

## ***Rebuttal***

# **The Resilience of *Guanxi* and its New Deployments: A Critique of Some New *Guanxi* Scholarship**

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ABSTRACT In addressing claims that the art of *guanxi* is declining in China's current incorporation of capitalism, this article argues that *guanxi* must be treated historically as a repertoire of cultural patterns and resources which are continuously transformed in their adaptation to, as well as shaping of, new social institutions and structures, and by the particular Chinese experience with globalization. The article takes issue with approaches which treat *guanxi* as a fixed essentialized phenomenon which can only wither away with the onslaught of new legal and commercial regimes. Rather, as the examples of Taiwan and post-socialist Russia's encounter with capitalism suggest, *guanxi* practice may decline in some social domains, but find new areas to flourish, such as business transactions, and display new social forms and expressions. This historical approach to *guanxi*, which is sensitive to issues of power both within the Chinese social order and between China and the West, is especially critical of the unreflective positivist methodology and the teleology of modernization theory/narrative and neo-liberal discourse embedded in the argument for the decline of *guanxi*.

When I first arrived in China in 1981 and started to do fieldwork on the phenomenon of *guanxixue* (what I called "the gift economy"), China had just emerged from the Cultural Revolution and was just starting to reconnect with the rest of the world. What I sensed while doing fieldwork and writing my book *Gifts, Favors, and Banquets*<sup>1</sup> was the need to capture the ongoing pulse of unfolding history in my ethnography. The fact that the Chinese social order was changing (and continues to change) so quickly has meant that *guanxixue* is best treated as a multifaceted ever-changing set of practices which make acts of interpretation and representation a very complex and difficult undertaking. Therefore, the final word on *guanxi* can never be concluded, caught as this social phenomenon is, in the fluctuating stream of history, and resilient as it is in adapting to new institutional arrangements with the introduction of capitalism. In accounting for novel and shifting formations of *guanxi* culture and practice, it is not sufficient to develop a sense of the pre-reform, pre-revolutionary and pre-modern past against which to contrast the present. One also has to enter into the risky endeavour of working out where the social order of which *guanxi* is a part might be headed in the future. However, instead of treating the future as an open-ended unknowable product of contingencies which shape an array of existing tendencies, patterns and repertoire of cultural resources, some

1. Mayfair Yang, *Gifts, Favors and Banquets: The Art of Social Relationships in China* (Ithaca: Cornell University Press, 1994).

scholarship has fallen into familiar established narratives on the inevitable movements of modernity. I wish here to contest some of these familiar narratives that have surfaced in recent years about the trajectory of *guanxixue*.

The focus of my book was on the social significance of *guanxixue* in the context of a state centralized economy that was still very strong in the 1980s, leading me to focus on the relationship between *guanxixue* and state redistributive power, and to describe the emerging commodity economy as only “petty.” As I write this a mere two decades later, China has already settled into new social patterns and forms of power that, given the politics of the time, seemed impossible then. Not only is there no longer a shortage of consumer goods, but a full-scale consumer economy and hegemonic consumer culture and media have developed. At the same time, the abundant goods are only available to those middle and wealthy classes who can afford to pay for them. The steady decline in the numbers and status of state-owned enterprises and the rise in unemployment may only be a foretaste of what is to come as the Chinese government actively sought and gained entry into the World Trade Organization (WTO) in 2001. As the domestic economy continues to develop, and a new class of wealthy Chinese entrepreneurs and investors emerge, the courting of overseas capital may become less important than the wooing and circulation of domestic capital among businessmen, managers and officials, whose very social categories are often blurred. In this new commercial society now taking root in China, what needs to be examined now is the encounter between *guanxixue* and capitalism, its practices and institutions, and the emerging capitalist developmental state. What I strongly wish to suggest, is that the outcome of this encounter is by no means pre-ordained.

The following discussion is a critical examination of some recent directions in thinking about *guanxi* in China’s new market economy. It was first written for a conference on *guanxi* organized by Tom Gold at the University of California at Berkeley in October 1999, and after it was not included in the conference volume, it was revised in November 2001 for publication in this journal.

### *Is Guanxi Declining?*

It is always an honour for a scholar to have someone do such a close reading of her text and quote extensively from it, as Douglas Guthrie did with my work in his essay “The declining significance of *guanxi* in China’s economic transition”<sup>2</sup> which subsequently appeared again as chapter 8 of his book.<sup>3</sup> Guthrie argues that in the economic reform period, with state established rational-legal institutional mechanisms in place, and with the impersonal forces of the market which allocate goods and

2. *The China Quarterly*, No. 154 (1998), pp. 254–282.

3. Douglas Guthrie, *Dragon in a Three-Piece Suit: The Emergence of Capitalism in China* (Princeton: Princeton University Press, 1999).

services on the basis of supply and demand and free pricing, there is a decline in the practice of *guanxixue* in the Chinese urban industrial and commercial world. Despite the honour, I also notice that only a small section of my work (Guthrie only addresses chapter 4 of my book) has been used to further a project whose conception, philosophical underpinning, methodology, and critical perspective on the world is entirely different from my own. The scope of inquiry in my book is a wide swath of diverse dimensions of everyday life for ordinary people in post-Mao urban society, while Guthrie's essay looks at a narrow and elite section, the management of urban state enterprises, especially the larger enterprises directly connected to the bureaus of Shanghai municipal government. In terms of philosophical conception, I am trying to open up new sites for examining the changing contours of power relations in a state socialist order, while Guthrie is concerned with an empirical question of the increase or decrease in frequency of *guanxi* usage. Our methodologies also differ radically: I conducted participant observation and engaged in free-flowing conversations embedded in different occasions of informal social interaction, while Guthrie conducted formal interviews with officials and state managers through the auspices of the Shanghai Academy of Social Sciences. Let me elaborate on these differences below.

*Method.* In a footnote, Guthrie distances himself from what he calls the "extreme relativism" of ethnomethodologists who point out that changing situational contexts produce differing responses from research subjects. Instead, his affiliations lie with those social scientists who are "positivists" and "grounded theorists," who take "the actions and words of research subjects ... at face value, as evidence of the social world as the research subjects experience it."<sup>4</sup> The problem with this methodological stance is that Guthrie is not conducting his formal interviews in the West, but in a society that has only in recent years received such first-hand scrutiny from Western social science. As most Chinese are aware, *guanxixue* is something that most people practise, to varying degrees of effectiveness and artistry, but few people would admit to publicly. There is *guanxixue*'s association in public discourse with the grey areas between proper and improper behaviour and with getting around rules and regulations. Furthermore, *guanxixue* is easily conflated with corruption and bribery, whose instances have increased in the reform period, have produced increasing resentment by ordinary people, and have become a target of severe campaigns by a central government anxious to preserve its legitimacy.<sup>5</sup> Indeed, corruption and bribery may be one outcome of the encounter between *guanxi* culture, official culture and a money economy. While Guthrie goes to great lengths to give his

4. "The declining significance of *guanxi*," pp. 268–69.

5. Amnesty International estimates that by September 2001 over 3,000 people in China were executed in the anti-corruption campaign of that year, more than the total recorded executions of the rest of the world put together in one year. Craig S. Smith, "Chinese fight crime with torture and executions," *New York Times*, 9 September 2001.

methodology all the trappings of scientific sociological method, complete with elaborate sampling techniques and statistical charts and graphs, his two-hour interviews with factory managers on-site, in the public space of factory grounds, undermine all his careful sampling techniques and raises grave doubts about his conclusions. Their work unit is hardly the place to elicit sensitive information from interviewees about their social activities, exposed as they are to the eyes and ears of people who may have developed personal animosities to them and who might report them for what they said to a foreigner. Guthrie writes: "An integral part of the interview was actually being able to see what each of the firms I studied looked like. Although a mere two hours on the grounds of a factory hardly qualifies as ethnographic research, it allowed me to compare the manager's story with what I actually saw occurring in the factory."<sup>6</sup> If Guthrie was hoping to catch any act of *guanxi* practice that would check against what the managers were telling him about the decline of *guanxi*, it would hardly take place in public on the factory grounds, but at the managers' homes, at business banquets, or at night-clubs and scenes of evening business entertainment. Much more convincing is the approach of another sociologist, David Wank, who combined a study of changing institutions of business in Xiamen with long-term fieldwork interaction with entrepreneurs and officials, paying careful attention to the very language that they used in describing the state-business relationship.<sup>7</sup>

Then there is also a common way of thinking that links *guanxixue* with an older ethics of personalistic loyalties and indebtedness, which in a society dominated in the modern period by a linear teleological scheme of history imported from the West, is often regarded as "backward."<sup>8</sup> When confronting a West that has always evaluated others against a yardstick measuring degrees of backwardness and modernity, Chinese research subjects will have a strong propensity to want to present the "modern" side of China. Therefore, Guthrie did not consider the possibility that, as a Caucasian researcher in China, his interest in *guanxixue* might be interpreted by his subjects as an attempt to dig out the traditional, "feudal," irrational, and embarrassing aspects of the Chinese industrial order. Thus, by not confronting the historical situatedness of his research and his own positionality in larger contexts of power relations between China and the West (found in discourses of modernity, and in the history of relations between these states, cultures and races), Guthrie puts the reliability of his findings in doubt. It also does not help that, while he states that he also encountered interviewees who "view *guanxi* practice as increasing in importance,"<sup>9</sup> he does not provide any infor-

6. *Dragon in a Three-Piece Suit*, p. 221.

7. *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge: Cambridge University Press, 1999).

8. Mayfair Yang, "Tradition, traveling anthropology, and the discourse of modernity in China," in Henrietta Moore (ed.), *The Future of Anthropological Knowledge* (New York: Routledge, 1996).

9. "The declining significance of *guanxi*," p. 272.

mation on what these people said, while he bases his conclusion and quotes extensively *only* from those who believe it is withering.

*Guanxixue's resilience and new sites of operation.* Guthrie greatly oversimplifies my book as merely an argument for the increase of *guanxixue* in China, whereas I took a much more cautious approach which recognized *both* the decline as well as new deployments of *guanxixue* in novel sites of operation in the reform period. He quotes me out of context when he attributes the following sentence to me: "*guanxi* has increased at an accelerated rate" "in the economic transition."<sup>10</sup> Actually, my exact sentence was that *guanxi* had increased "in the aftermath of the Cultural Revolution."<sup>11</sup> Indeed, I suggested that *guanxi* developed in the midst of the Cultural Revolution and then spread rapidly until it met up with the money economy of the 1980s when it declined in some areas of life but found new breeding grounds in others. While Guthrie recognizes that my study addressed the larger society as a whole while he targeted industrial management, his statements suggest that he views his findings as having wider relevance outside the industrial realm. Such is the case when he undertakes to criticize Bian Yanjie, a Chinese sociologist based in the US, for emphasizing the importance of *guanxi* in state job assignments and later the labour market in China.<sup>12</sup> In chapter 4 of my book on the recent history of *guanxixue*, I explicitly state that while "impersonal money has begun to replace some of the affectively charged relationships created by gifts and reciprocal favors,"<sup>13</sup> *guanxixue* has also "found new territory to colonize."<sup>14</sup> In the commercializing economy of the 1980s and early 1990s, I found that just as old contexts of *guanxi* usage declined, new ones emerged, such as the reliance on *guanxixue* to locate and maintain supply sources for new commercial ventures. Looking back on the years since I studied *guanxi*, there have been many new uses: obtaining passports and exit permits to leave the country, finding job opportunities with the decline of state job assignments and unemployment, linking up with relatives overseas for business and emigration, locating sources for loans to finance a new economic venture or purchase a home, and attracting overseas Chinese investors, to name just a few in urban contexts.

Indeed, there is a lot of evidence to suggest that, with the consolidation of the new consumer economy, *guanxi* practice has moved out of the area of the acquisition of consumer goods and provision of everyday needs, and into a more restricted domain, exactly that area where Guthrie claims it is declining. That is, *guanxi* now flourishes in the realm of business and the urban-industrial sphere, whether in dealings among private entrepreneurs, between private entrepreneurs and state managers, or

10. *Ibid.* p. 282.

11. *Gifts, Favors and Banquets*, p. 147.

12. Bian Yanjie, "Guanxi and the allocation of urban jobs in China," *The China Quarterly*, No. 140 (1994), pp. 971–999.

13. *Gifts, Favors and Banquets*, p. 171.

14. *Ibid.* p. 167.

between entrepreneurs and officials, especially local officials. As previously scarce items such as televisions, train tickets, restaurant seats, lean meat and nursery school space are now easily available through the market, ordinary people have less need to practice *guanxi*. It is in the world of business where entrepreneurs and managers still need to engage with what remains of the state economy, with official controls over state contracts, access to imports, bank loans, favourable tax incentives, access to valuable market information and influential persons, and exemptions from troublesome laws and regulations. It is here that *guanxixue* finds nurture in the new economy.

The example of post-socialist Russia is suggestive for understanding the evolving forms of *guanxi* culture in China today. Both societies were based on centralized command economies, and in the absence of market systems, both engendered a dynamic realm of informal social exchange and networking practices, albeit drawn from different cultural resources of their past. Based on her interviews in urban Russia in the 1990s, Alena Ledeneva, a Russian sociologist based in London, has given the most descriptive details of how *blat*, or the Russian economy of favours, personal networks and reciprocity operated in both the Soviet and post-Soviet periods.<sup>15</sup> On *blat* in the post-Soviet era, where privatization of state enterprises proceeded much more radically and quickly than in China, she writes: “The forms *blat* now assumes extend beyond the areas to which the term was applied before. It is important to consider these changes, but also to see the continuity of *blat* – the ways in which non-monetary forms of exchange are adapting to new conditions.”<sup>16</sup> What she found among her respondents was that, while *blat* was no longer used to obtain commodities for personal consumption, its sphere of influence had moved to the needs of business, where the business world had to deal with authorities in charge of “tax, customs, banking and regional administration.”<sup>17</sup> This move has meant that “*blat* practices stretched beyond their Soviet limits tend to be destructive of the national economy,” with corruption a key social problem today.<sup>18</sup> Where once *blat* was functional as a way to make the austere state command economy more reasonable for ordinary people, where it was based on personal ethics, and where *blat*'s damage to social equity was limited by its modest goals of personal consumption, today, the profit motive and monetary calculations in *blat*-corruption practices, and its linking of the business and official worlds and the criminal underworld magnifies the scale of its destruction to Russian society as a whole.

To deny that corruption is a significant problem in China today, as

15. Alena Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge: Cambridge University Press, 1998).

16. Alena Ledeneva, “Continuity and change of *blat* practices in Soviet and Post-Soviet Russia,” in Stephen Lovell, Alena Ledeneva and Andrei Rogachevskii (eds.), *Bribery and Blat in Russia: Negotiating Reciprocity from the Middle Ages to the 1990s* (London: Macmillan, 2000), p. 187.

17. *Ibid.* p. 189.

18. *Ibid.* p. 192.

Guthrie does in his book, flies in the face of *both* dissidents like economist He Qinglian, who came to her conclusions about increasing social injustice and concentration of wealth in China through government statistics,<sup>19</sup> as well as the highest authority, the Chinese Communist Party, whose general secretary Jiang Zemin made anti-corruption one of the central themes of his important speech on the 80th anniversary of the founding of the Party in July 2001.<sup>20</sup> Conflating *guanxi* with corruption, He Qinglian declares that “*guanxi* networks” (*guanxi wang*) have an inordinate role in the reform economy, as a major means not only for the redistribution of goods and resources, but also the accumulation of wealth and the rechanneling of public property into private hands. With *guanxi wang*’s penetration into all the different business-industrial activities such as “building new factories, joint ventures, factory retooling, government contracts, purchasing raw materials, product marketing, technical guidance and employee training, ... it can be said that, among enterprise managers in contemporary China, whether they are in state enterprises or in village and township enterprises, there is not one person who is not aware of the importance of informal social relations in business and industrial relations.”<sup>21</sup>

As I noted in my book, there is a difference between *guanxi* and corruption or bribery. *Guanxi* places much more emphasis on *renqing* and the long-term obligations and bond of the relationship than the material interest exchanged, whereas in bribery and corruption, the social relationship is a means, not an end, of the exchange. As *guanxi* practices shift increasingly into the business domain where business interests must engage with government officials who control the means to favourable business opportunities, the explicit material monetary calculations and the scale of monetary values transacted transforms *guanxi* into the order of corruption. The point here is not to suggest that, given its *guanxi* cultural legacy of the Maoist years, China is innately corrupt or cannot sustain any rational-legal values, but to show that, given the strength of corrupt tendencies in both post-socialist Russia and China today, one is highly sceptical of the simple argument that *guanxi* culture is being replaced by a new rational-legal regime. It would be more accurate to say that in the marriage between the developmental state with capitalism, a *guanxi* culture has given rise to increased corruption in business-government realms, which is as strong a development as the much announced state rational-legal measures. Much more faithful to the complex social realities of China today would be an approach which seeks to assess the ways that *guanxi* practices have changed and adapted to new conditions, and analyses its changing significance for the new social order. Whereas in

19. He Qinglian, *The Trap of Modernization: Economic and Social Problems in Contemporary China* (Beijing: Jinri Zhongguo chubanshe, 1998).

20. Jiang Zemin, “The Three Representations,” speech given by Jiang Zemin on the occasion of the 80th anniversary of the founding of the Chinese Communist Party, People’s Web, 2 July 2001, <http://www.people.com.cn/GB/shizheng/252/2072/2641/20010702/501591.html>.

21. He Qinglian, *The Trap of Modernization*, pp. 120–22.

the Maoist years and 1980s, *guanxixue* was often beneficial to ordinary people in allowing them more manoeuvring room in ordering their own lives, *guanxixue*'s shift into corruption now benefits the official-business classes and hurts the bulk of society as a small social segment quietly amasses public wealth.

One new form of *guanxi* practice emerging in the reform period which is, not surprisingly, found in the business world, is the provision of women's sexual services for those who are objects of *guanxi* overtures. The reform period has produced a highly visible male business culture in large cities, complete with cultural inputs from overseas Chinese and Japanese male entertainment cultures and their business-entertainment institutions such as karaoke bars, dance halls, nightclubs, saunas, KTV suites, restaurants, hotels and massage parlours. According to Everett Zhang, who interviewed Chinese private entrepreneurs in 1995, *goudui* is a new term in business circles which describes cultivating useful officials or business contacts by enjoying nightlife together.<sup>22</sup> No longer are gifts or banquets sufficient in these new *guanxi* rituals, but a long night sharing the pleasures of masculine heterosexuality and giving women's bodies and sexual services as gifts will cement *guanxi* better. The night may start with a banquet for the official(s), then the party may proceed to enjoy women serving them at a dancehall, karaoke bar or sauna, to be followed sometimes by the host hiring a prostitute to visit the official in his hotel room. Since nine out of ten entrepreneurs in China are men, in a survey conducted in 1992,<sup>23</sup> the commodification of sex in China is the consumption of women's bodies by a male clientele. This new form of *guanxi* culture brings China's business practices much closer to those in Taiwan and Japan, for which there is a growing academic literature. In Japan, large companies pay for their male employees to entertain clients and business contacts at nightclubs and bars where women are paid to pamper them.<sup>24</sup> In Taiwan, politicians and businessmen frequently go out to drink *huaqiu* (flower wine) together, and these establishments are where *guanxi* and trust are strengthened through masculine bonding, and real business gets transacted. It would seem that this increasing class and gendered nature of *guanxi* culture in urban society is just as significant a change as the inroads that a rational-legal regime has made in a few elite large government firms.

The state enterprises and large bureaucratically linked firms that Guthrie studied in Shanghai are only a tiny section of the whole picture of China's urban industrial-commercial order, one that will probably continue to shrink with China's entry into the WTO. There are many more small and medium-sized collective enterprises, joint ventures with overseas investors, private enterprises and family businesses, local government enterprises and joint-stock companies in provincial and small

22. Everett Y. H. Zhang, "Goudui and the state: constructing entrepreneurial masculinity in two cosmopolitan areas of post-socialist China," in Dorothy Hodgson (ed.), *Gendered Modernities: Ethnographic Perspectives* (New York: Palgrave, 2001).

23. *Ibid.* p. 235.

24. Anne Allison, *Nightwork: Sexuality, Pleasure, and Corporate Masculinity in a Tokyo Hostess Club* (Chicago: University of Chicago Press, 1994).



towns, and there is increasing exchange, joint operations and sub-contracting between urban and rural enterprises. The diverse range of industrial relations needs to be examined before we can claim a decline of *guanxixue* in the industrial order of the economic reform period.

Indeed, Guthrie's assertion of the decline of *guanxixue* in the Chinese industrial-commercial order is countered by a growing literature on its importance in the establishment of factories and businesses in mainland China by overseas Chinese entrepreneurs along the eastern seaboard in what is called "transnational Chinese capitalism." In the works of Gary Hamilton and Gordon Redding, two early scholars of the personalism of transnational Chinese businesses,<sup>25</sup> Chinese capitalism is shown to differ qualitatively from Western capitalism in that it emerges from a Chinese cultural tradition of small family firms based on paternal authority and personal trust rather than a legal system, and the importance of interpersonal and kinship relations rather than individual rights. They note the peculiar form of overseas Chinese capitalism as one of weak firms and strong inter-firm linkages and networks, in contrast to American, Korean and Japanese capitalism, which tend to take the form of larger hierarchically integrated corporations. Overseas Chinese small family firms are of simple structure and an ephemeral nature, whereas the personal networks between firms and their suppliers and buyers often outlast the existence of individual firms as firms open and close, merge and change their operations at will, with the help of a stable enduring network.

In the dense business networks that now stretch across political borders and connect overseas Chinese business investors in Taiwan, Singapore, South-East Asia and Hong Kong to what Hsing You-t'ien calls mainland China's "bureaucratic entrepreneurs" (state managers and business bureaucrats), *guanxixue* and the importance of personalistic relations are seen as a unique social feature<sup>26</sup> and even a competitive advantage of Chinese capitalism in the global economy.<sup>27</sup> These studies of the importance of *guanxi* in overseas Chinese capitalism, a force which is

25. Gary Hamilton, "The network structures of East Asian economies," in S. R. Clegg and S. G. Redding (eds.), *Capitalism in Contrasting Cultures* (Berlin: Walter de Gruyter, 1990), pp. 105–129, and "The theoretical significance of Asian business networks," in Gary Hamilton (ed.), *Asian Business Networks* (Berlin: Walter de Gruyter, 1996), pp. 283–298; Gordon Redding, *The Spirit of Chinese Capitalism* (Berlin: Walter de Gruyter, 1993), and "Weak organizations and strong linkages: managerial ideology and Chinese family business firms," in Hamilton, *Asian Business Networks*, pp. 27–42.

26. Chee Kiong Tong and P. K. Yong, "*Guanxi* bases, *xinjong* and Chinese business networks," *British Journal of Sociology*, Vol. 49, No. 1 (1998), pp. 75–96; Chee Kiong Tong and Kwok Bun Chan, "Networks and brokers: Singaporean Chinese doing business in China," unpublished paper presented at the conference "Chinese Entrepreneurs and Business Networks in South-East Asia," University of Bonn, May 1999.

27. Hsing You-ti'en, *Making Capitalism in China: The Taiwan Connection* (Oxford: Oxford University Press, 1998); Alan and Josephine Smart, "Transnational social networks and negotiated identities in interactions between Hong Kong and China," in M. P. Smith and L. E. Guarnizo (eds.), *Transnational Networks from Below* (New Brunswick: Transaction Publishers, 1998), pp. 103–129; Henry W. C. Yeung, *Transnational Corporations and Business Networks: Hong Kong Firms in the ASEAN Region* (London: Routledge, 1997); Aihwa Ong, *Flexible Citizenship: The Cultural Logics of Transnationality* (Durham: Duke University Press, 1999).

increasingly sustained by its interactions with the mainland economy, provide powerful arguments to look at global capitalism as a differentiated process producing diverse cultural and institutional forms.<sup>28</sup> They help to challenge the hegemony of models and teleologies of development based on Western legal contractual capitalism and its neo-classical economic theories which cannot recognize the embeddedness of the economy in different historical forms of social institutions and relationships.

However, by privileging a notion of “Chinese culture” or “Chinese capitalism,” some of these discussions tend to ignore the ethnic, class, gender and regional differences and tensions in transnational capitalist encounters. There is also a tendency to fall back on a cultural essentialist approach which sees Chinese *guanxi* culture as an unchanging essence which was already formed prior to the capitalist process, rather than formed in the very process of negotiating the entrance of transnational capitalism into a state economy. It is significant that the academic investigation of *guanxi* capitalism did not emerge until mainland China opened itself up to outside capital, stimulating the development of the Asian economy, and immersing overseas Chinese investors in the experience and requirements of doing business in China. Just as I suggest in my book that *guanxixue* came to prominence in China in the middle of the Cultural Revolution as a way for people to separate themselves from the extreme state-saturated order, so also it may be the case that in the economic reform order, a transnational capitalist culture is seeking to take root in China through *guanxi* ties which both elude state power and also gain its collusion. At the same time, the representation and self-representation of this capitalist force as something based on Confucian *renqing* and family principles obscures the fact that, while there may be *renqing* between business managers, often very little is practised when it comes to the extraction of surplus value from workers. Many scholars of Chinese business observe with approval that this sort of “*guanxi* capitalism” is more humane and often more efficient than the alienating contractual and individualistic capitalism of the West. However, Aihwa Ong has noted that there is a strong tendency to “euphemize” the actual *guanxi* violence that exists in Chinese and overseas Chinese firms, against workers, family members and kin.<sup>29</sup> Except for Susan Greenhalgh,<sup>30</sup> the patriarchal monopoly of masculine managerial power over women in these economic processes have seldom been discussed.

The importance of a non-essentialist historical perspective on Chinese business *guanxi* is underscored when we consider that it has been subjected to changing evaluations in Western discourse and media. Chinese personalistic culture was blamed for China’s backwardness in the modernization theory of the 1950s and 1960s, as seen in Marion J.

28. Constance Lever-Tracy, “Mismatch at the interface: Asian capitalisms and the crisis,” unpublished paper presented at the conference “Chinese Entrepreneurs and Business Networks in South-East Asia,” University of Bonn, May 1999; Ong, *Flexible Citizenship*.

29. Ong, *Flexible Citizenship*, p. 117.

30. Susan Greenhalgh, “Orientalizing the Chinese family firm,” *American Ethnologist*, Vol. 21, No. 4 (1994), pp. 742–771.

Levy's discussion of Chinese "nepotism."<sup>31</sup> Then as the "Four Little Dragons" developed their economic miracle in the 1970s and China entered a double-digit growth rate in the 1980s, there was the discussion of a "Confucian Chinese capitalism" which saw traditional family and kinship ties as an asset. Now that Asia has experienced an economic crisis in 1997, we have the notion of "crony capitalism" as the source of Asian inability to develop properly. Given the political uses of *guanxi* and *guanxi* discourse, it is better to treat *guanxixue* not as an innate timeless given of Chinese culture, but as a historically situated set of cultural practices whose features and discourse have different meanings and different deployments in given historical moments and political contexts.

### *Power*

While the main argument of my book was an examination of the social significance of *guanxi* for modern state power and governmentality, Guthrie deals only with a small side alley in the book which traces the recent history of *guanxi*. He only looked at the descriptive details in chapter 4 and neglected the main theoretical thrust in Part II of the book. I suggested that the rise of *guanxixue* in the midst and aftermath of the Cultural Revolution was a way of reversing the governmentalization of everyday life, by redistributing what the state apparatus had distributed according to very different principles of personal relations rather than political evaluations. Thus *guanxi* did not only have economic significance, but was a way to subvert state power as exercised through the state redistributive economy. Guthrie's more narrowly conceived empiricist project ignores the important question of power. Had he considered the power dimension, he might have addressed the question of how a developmental state which is no longer opposed to market economy and profit motives has now begun to exercise power in a different way, through rational-legal means which were absent in the Maoist order. In this, it is linking up with global capitalist neoliberal orders and discourses which are legitimated by an explicit appeal to "transparency" and legal protections for firms, especially transnational firms.

He might also have addressed the reason why his interviews showed that managers of smaller enterprises, joint-venture enterprises and enterprises positioned lower in the administrative ladder tended to assert *guanxixue*'s continued or increasing importance, while those of larger state-owned enterprises, especially those directly under Shanghai city government bureaus, thought it had declined for them. Although he recognizes that "firms at upper levels of the administrative hierarchy have significant advantages over firms at lower levels of the hierarchy – in part because they have inherently closer connections to the administrative

31. Marion J. Levy, *The Family Revolution in Modern China* (Cambridge, MA: Harvard University Press, 1949).

organs of the state that matter in the urban industrial economy – so there is less necessity for firms in this position to go out of their way to pull strings through connections,” he dismisses this situation as having any significance for the future of *guanxixue* by saying that this is due to the “path dependency” of the firm’s position in the administrative hierarchy of the past command economy.<sup>32</sup> Somehow it did not occur to Guthrie that economic reforms will only encourage firms lower in the administrative hierarchy, or outside the hierarchy (as in the case of private enterprises or overseas joint ventures), to challenge the hierarchical administrative chain of command that confers privileges on higher levels, and that *guanxixue* would be one of the strategies that these upstarts would deploy. Indeed, with China’s entry into the WTO and increased competition from abroad, those state enterprises may soon find their privileged access to official patronage and government protection severely challenged or they may be forced increasingly to share their monopoly of state privilege.

Pierre Bourdieu’s distinction between a “personal strategic mode of domination” and an “objective institutionalized mode of domination”<sup>33</sup> offers a useful way of understanding the continued relevance of *guanxi* power in China. The former mode of direct personal symbolic domination which needs to be constantly renewed and maintained (such as *guanxixue*) is practised in pre-state societies or in modern contexts where one cannot rely on a stable self-reproducing structure of domination whose routine procedures naturalize and legitimate the institutions of power. These latter modes of “objective domination” include institutions for acquiring titles, academic degrees, bureaucratic offices and property. Guthrie’s industrial managers of large state enterprises positioned at higher administrative levels can rely on objective structures of domination, whether through their special access to bureaucratic privilege or the market, and therefore do not need to resort as much to the time and energy-consuming personal and gift strategies such as *guanxixue*. As everywhere in the world, those in privileged situations are in the minority, so Guthrie’s claim that *guanxi* is declining in urban China’s industrial order leaves out the vast majority of enterprises, managers, entrepreneurs and business people in China.

While institutionalized domination obviates the need for extensive *guanxixue*, it also brings a person social capital in the form of circles of influential classmates and colleagues. For Guthrie’s state managers to declare that they do not engage in “*guanxi* practice,” but only have *guanxi* in business just like any other businessman in the world makes friends with business partners, is like a male Ivy League alumnus in the US of the 1950s denying he benefited from the institutional advantage and “old boys network” that an Ivy League experience conferred. Thus Alan and Josephine Smart are right in dismissing Guthrie’s distinction

32. Guthrie, *Dragon in a Three-Piece Suit*, p. 191.

33. Pierre Bourdieu, *Outline of a Theory of Practice* (trans. Robert Nice) (Cambridge: Cambridge University Press, 1997), pp. 183–84.

between “*guanxi* practice” and “*guanxi*” as the false distinction between “good *guanxi*” (what one does oneself) and “bad *guanxi*” (what others do).<sup>34</sup>

Since the bulk of China’s industrial-commercial order is made up of small and medium enterprises positioned at lower administrative levels in cities or in the dynamic small towns and rural localities, and an increasing number of these are either township and village collectives, joint-stock or privately-owned, *guanxi* can be a handy tool to make inroads into rational-legal objective domination. In addition, without bureaucratic institutional power, overseas investors must also rely on *guanxi* to make their way in China’s maze of bureaucratic power. As You-tien Hsing’s study of Taiwan shoe manufacturers in coastal south-east China shows, Taiwanese investors are linking up these local areas to the global economy, through *guanxi* ties with local governments.<sup>35</sup> These local governments which lay for so long at the lower levels of a vertical administrative apparatus, are now becoming increasingly autonomous from the central government.

By presenting the decline of *guanxixue* in the transition from state economy to market relations in China as a unilateral and unidirectional movement, and failing to consider the power dimension in the vicissitudes of *guanxi*, Guthrie courts the danger of a familiar teleology. This is the assumption that rational-legal economic relations are more efficient and more adapted to modern institutions, and will rightfully displace personalism, which is inefficient and wasteful. Again, the Smarts point out that, given the cumbersome legal system, expensive legal fees and litigious society of the contemporary United States, there is no reason to assume that a *guanxi* society is more inefficient.<sup>36</sup> If modernization theory in the West in the 1960s has been criticized for its narrow empiricism which hid its utilitarian ideology, instrumental rationality and Eurocentric assumption that there can only be one form of modernity, then we must guard against a new modernization theory. Liberal modernization theory’s prediction of the increasing decline of religion in the face of a modern rational secular order has failed miserably, as new religions and fundamentalist religious forces have emerged all over the globe, and in some cases directly do battle against the domination of secular rational modernity, as in Islamist offensives in recent years. Nevertheless, modernization theory and neoliberal aspirations and explanatory faiths seem to die hard. Strangely missing from Guthrie’s discussion is any reference to Max Weber, who despite his influence in modernization theory, was attentive to issues of power and politics, and was agonized by the import of his thesis of progressive rationalization, warning darkly of the “iron cage.” By merely constructing an empiricist inquiry without delving into the power effects of a rational-legal social order, Guthrie’s

34. Alan and Josephine Smart, “Failures and strategies of Hong Kong firms in China: an ethnographic perspective,” in Henry Wai-chung Yeung and Kris Olds (eds.), *Globalization of Chinese Business Firms* (London: Macmillan, 2000), p. 259.

35. You-tien Hsing, *Making Capitalism in China*.

36. Smart and Smart, “Failures and strategies.”

study remains steeped in the very rational-legal values and assumptions which it describes.

In the new version of his article in his book, Guthrie goes out of his way to defend China as having no more personalism and corruption in business and industry than any other places in the world, and to counter any claim of the importance of *guanxi* by insisting that the Chinese state has been doing its best in instituting rational-legal controls. It is as if only this sort of claim recognizes China's advancements and affirms China as eligible to join the advanced industrialized nations. However, this assumption that becoming Western is better, presumes that there is only one viable institutional and cultural mode of being in the modern world, and denies the possibility of multiple and alternative modes of modernity and economy. It is a mistake to think that only by arguing that China is just like the West, or becoming like the West, is one doing a service to China and being friendly to China. After so many modern Western solutions (modernization theory, Marxism) have either smashed against the reefs of this complex society, or brought great damage in not recognizing deep indigenous social forces that could distort the foreign ideas or in destroying traditional forces that deserved to be preserved as important components of modernity, the careful analysis of the institutional, cultural and historical specificities of China is crucial for understanding China's new foray into global capitalism, and not repeating the mistakes and tragedies of imposing Western solutions in the past.

To assume that rational-legal controls are the only way to run an economy, do business or check corruption, or the main solution to China's problems, is to ignore the dangers of another mode of power, based on instrumental rationality, Western legalistic property regimes and Western expertise, and an inflexible bureaucratic or market coldness to the bonds and obligations of human relations. We cannot assume that the institution of a rational-legal system only fights corruption and defends human rights. Rational-legal regimes can do these things, but historically, they have also been deployed to do a lot more. In the West, they have also been instrumental in furthering the consolidation of wealth and large corporate interests, and, from the point of view of Western business interests, there is a sense in which China must be made safe for this Western approach to capitalism. Furthermore, we should not forget that rational-legal regimes are not new to Chinese civilization, although the notion of "rights" was not emphasized. The formation of China's first centralized state of Qin in 221 BCE rested on the philosophy and statecraft of Legalism, which envisaged a strong state which could monitor and control its people's activities through a system of law and punishment that was indifferent to the values of kinship.<sup>37</sup> As public security organs across China in the reform period have come to be versed in the law, often it is not for protecting the rights of citizens but for a more systematic and legally legitimated implementation of state prerogatives. The anti-corruption campaign of 2001, in which Amnesty

37. Yang, *Gifts, Favors and Banquets*, ch. 6.

International estimates that by September, over 3,000 people had already been summarily executed, is a case in point.<sup>38</sup>

We cannot afford to ignore the legacy of *guanxi* culture found in both the positive and disturbing new forms and expressions of *guanxi* after China's entry into capitalism. We need to examine how *guanxi* has given rise to corruption, and at the same time can help avoid the impersonal and alienating atomism and naturalizing legitimization of the concentration of wealth in a capitalism ruled by a system of rational-legal apparatus. At least in China, the concentration of wealth is often not regarded as legitimate, since much of it is seen to be based on corruption, while in much of the West, the same concentration is usually accepted because of the entrenchment of a rational-legal system.

### *Guanxi as Adaptive Mechanism for Flexible Capitalism*

In contrast to Guthrie's thesis of the decline of *guanxi*, another type of approach sees a coincidental fit between the form of Chinese *guanxi* capitalism (small flexible firms based on personal networks which provide access to new markets and supplies) and what David Harvey argued is a recent shift since the 1960s in global capitalism towards "flexible accumulation."<sup>39</sup> This is a new mode of capitalist production departing from the cumbersome hierarchies and huge investments, inventories and overheads of large vertically integrated bureaucratic firms in favour of subcontracting relations and small companies which can change products and distribution outlets more flexibly in the intensifying competition to secure new market niches. Here the argument is exactly counter to Guthrie's, in that personal networks, not objective legal and institutional structures, are seen to be functional to a new kind of capitalism. It also suggests that those large state enterprises described by Guthrie may not be the wave of the future in China. Richard Appelbaum finds a positive significance to this fit between *guanxi* capitalism and the requirements of "flexible accumulation" and commodity chain production: the new development will challenge Western capitalist hegemony as the world shifts to a multi-core capitalist world system where the West is no longer the only dominant core to a Third World periphery.<sup>40</sup> This suggestion is not without historical basis. Japanese economic historian Takeshi Hamashita has shown that a regional world system was already in operation in the Asia-Pacific region in the 15th century in the form of an Asian tributary state economy centred around China, its tributary states of Japan, Korea and Vietnam, and their own satellite states. The subsequent introduction of European capitalism was merely overlaid on to this system and expanded it. Given the extensive Chinese trading networks throughout

38. Smith, "Chinese fight crime with torture and executions."

39. David Harvey, *The Condition of Postmodernity* (Oxford: Basil Blackwell, 1989).

40. Richard Appelbaum, "The future of law in a global economy, *Social and Legal Studies*, Vol. 7, No. 2 (June 1998), pp. 171–192.

East and South-East Asia in late imperial Chinese history,<sup>41</sup> and given China's recent economic growth rate, it is no longer a stretch of the imagination to expect that China might develop a *guanxi* capitalism of subcontracting networks that will create the contours of a capitalist world system significantly different from the present. Indeed, this is compatible with the thesis of Andre Gunder Frank's book *Re-Orient*, which proposes that the world system has been moving in fluctuating cycles of shifting centres of economic dominance, rather than in terms of the linear teleology of ascendancy and totalization that has been used to represent Western capitalism's global domination.<sup>42</sup> Frank suggests that the centre is moving back to Asia after an interregnum of five centuries in the West, and will form a counter-core to that of the West.

Sounding a different note, Arif Dirlik adopts a critical stance towards the fit between *guanxi* and capitalism.<sup>43</sup> He sees overseas Chinese capitalism and the discourse of *guanxi* capitalism by both academics and Asian political leaders as the symptoms and legitimations of this structural shift in global capitalism. For him, capitalist movement into the new frontier of China (with very little capitalist legal system in place) favours business relationships of kinship and *guanxi* networks and personal trust. Therefore, there is nothing humane about this new form of capitalism, the *guanxi* or personalistic form merely serves to facilitate capitalism's entrance and adaptation, leaving capitalism's basic exploitative character untouched. While I agree that *guanxi* capitalism is not necessarily more humane, I am also not ready to conclude that *guanxi* culture exerts no impact or change on the logic and operating principles of an individualistic legal-rational form of capitalism.

### *Towards Another Conceptualization*

In the encounter between the Chinese gift economy and capitalism, it is valuable to keep the scope of inquiry as wide as possible, because *guanxixue* and the operation of social networks may acquire new forms and meanings, and provide indispensable vehicles not only for business transactions but also for social politics. The practices, logics and ethics of *guanxi* described in my book can develop new theoretical significances not anticipated in the book, nor in the above ongoing discussions of *guanxi* in the new urban industrial order, or Chinese capitalism. In these approaches to the question of the relationship between gift economy and capitalism, what is always posited is either a seamless fusion and complementarity of the two economic modes, or the decline of *guanxi* in

41. Hill Gates, *China's Motor: A Thousand Years of Petty Capitalism* (Ithaca: Cornell University Press, 1996).

42. Andre Gunder Frank, *Re-Orient: Global Economy in the Asian Age* (Berkeley: University of California Press, 1998).

43. Arif Dirlik, "Critical reflections on 'Chinese capitalism' as paradigm," *Identities*, Vol. 3, No. 3 (1996), pp. 303–330.



the face of capitalist rational-legal and market mechanisms. *Guanxi* is seen to fit the new structural needs of capitalism and even to provide Chinese capitalism with a competitive advantage. Where conflict in their principles of operation are detected, the decline of *guanxi* is immediately posited as the natural and inevitable trend.

Just as I tried to work out the clashes between the personalistic principles of *guanxi* and Maoist order state rationality in my book, I would like to propose for future studies, a new focus on the conflict between the logic of *guanxi* and that of capital, and an inquiry into their basic incompatibilities and oppositions. Whereas capital's logic is one of endless accumulation, that of *guanxi* practice is a system of power based on expenditure and giving out. In the gift economy, there is an inverse relation between material loss and symbolic gain, in relations between giver and recipient. In the new market economy, even when *guanxi* is deployed to gain money, it can only do so by resorting to practices which go against the very grain of the principles of rational capital accumulation, that is, by being generous in giving of one's wealth and other resources. Thus, when *guanxi* is adapted to capitalism, money loses its independence because money itself must be mediated by symbolic capital, which is only gained through generosity. Therefore, in *guanxi* capitalism, there are two economic principles of operation working together and against each other – accumulation and expenditure – and there are two kinds of capital – material and symbolic. What we need are more studies of how these two principles and capital actually inter-act with and against each other in specific contexts. While it may be very hard to say that *guanxi* capitalism is “humane,” because of the exploitation of labour in production, in the realm of consumption and relations between firms and between business and government, we can perhaps see the ascendancy of *guanxi* operational principles, with the social pressures for parting with one's wealth in order to build up or retain one's social influence and prestige. It is perhaps in small towns and rural places in China where gift economy principles operate with considerable weight over and against capitalist principles, where capitalist extraction and accumulation is checked and counter-balanced by social pressures for community donations and expenditures. In describing *guanxi* practices in a north China village, Yan Yunxiang shows how a rural *guanxi* order comprises a moral community where gift exchange cements bonds of obligation and *guanxi* networks become support networks in times of need.<sup>44</sup> Even in urban context with their tendencies for instrumental *guanxi*, I have suggested that horizontal *guanxi* bonds create a fabric for reconstructing civil society after state fragmentation of social bonds. This moral cement of *guanxi* can also counter the new social fragmentation brought by capitalism.

44. Yan Yunxiang, “The culture of *guanxi* in a North China village,” *The China Journal*, No. 35, January 1996. On rural Chinese *guanxi*, see also Andrew Kipnis, *Producing Guanxi: Sentiment, Self, and Subculture in a North China Village* (Durham, NC: Duke University Press, 1997).

In my article on the hybridization of an indigenous ritual economy with a household commodity economy and external capitalism in rural Wenzhou, I show how, at the same time that a class structure has formed of local rural entrepreneurs and migrant workers in family rural industries, a significant amount of the extracted surplus is also being funnelled into projects to build up local identity and community infrastructure.<sup>45</sup> Large donations are made to the building of deity temples, ancestor halls and churches, and the funding of their community ritual activities, comprising a lively ritual economy. We need more studies of this sort in urban contexts, to see whether *guanxi* principles of generosity inform not only acts of corruption, but also donations in support of civil society. Have the new urban entrepreneurial, managerial and middle classes started to feel the obligations of wealth or felt the compulsion to compete for status through community, rather than individual, consumption and expenditure? Instead of always seeing capitalism incorporate other economic logics it encounters into its service, what would it be like to imagine this encounter as one where capitalism meets a new challenge, as potentially threatening to its operating principles as a worker's revolution? What would it be like to imagine a different scenario where gift economy principles penetrate, subvert and transform capitalism? What would an alternative form of market economy look like where monetary relations are subsumed to human relations; where social status is gained not through personal accumulation, but the giving away of personal wealth; where thrift and acquisitiveness lose out to or are counter-balanced by exaggerated generosity; where a sense of indebtedness haunts every material gain; where consumption is defined not as an individual spending, but a community act, like a Chinese banquet?

45. Mayfair Yang, "Putting global capitalism in its place: economic hybridity, bataille, and ritual expenditure," *Current Anthropology*, Vol. 41, No. 4 (2000).