinquent borrowers.

Lending with Compassion

There were cases of compassionate lending, however. The Chinese Buddhist reformer Xinxing (540–594 CE) promoted almsgiving as the only effective spiritual practice. Xinxing’s followers opened the inexhaustible storehouse cloister (*Wujinzang yuan*) in Luoyang and the Chinese capital of Chang’an. People from all strata of society donated to the inexhaustible storehouse because the collective act of giving made the merit from even a small gift inexhaustible.¹⁰ While temples in need of funds for repairs were major recipients of cash from this storehouse, the poor also received money from it as a form of social welfare. Xinxing’s followers also offered loans from the inexhaustible storehouse, without a written contract and without interest. While Gernet hypothesizes that these loans were likely only given out to upper-class borrowers on the basis of trust, Buddhist studies scholar Jamie Hubbard states instead that Xinxing’s followers lent money on the basis of the Buddhist “ideal of compassion manifested in the context of Chinese social welfare practices.”¹¹ In either case, the inexhaustible storehouse offered alms and interest-free loans to those in need until its suppression in the eighth century. Centuries later and across the sea in

Japan, some temples abolished interest on existing loans and offered new interest-free loans to aid those affected by disasters or famines.¹²

Mutual Financing

Buddhist temples in East Asia were also involved in a type of microfinance known as mutual aid or financing associations. The basic model for them is similar, no matter where or when they are practiced.¹³ Say, for example, that you need \$1,000 to start a business, but you only have \$100. Your first thought might be to apply for a loan from your local bank. But what if you could not take out a loan? Perhaps no bank would loan you money, or there was no bank near you. What are your options? You could gather nine friends to form a small association. Each person would add \$100 to the association's pot of money, for a total of \$1,000, which you would receive in the first meeting. A couple of months later, all ten members would meet again and each would put \$100 into the association's pot, and another person would receive the \$1,000. This would continue until everyone had received the pot once, after which time the association would disband. In mutual financing associations, every member is both a borrower and a lender. In more complicated versions, people pay more or less into the pot for interest paid or received.

In China, people organized mutual financing associations (called *she*, *hui*, *hehui*, and other terms) as early as the fourth century CE. They ensured that all members of an area contributed to the performance of festivals for the area's deities. Later, people formed Buddhist mutual financing associations to sponsor vegetarian feasts for monks, purchase Buddhist images, pay for Buddhist rituals, and so on. Gernet argues that these groups, which would have included monks and nuns as well as laypeople, were instrumental to the popular spread of Buddhism in China.¹⁴

These associations were transmitted to Japan sometime after the twelfth century, where they were known as *mujinkō* ("the inexhaustible association") or *tanomoshikō* ("the association like the reliance of a child upon his/her mother"). While in some cases they continued to provide ad hoc microfinance loans, people also formed mutual aid societies, where they pooled their money to counteract the effects of famine or natural disasters. Economic historian Tetsuo Najita states that this type of association was the inspiration for, and in some cases the direct ancestor of, modern-day health, life, and travel insurance companies.¹⁵

While mutual aid or financing associations can help start new businesses or protect against the uncertainty of disasters, they rely heavily on trust. As an investor, you must trust that the association will continue to function and that you will receive the payment you are due. A Buddhist-run financing association may have seemed more trustworthy than others. Many temples had been around for years, lending them an air of permanence. Some temples had many members and much corporate wealth. Finally, monks and nuns were supposed to follow strict codes of behavior. In other words, temple-run financing associations may have seemed safe because the temples were too established, too big, too wealthy, or too virtuous to fail. In many cases, this was true. What about when it wasn't?

In 1816, Yoshimura Tomiemon, an administrator from the Daihongan Convent in Japan, organized a mutual financing association.¹⁶ The association, which was made up of people from the nearby town, was to meet twice a year for ten years. Yoshimura used money from the group's first meeting to repair the convent's buildings and repay some of its delinquent loans.¹⁷ Things were going smoothly until Yoshimura decided to delay payments to members until the final meeting. He then canceled the final meeting in the fall of 1826 without paying the members. Instead, he decided to take on new members, which essentially restarted the association without paying money owed to the original members.

The original members brought a lawsuit against the convent. In it, they argued that the loss of money "caused great difficulty: some [of us] went bankrupt or fell into poverty, and one person even hanged himself as a result."¹⁸ The investigation came to a standstill because Yoshimura refused to talk to the investigators, claiming illness. After several months with no

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results, members of the confraternity threatened to take matters into their own hands. Signs appeared around the town saying that if their money was not returned, members would capture Yoshimura. Fortunately, matters were resolved without violence. In 1830, Daihongan Convent repaid a little more than 13 percent of the amount owed to investors in its association. While this may have seemed insignificant in comparison with what was lost, after three years of fighting, association members may have been happy to receive anything at all.

Blame was placed squarely on the shoulders of Yoshimura and the other managers of the association. The elderly abbess of the convent, who had been living in an affiliated temple in the capital city throughout the life of the association, was considered blameless. Unsurprisingly, this incident eroded trust in the convent as a financial institution. It could not organize financing associations for more than twenty years afterward. Through its failure, Daihongan's 1816 mutual financing association also demonstrates the degree to which Buddhist temples acted as financial institutions in their surrounding societies and how the failure of one Buddhist-led association led to bankruptcies, poverty, a lawsuit, threats of violence and protests, and even a death.

While now largely divorced from Buddhist temples, mutual financing associations continue to be used throughout the world in various forms. They fund small private enterprise in China, as political scientist Kellee Tsai notes, and courts in New Jersey recently debated the legality of a financing association organized by a Korean-American community.¹⁹

Conclusion

Loans by the Buddhist monastic community supposedly developed as a way for lay patrons to continually support the monks and nuns while the donors continuously earned merit. In East Asia, the Buddhist monastic community used the income from these various types of loans to build and maintain infrastructure, pay for ritual goods, and increase their land. In some cases, priests offered loans with exorbitant interest rates designed, it seems, to fill the monastery's coffers by preying on the needy. In other cases, temple managers embodied Buddhist compassion as they waived interest on loans after a disaster or donated money and goods from their storehouses for the needy. Laypeople built businesses, maintained their farms, and fed their families with the money, cloth, or seeds they borrowed from the monasteries. Or they faced economic and karmic burdens if they could not repay. Finally, lay supporters joined monks and nuns to form associations that supported the monastic community, funded rituals, and sponsored the construction of Buddhist images. In each type of loan, Buddhist temples acted as economic engines in the local community while they also benefited.

While loans connected laypeople with monks and nuns with the potential to benefit both, they are only one way that Buddhists in premodern East Asia economically interacted with the world outside their temple walls. Monks and nuns were landlords who held fundraising lotteries, drew tourists when they displayed their Buddhist images, and spurred on various economic sectors that supplied them with everything from incense to construction materials, to name a few. Each of these perhaps-surprising aspects of Buddhist finance is worth examining in more detail. Much like the loans discussed here, each of these provides a unique insight into the ways that Buddhist entrepreneurs used temple property to develop and maintain their religion while meeting the needs of a diverse lay population and facing changing economic climates. ■

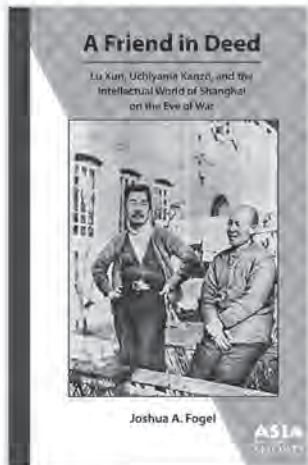
NOTES

1. John Kelly, Sue Sawyer, and Victoria Yareham, trans., "Sigalovada Sutta: The Buddha's Advice to Sigalaka," *Access to Insight*, 2005, <https://tinyurl.com/yynr6sgk>. This is remarkably similar to advice by Elizabeth Warren and Amelia Warren Tyagi in their 2005 book *All Your Worth*. There, they suggest spending 50 percent of your post-tax income on your needs, 30 percent on wants, and putting the remaining 20 percent into savings.
2. While some monks and nuns, especially in the Theravada tradition, are prohibited from directly handling money, many other Buddhist communities allow and even expect that monks and nuns will use money. For the Theravada regulations on money use, see especially rules 18, 19, and 20 of their monastic code at Thanissaro Bhikkhu, trans., "Bhikkhu Patimokkha: The Bhikkhus' Code of Discipline," *Access to Insight*, accessed May 29, 2019, <https://tinyurl.com/y6y9e6to>. Gregory Schopen discusses the many ways that monks and nuns use money. For example, see Gregory Schopen, "The Good Monk and His Money in a Buddhist Monasticism of 'The Mahāyāna Period,'" *The Eastern Buddhist*, no. 1 (2000): 85–105.
3. For more on the place of giving in early Buddhist teachings, see "Dana: The Practice of Giving," *Access to Insight*, ed. Bhikku Bodhi, November 30, 2013, <https://tinyurl.com/cb5qese>.
4. For examples of this in the monastic rules of various sects, see Jacques Gernet, *Buddhism in Chinese Society: An Economic History from the Fifth to the Tenth Centuries* (New York: Columbia University Press, 1995), 160–61; Gregory Schopen, "Doing Business for the Lord: Lending on Interest and Written Loan Contracts in the Mūlasarvāstivāda-Vinaya," in *Buddhist Monks and Business Matters: Still More Papers on Monastic Buddhism in India* (Honolulu: University of Hawai'i Press, 2004), 45–90.
5. Gernet, *Buddhism in Chinese Society*, 171.
6. Gernet, 175–178.
7. Jamie Hubbard, *Absolute Delusion, Perfect Buddhahood: The Rise and Fall of a Chinese Heresy* (Honolulu: University of Hawai'i Press, 2001), 169, note 54; Liansheng Yang, "Buddhist Monasteries and Four Money-Raising Institutions in Chinese History," *Harvard Journal of Asiatic Studies* 13, nos. 1 and 2 (1950): 177, note 12.
8. For several examples of these contracts, see Gernet, *Buddhism in Chinese Society*, 176.
9. Tamamuro Fumio, *Nihon Bukkyō shi: Kinsei* (Tokyo: Yoshikawa Kōbunkan, 1987), 320–322.
10. Hubbard, *Absolute Delusion, Perfect Buddhahood*, 176.
11. Gernet, *Buddhism in Chinese Society*, 214; Hubbard, *Absolute Delusion, Perfect Buddhahood*, 187.
12. Kobayashi, *Keiichirō, Zenkōjishi Kenkyū* (Nagano, Japan: Shinano mainichi shinbunsha, 2000), 330–349.
13. See Kellee S. Tsai, *Back-Alley Banking: Private Entrepreneurs in China* (Ithaca: Cornell University Press, 2002), Appendix E. for information about and references to mutual funding associations around the world. Of course, mutual aid associations, mutual funding associations, and rotating savings and credit associations (ROSCA) have developed around the world in various times, and so many of them are not Buddhist-inspired.
14. Gernet, *Buddhism in Chinese Society*, 259–277.
15. Tetsuo Najita, *Ordinary Economies in Japan: A Historical Perspective, 1750–1950* (Berkeley: University of California Press, 2009), 95–98.
16. This example is detailed in Kobayashi Keiichirō, *Zenkōjishi Kenkyū*; Miyazaki Masaki, "Kinsei Kōki Ni Okeru Zenkōji Machi No Shin'yō Jijō—Daihongan Shōninsama Mujinkō o Meguru Shiron—," *Shishi Kenkyū Nagano* 18 (February 2011): 49–55.
17. Buddhists and Buddhist temples could also be the recipients of loans. See, for example, Gernet, *Buddhism in Chinese Society*, 178–186.
18. A quote from the suit appears in Kobayashi Keiichirō, *Zenkōjishi Kenkyū*, 328.
19. Tsai, *Back-Alley Banking*. For example, one member of a gye ROSCA in the Korean–American community in 2014 brought a suit before the court in New Jersey. Vik Jaitly, "The Legality of 'Kye' Loans in Korean Immigrant Communities," *National Law Review*, October 17, 2014, <https://tinyurl.com/y2mrqpor>.

MATTHEW MITCHELL is a Visiting Assistant Professor at Allegheny College in northwestern Pennsylvania. His current research examines the social, legal, and financial activities of a group of Japanese Buddhist nuns affiliated with the Zenkōji Daihongan convent in early modern Japan. He earned his PhD from Duke University. Portions of this research were funded by fellowships from the Japan Foundation, the Robert H. N. Ho Family Foundation, and Duke University's Asian/Pacific Studies Institute.

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