

Social Ties and the Market: A Study of Digital Printing Industry from an Informal Economy Perspective*

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1 A Spectre Appears in the World of Speed Digital Printing

Anthropology, which helps us to “set our gaze” upon different cultures, warns us to think about whether we “look at” but do not “see” those things that are right in front of us because they are overly familiar. Taking the subject of this research as an example, this kind of concern is clearly not unwarranted. I first began investigating the speed digital printing industry in 2001. At that time my research was based in Wuhan (武汉), a city in central China. The immediate reason for beginning these investigations was that the price of services in typing and photocopying shops caused the majority of students, including me, to stop in our tracks. For example, at the beginning of 2001, the various prices of the main services of typing and copying shops were as follows:

- (1) Inputting text was ¥5 per 1,000 Chinese characters. In 2001, the price of this service was ¥3. In comparison with other services in 2000, the price of this service was not high. The reason for this was that the majority of students found it difficult to shoulder the expense of the costly printing services, and instead would choose to use a computer to proofread repeatedly until they were sure that there were no mistakes, and only then would they go to the typing and copying shop to print it out. This kind of coping strategy was very much common amongst university students.
- (2) There was also another method of pricing for inputting text: inputting text plus proofing the typesetting was ¥5, based on one page of A4 using size 4 Chinese characters. The pricing method of this type of service

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meant that the actual cost was around 1.2–1.5 times that of the service described above (the price of the two should be roughly the same, but the member of staff charged with the typing would select a 1.2 or 1.5 line spacing option, which meant that each page would hold fewer characters). Those customers that paid for this type of service usually did so because they were computer-illiterate and did not know how to input text, let alone the different typesettings, thus giving the typing staff the opportunity to use this skill barrier to “cheat” them on price.

- (3) To print pre-typeset word documents, per A4 page (in black and white) was ¥1. If a word document included colour text, it would be ¥5 per page.
- (4) To print pre-typeset word documents that included images, per A4 page (in black and white) was ¥2 (the reason for this was that including images would use a relatively large amount of ink). If the document included colour images then the price would be ¥7–10.
- (5) To print a pre-typeset B5 word document (in black and white) was ¥0.6 per page. If the document included colour text, it would be ¥2 per page.
- (6) To print a pre-typeset B5 word document that included images (in black and white) was ¥1. If the document included colour images, it would be ¥3–5 per page.
- (7) To photocopy an A4 word document (in black and white), it was ¥0.5 per page.
- (8) To photocopy an A4 word document with images (in black and white), it was ¥0.6–1.0.
- (9) To photocopy a B5 word document (in black and white), it was ¥0.3 per page.
- (10) To photocopy a B5 word document with images (in black and white), it was ¥0.5 per page.

(In 2001, the vast majority of typing and photocopying shops in Wuhan were unable to provide colour-printing services. It was even rarer that a shop would be able to provide colour photocopying).

The people running typing and copying shops would often complain that they actually didn't make very much money because their production costs were too high. Their so-called “high costs” were not made up of high wages for the staff employed to do the front-line work, nor were they due to expensive materials for typing and photocopying. Rather, they were mainly a result of the high prices of the machines themselves, the cost of their repair, and the fact that the machines aged quickly. To purchase a black and white photocopier imported from Japan was over ¥100,000. To buy a machine that could both

print and photocopy, one must spend almost ¥200,000 (this was more than the average price of a 100m² apartment in Wuhan at that time). The moment this kind of precision instrument experienced stoppages or faults, the cost of getting an expert to come and fix it would be calculated at ¥100–200 per call-out, or ¥300–500 per hour. Then there would be the cost of replacing parts. These costs were high. Ordinarily, after three to five years of use, a photocopier would become obsolete.

However, whilst the operators of these shops had their complaints, it was without doubt that their gains were still quite considerable. I carried out an interview with Mr. Zhang (a Wuhan local), who was the boss of a small typing and copying shop within the campus of Central China Normal University (华中师范大学). According to Zhang, a small shop of over 10m², with one printer, one photocopier, and two typists, could produce around ¥50,000–80,000 net profit per year (he also added that should they be able to secure the orders of government departments or large enterprises, then their profit would be even higher).

However, it just happened that in 2001 the majority of the owners who had already operated in the typing and photocopying business in Wuhan for many years became immersed in a “Waterloo.” Beginning in the autumn of that year, operators new to the typing and photocopying business in Wuhan began to appear and create huge shock waves by cutting prices. Again and again, the prices of those services described above fell. For example:

- (1) Inputting text, beginning in September, fell to ¥4 per 1,000 characters. By the end of the year this was ¥3. The phenomenon of the “cheat’s” price of inputting text disappeared.
- (2) Printing a black and white pre-typeset A4 word document (irrespective of whether it included images) dropped to ¥0.5 per page. By the end of the year, this had fallen to ¥0.3 or even ¥0.2 for a bulk printing order (over 100 pages). In the end, by summer 2002, the price had fallen to ¥0.15 per page, and ¥0.1 for bulk printing. Should the word document contain colour text, the price would be ¥3 or ¥2 respectively, and by summer 2002 it was as low as ¥1.5.
- (3) The price of printing a black and white pre-typeset B5 word document (irrespective of whether or not it included images), fell to ¥0.4 and then ¥0.2. Should the word document include colour text, the price was ¥1.5 and ¥1.0 respectively.
- (4) To photocopy an A4 black and white word document (irrespective of whether or not it contained images), the price fell to ¥0.3 per page, and by

the end of the year it had dropped even further to ¥0.2. For copying in bulk the price fell to ¥0.15 per page. In the end, by summer 2002 each page was only ¥0.1, and if you were copying in bulk it was ¥0.08 per page.

- (5) To photocopy a B5 black and white word document (irrespective of whether or not it contained images), the price first fell to ¥0.2 per page, and then by the end of the year it had dropped further to ¥0.15. In the end, by the summer of 2002, the price was as low as ¥0.1 per page, and for bulk copying it had fallen even further to ¥0.08.

(The operating model at this time had also undergone great changes, for instance, the people running the shops were responsible for going to clients in person to find business, and after completing the text inputting, printing, copying or binding work, they would deliver the product to the client).

I was told that the operators that had appeared and begun these price shock waves all came from Xinhua County (新化县) in Loudi City (娄底市), Hunan Province (湖南省). So, why was it that these people from Xinhua were able to lower the cost to such an extent? At the time, within the Wuhan typing and copying industry, there were all kinds of stories being circulated. One of these stories seemed to make a lot of sense, and many people believed it. According to this story, the main reason these people from Xinhua were able to lower the prices was that they were able to fix printers and photocopiers themselves, and they could even buy up second-hand machines that had been discarded and use them in their businesses. It was the vocational middle school of their county that was providing the training for them to learn how to fix printers and photocopiers. Perhaps because everyone had become so familiar with this story or because those in the same industry had suffered the impact of the blow so suddenly that they had not had time to carefully look into it, very rarely did anyone make more detailed inquiries as to the original version. The theory of “educational advantage” or that of “technical advantage” became the cause drawn upon to explain these shock waves.

The result was that in less than ten months almost all those who had originally been in business in typing and copying across the whole city of Wuhan had been cast out of the market. After closing down his typing and copying shop, for the last time, Mr. Zhang complained to me: “Everyone says us Hubei people are a shrewd bunch. Who’d have thought that we couldn’t compete with you Hunan people (I’m also from Hunan). You Hunan lot are just too good; you’re basically like a bunch of spectres.”

It really was a veiled metaphor that Mr. Zhang, who had been deeply influenced by Marxist teachings, should use the word “spectre” to describe those Xinhua people who worked in typing and copying. In fact, in 1999 and 2000, this “spectre” had already begun “floating around” Beijing (北京), Shanghai

(上海) and Guangzhou (广州). In the years following, the trend for reducing prices that they had started swept across almost every medium and large city in China. In September 2011, in Guangzhou, which is situated in the south of China, I interviewed a seasoned industry insider, Mr. Yi. He said:

One thing we can say fairly arrogantly (proudly)—actually it's not in the slightest bit an exaggeration—is that in the “speed digital printing industry” in every city over prefectural level in China, over 90% of the people doing it (operating this type of business) are from Hunan. Amongst these Hunan businessmen, over 95% are from Xinhua, and of these Xinhua businessmen, around 80% are from two towns, Yangxi (洋溪镇) and Chaxi (槎溪镇), or at least are relatives or friends of people there.

Of course, the statistics provided by Mr. Yi were only estimates. Due to the difficulty of gathering statistics, we have no way of knowing the precise number of people working within this industry.¹ However, through Mr. Yi's “arrogance,” we can gain a general idea of the overall picture that people from Xinhua already occupy an important place within the speed digital printing business in China at present.

2 Embedding Familial Ties, Friendship and Local Ties into the Market

Since 2001, whenever I came across typing and copying shops, I would always inquire as to what was going on in the industry. On the basis of our being “from the same place,” people who were working in the typing and copying business and I, a customer, easily became friends and built up a kind of cooperation that had more of a feeling of familiarity to it. As we got to know one another better, I became increasingly aware of how familial ties, friendship and local ties played an extremely important role in doing business in typing and copying for

1 There are also reports claiming that people from Xinhua make up 50% of the national market in typing and copying; they account for 65% of those doing business in repairing second-hand photocopiers and printers; they have an annual output of over ¥10,000,000,000, and that there are over 100,000 people from Xinhua doing this work (see Liu Jian'an, “Embodying the Dream of over a Hundred Thousand People, Xinhua's Speed Digital Printing Holds High its Dragon's Head”, Loudi News Website (“*ningju shi wan ren mengxiang Xinhua shuma kuaiyin anqi longtou*”, *loudi xinwen wang*) http://www.ldnews.cn/news/loudi/thenews/201107/20110706201252_2.html (accessed on 6/7/2011).

the people of Xinhua.² They had built up a huge network of mutual assistance. When I met Mr. Yi in Guangzhou in 2007, I became all the more certain of this. When I mentioned a typing and copying shop's boss in Wuhan, Mr. Yi would immediately say that he knew the boss really well, and that they were distant relatives.

The above information, which somewhat appears to be inconsequential or even inaccurate (as it is akin to hearsay), is not drawn upon here to show the details or standards of my research, but rather to explain that this group has relatively stable boundaries. It can be seen that throughout more than a decade they have maintained high levels of stability in terms of local ties. It is also perceptible that this group, wittingly or unwittingly, are protecting "secrets" that were already common knowledge within the group.

Aided by my identity as a "person from the same place," a "younger brother," a "frequent customer," and a "researcher," I finally gained treatment from Mr. Yi as "one of his own." Mr. Yi explained to me his own history and that of the industry.

From Mr. Yi himself, I learned that Xinhua County had never had a so-called vocational middle school that specialised in typewriter and photocopier repair training. That is to say, the theory about Xinhua people's "educational advantage" in the rumour was not the real story. In the same way, the "technical advantage" theory was also not exactly correct. In Mr. Yi's opinion, the magic weapons that secured them victory were their familial ties, friendship and local ties. Their technical advantage was just an added strength ("like wings added to the tiger") that emerged later, and it was connected to these networks of familial and local ties rather than existing independently in its own right.

According to Mr. Yi, to explain Xinhua people's advantage in the typing and copying industry, we would have to begin with the 1980s, whilst their advantage in the speed digital printing business was established in the late 1990s

2 In recent years, Guo Xinghua et al. have also been focusing on the "Phenomenon of Xinhua People" within the typing and copying industry. Their perspective, for the most part, tends towards the impact of local ties on the movements of migrant workers and of urban experiences on the behaviour of migrant workers; their work is rich with clear insight into the social identities of the migrant population (see Guo Xinghua et al. *Drifting and Seeking Roots: A Study on the Social Identity of the Migrant Population*, 2011, pp. 34–84, China Renmin University Press (*piaobo yu xungen: liudong renkou de shehui rentong yanjiu*). In contrast, what this article seeks to emphasise is the market significance of local ties on a macro-level, whilst at the same time stressing the economic impact of familial ties and friendship on a micro-level in businesses. Further, overall, what this article does its best to place analytical emphasis upon are the mechanisms of family and local ties and the market embedding themselves into one another, and the effect of this.

(Mr. Yi treated the “typing and copying industry” and the “speed digital printing industry” as two development stages, which were essentially different, though connected).

At the beginning of the 1980s, in the towns of Yangxi and Chaxi that lay next to the Hunan Provincial Highway 312 (湖南 312 省道), a certain number of people taught themselves, excelled, and went on to gain a lot of practical experience as technical workers (the majority were from Yangxi). They began to fix a certain brand of typewriters (named Sitong) in a downtown district of the county-level city of Lengshuijiang (冷水江). As for who it was that first brought these kinds of repair techniques to Yangxi and Chaxi, which are far from the city, it seems to be difficult to draw a clear conclusion. One story goes that a veteran, who had served in the army in Beijing, brought these skills back to his hometown Yangxi. Another story is that people went to typing shops in cities like Changsha (长沙), Loudi and Lengshuijiang, worked there as apprentices and later took their skills back to the town of Yangxi. Another story is that people from Yangxi came up with the repair techniques through their own explorations. In the ten interviews I conducted with people working in the speed digital printing industry, none of the interviewees was able to judge precisely which one of these explanations had the most truth to it. For the most part, they tended to think that “these questions have no clear answers. Nor are they important.” Instead, what they usually placed most emphasis on were stories of “relatives guiding relatives, and neighbours guiding neighbours” in setting up businesses. Thankfully, it was not the origin of the industry with which I was concerned either.

From the mid 1980s to the mid 1990s, more and more Yangxi and Chaxi junior high graduates and even those drop-outs began to join the ranks of Sitong typewriter repair workers. That was the result of a number of factors, such as the income from farming being too low, rural people’s burdens gradually growing heavier, tuition being too high, and the increasing speed with which the population was on the move. In terms of their spatial distribution, they began to increasingly spread further afield, going to Changsha, Shanghai, Beijing and even cities that Xinhua people traditionally viewed as distant places, such as Harbin (哈尔滨), Urumchi (乌鲁木齐) and Kunming (昆明). During that period, there were three ways of doing typewriter repairs. First, if the shop was on the slightly larger side, repairers would provide services at that fixed space. Second, if the shop was too small, or if there was no shop at all, repairers would take their services to the customers (within the industry this is known as “running a moving service”). Third, repairers would adopt both fixed services and “running a moving service.” People who opted for the first model were usually those who had entered the industry earlier and had a

certain amount of financial capacity. Those who went with the second model were usually latecomers to the industry or lacked finances.

During this stage, familial ties, friendship and local ties played a crucial role in the development and spread of specialist skills among these people from Xinhua. First, when hiring other technicians, the operator, who usually also doubled up as a technician, would give special consideration to close relatives and friends. After this, priority would go to those who were not close relatives but were from the same clan, and those related through marriage. Then there would be distant relatives and common hometown fellows.

Second, when it came to skilled technicians' taking on apprentices, these principles of familial ties, friendship and local ties would be observed in the same way. The parents and family members of apprentices also totally supported this way of doing things, as they could rest at ease handing their offspring over to relatives or hometown fellows to work and live together (free lodging and food for apprentices). Also, normally, after learning for around a month, apprentices were able to begin putting into practice what they were learning, and after a year they could finish their apprenticeship.

Third, the most important channel for operators to exchange business expertise with one another was the networks of relatives and hometown fellows. So it was for skilled technicians to exchange techniques. Before these people left their hometown to work, rarely had they been to other places, which meant that their networks of friends were usually included in the network of hometown fellows. They would achieve the exchange of experience and techniques in everyday interaction, which was part of maintaining relationships with relatives, friends, and hometown fellows.

Finally, in terms of the supply of spare parts, people from Xinhua would also rely upon their networks of relatives and hometown fellows, for in this way they could provide one another with what they needed at a low cost. As a result, compared with other operators and technicians, business expertise and new techniques spread through the networks of relatives and hometown fellows extremely fast and at exceptionally low cost. This advantage helped to make up for the weakness that their level of schooling was not high, enabling them to gain a position of real weight within the typewriter repair industry.

In 1995 and 1996, with the emergence and expansion of the microcomputer market, those from Xinhua who were in the typewriter repair business met with the "calamity of calamities": in only two years, Sitong typewriters had been almost entirely eliminated. However, they did not flinch. They stood up to the difficulty and began attempting to fix ink jet printers and even laser printers and money-counting machines. With this as their foundation, they struggled their way to setting root in the cities.

From the latter half of 1996 to 1997, the people from Xinhua “inevitably” came across an opportunity “by chance.” A man named Wang, a repairman from Yangxi, had bought up many “waste” photocopiers from the junkyard of a hardware store in Nanhai, a city in Guangdong Province (it was later confirmed that those used photocopiers had been cast off by a Japanese). Unexpectedly, after undergoing repair, the machine could be used as normal. After this, he spent ¥600 per ton on a great amount of “waste” photocopiers and set about fumbling around to repair them. When he occasionally was able to fix one of them, he could sell it for around ¥10,000 to his friends, relatives or people from his hometown. Following this, one by one, more of his hometown fellows achieved “chance success.” In 1997, not a few people from Yangxi and Chaxi began to find people to translate the Japanese instructions for the photocopiers, referring to the instructions to take apart and reassemble the “waste” photocopiers and printers bought by tons. Combined with the role played by networks of relatives and hometown fellows, all sorts of scattered repair techniques began to spread, collide with one another, merge, and improve. According to the master who taught Mr. Yi, by around 1998 or 1999, people from Yangxi and Chaxi had already basically grasped a complete set of fully matured skills and were able to turn “foreign rubbish” into copiers and printers that could be reinvested in for use. It was from this time that the first set of people who had mastered these skills began to split up and move to different areas. For instance, after gathering millions of *yuan* in capital, Wang changed industries, developing mining businesses in Yunnan (云南), Guizhou (贵州) and elsewhere. Others went to Japan to specialise in recovering used photocopiers and printers, then selling them off wholesale in Guangzhou, Shanghai and Beijing.

In 1999, like a great many other young people, Mr. Yi from Yangxi went to Beijing to “run a moving service,” but after working for three months, he changed industries because the income was too low. Then, he went to work at a steel plant for two months. At the end of the year, he returned to his hometown for the Chinese New Year. Mr. Yi went to visit his master, whom he had followed for many years learning martial arts, to wish him happy New Year. His master had opened his own typing and copying store in a foreign trade building in the Tianhe (天河) district of Guangzhou. So from 2000, Mr. Yi began at this store as an apprentice, with a monthly salary of ¥300. Mr. Yi was very smart. Since he was married, he had the pressure of supporting a family. As a result, he quickly managed to grasp all of the technical skills and gained business expertise. In 2001, Mr. Yi’s master gathered a large amount of capital and moved over to the catering industry. He wanted to invite Mr. Yi to work at his restaurant, but Mr. Yi did not take him up on the offer, staying instead at another typing and printing

shop belonging to his master on Cangbian Road (仓边路) in Guangzhou. Not long thereafter, a cousin of Mr. Yi, who had just finished a sentence and been released, came to Guangzhou. This cousin, Mr. Yi's elder brother and Mr. Yi himself became partners in taking over the shop. After some time, they had a falling-out, because the cousin wanted to go into business alone but Mr. Yi did not agree. As a result, Mr. Yi went to several of his "frequent clients" (PhD candidates from University S), through whom he became acquainted with a dorm superintendent. At a cost of ¥600 per month in rent, he turned one room, which was also a grocery store, into another small typing and copying shop.

Through networks of relatives (including those related by law) and hometown fellows, Mr. Yi was able to acquire relatively cheap machines and materials. He once said: "Machine repair relies half on money and half on fellow feelings." The exchange of management expertise and technical skills was also extremely convenient. After the three years it took to complete his accumulation of initial finances, Mr. Yi began to purchase modern equipment, such as a colour printer and photocopier, an electric cutting machine, and a binding machine. His profits did not mainly come from conventional printing and photocopying, but from colour image production, printing and copying, entering a stage that he referred to as "the speed digital image and text printing industry" (shortened as the "speed digital printing industry").

From the history of how people from Xinhua came to be in the speed digital printing industry and typically the individual case of Mr. Yi, it is not difficult to realise that the technical advantage that enabled them to eliminate their competitors did *not* come from education, but from their networks of familial ties, friendship and local ties. This can explain the cases of failure I came across in the investigations. For people who went to a school or college to learn repair skills, if they were not from Xinhua and were unable to enter these networks of Xinhua, they basically ended up being pushed out of the speed digital printing industry. To put it another way, after people from Xinhua had embedded familial ties, friendship and local ties into the market, they reduced both the cost of learning and that of doing business, swiftly extinguishing the market competitiveness of other operators. This is where the "spectre" of the speed digital printing industry lies.

3 Familial Ties, Friendship and Local Ties and Enterprise Involution

Aside from lowering costs to increase market competitiveness, the networks of familial ties, friendship and local ties also played a positive role in internal management and in increasing work efficiency. In the following section, I

will take two different models of operation and undertake a little analysis of them.

The first model is the small-scale shop. Usually, it consists of a husband and wife plus one or two apprentices or formal workers who are close relatives. Normally, the equipment would be fairly simple. Typically, this might be one to two computers, photocopiers, printers, one binding machine or merely one hand-operated book-threading machine, and one hand-operated cutting machine. They would only have the capacity to provide text inputting, printing, copying and simple binding services. This was referred to as a “typing and copying shop” by Mr. Yi and other industry insiders.

The second model was the relatively large-scale shop, which might even include branches in addition to the main shop. This was usually run by a husband and wife plus several close relatives who were core to the business, and then there would be some distant relatives and hometown fellows or even a few tens of them, working as apprentices or ordinary staff members. This type of shop would be more fully equipped. Typically, this would at least include over five or even a few tens of computers, printers, copiers, more than two binding machines, more than one intelligent cutting machines, pressed film-packaging machines, more than two high definition colour printers and photocopiers, broad width colour image output equipment and so on. This was referred to as a “speed digital image and text printing shop” by Mr. Yi and other industry insiders.

Of course, there were others who were operating on a scale and with equipment that fell between the two. Mr. Yi said that it was not easy to categorise this type of shop, and anyway, these categories were not absolute. However, at the same time he emphasised that the first kind of shop was equivalent to a small workshop, whereas the second kind was a formal enterprise, and the difference in nature between the two was great. During my interviews, Mr. Yi enumerated several important signs that could show the difference between the two. The first type of shop was often unable to provide its customers with a formal receipt because the scale of the shop was too small, whereas the second type, as long as the customer was willing to bear the additional cost incurred for tax, was able to provide this formal receipt. The first type of shop was often unable to accept payment by bank transfer as it was not a registered enterprise, whereas the second type of shop did have the capacity to do so. Then, due to its limited floating capital, the first kind of shop often would ask the customer to pay up front, whereas the second kind of shop was able to charge work to an account for its “frequent customers,” particularly for *danwei* (单位 work units), and they would settle the account in a single transaction after a month, a season, or even a year.

In the first type of shop, it was usually the wife of the boss or the apprentices that took care of the printing and photocopying, while the boss would be in charge of binding, cutting, and going to clients to collect and deliver work. Since there were very few staff members, their relationship was very close. A typical example of this type of shop is the Gold Printing Shop, at which I undertook research several times between 2008 and 2011.

The surname of the Gold Printing Shop's boss is Huang (in Chinese, the Chinese character of this surname also forms part of the word *gold*). He himself and his wife were both from Yangxi in Xinhua County, and at the time when I wrote this article, he was 30 years old. In 2005, both husband and wife left the shop of a hometown fellow and rented a space only several metres squared in between and underneath sets of stairs at the vegetable market next to University S. It was here that they started up their business. To make the most of the set-up of the space between stairs, they put the photocopier right up next to the door (for they have to stand by the photocopier to operate it), whilst the computer, printer, scanner and binding machine went under the stairs, at which they were only able to work by sitting or squatting. Also underneath the stairs, they put a small bed for Mr. Huang to use at night-time when he was watching the shop. They had employed (or guided) three other people. One of these was Mr. Huang's niece of 15 years old, who did not finish junior high and began to work as an apprentice at the shop in 2007. By 2008, she had already been able to independently provide common typing and copying services. Another one was the younger female cousin of Mrs. Huang on her father's side. In 2005, she began her work at the shop as an apprentice and left in 2007. The third was a distant relative of Mrs. Huang, who began as an apprentice at the shop at the beginning of 2010, and she has been working there to this day.

Seen from many aspects, the relationship between the Huang family and their staff was not just a pure boss-employee one. First, the "boss" did not seem much like a boss. For example, Mr. Huang and Mrs. Huang would eat together with their staff. In the evenings, Mr. Huang would sleep in the shop underneath the stairs, whilst Mrs. Huang would take their child and the two members of staff to sleep in the room they rented in an undeveloped part of the city. Every year, Mrs. Huang would buy clothes, shoes or other items of daily use and give them to the staff as "gifts" rather than as "rewards." As the members of the staff were still very young, Mrs. Huang would often act like an aunt or a big sister to them, teaching them certain things about physical health and helping them handle the troubles of adolescence. When they fell ill, she would act like a parent, accompanying them to see a doctor and looking after them.

Second, the “staff” did not seem much like staff. For example, one of the reasons that Mr. Huang’s niece went out to work without having yet completed junior high was that one of his members of the staff had resigned and he urgently needed a replacement worker. Outside working hours, the staff would often help Mrs. Huang to look after the child and even tutor the child in homework, English and math. During these times, they seemed more like nannies, relatives that had come from the countryside to take care of the child, or home tutors. In terms of the form of addressing, they would stick to the way they would address relatives in addressing Mr. and Mrs. Huang. They did not have a formal contract with their employer. There were no specific regulations as to the intensity of their work and working hours, nor did they have fixed days off. During my interviews, in relation to this they all said: “This is totally normal, helping out your own family. How can we quibble over every little detail? When there’s work to be done we’re busy, and when there isn’t any we have more free time.”

In the second type of shop, owing to the relatively larger scale of the operations, there was a clearer and more professional division of work and a rudimentary hierarchical management system. However, at the very core, it was still possible to see that the basic framework was the network of familial ties, friendship and local ties. Mr. Yi’s speed digital image and text printing shops could be considered as typical examples of this type.

According to Mr. Yi’s rough estimate, from 2001 to 2011, his speed digital image and text printing shops had employed over 100 members of staff. Aside from a very few exceptions, these staff members were all relatives or people from their hometown. Particularly, when it came to the core of the business, without exception they were all close relatives of either his or his wife’s. To be more specific, the division of work and the relationship were as follows (for the details of the relationship, see Figure 1 below):

- 1) Mrs. Yi (her surname is He): She is in charge of the main shop’s financial affairs, looking after their child, and assisting He Li in coordinating the daily business of the main shop.
- 2) He Li, the younger sister of Mrs. Yi: Aside from the latter half of 2010 when she returned home to get her marriage license, from 2002 until the time of writing, she had been the manager of the main shop. Her skills in printing, copying, manipulating images and editing were the best in the shop. Her interpersonal skills were flexible, and she was Mr. and Mrs. Yi’s most competent assistant. She was responsible for the management of daily business in the main shop, and the “teaching, helping and guidance” of

- new workers. Aside from Mr. and Mrs. Yi, she was the only person authorized to discuss large bodies of work with clients and to settle payments.
- 3) Yi Mei: She is a younger female cousin on Mr. Yi's father's side of the family, although falling outside of the "five generations" often considered by Chinese people to make someone a relative. From 2002 until 2007, she assisted He Li in coordinating the daily business of the main shop. Her printing, copying, image manipulating and editing skills were second best to those of He Li.
 - 4) Old Yi, Mr. Yi's elder brother: He is in charge of Mr. Yi's Tianhe branch. He had a small share in the shop (Mr. Yi was not willing to disclose the proportion). He knew how to output broad-width colour images. Aside from operating the daily operations of the Tianhe branch, he was also responsible for taking on large colour image printing jobs from the main shop and other branches.
 - 5) Bai Yong, the son of Mr. Yi's elder sister: His strength was in repairing photocopiers, printers, cutting machines, binding machines, pressed film-packaging machines and so on. He had basic skills in printing, copying, binding and pressed film-packaging. His main responsibility was the repair and upkeep of the machines at the main shop and the branches. He was also responsible for going to clients to collect and deliver work for the main shop. In the evenings, he watched over the main shop. Occasionally, he would also do binding, cutting and pressed film-packaging work.
 - 6) Luo Jun, the son of Mr. Yi's paternal aunt: He mastered basic skills in machine repair, printing, copying, binding and pressed film-packaging. He was formerly a worker at the main shop. Occasionally, he would be responsible for going to clients to collect and deliver work. In 2009, Mr. Yi opened a new branch outside one of the gates of University S, and Luo Jun and his girlfriend were in charge of the daily operations of that shop.
 - 7) Old He, the elder brother of Mrs. Yi: He only had skills in binding and cutting. Aside from binding and cutting, he was mainly responsible for going to clients to collect and deliver work. In 2010, after Mr. Yi opened a new branch in the teachers' living quarters of University S (he had the greatest share in this branch, although he was not willing to disclose the proportion), the wife of Old He became responsible for the daily operations of this branch.
 - 8) Yi Ju, a female cousin of Mr. Yi's on the father's side of the family: Her printing, copying, image manipulation and editing skills were all relatively good. From 2006 until the time of writing, she had been responsible for the daily operations of a branch opened by Mr. Yi in the Humanities office building of University S.

- 9) He Liang, a female cousin on the father's side of the family of Mrs. Yi: Her printing, copying, image manipulation and editing skills were all relatively good, and she had flexible interpersonal skills. For a long time, she had been in charge of an important branch in Shanghai belonging to a proprietor named He, and during the period when He Li went back to her hometown to get her marriage license, He Liang went to Mr. Yi's main shop to take over all of He Li's work.

Relatives and hometown fellows not only propped up the basic framework of Mr. Yi's enterprise, but also served as the magic weapon that enabled him to achieve greater efficiency. To address Mr. and Mrs. Yi, the staff all used the terms they would use for relatives. It was only when joking or evading the requests of customers that they would address them as "boss" and "female boss." The staff had one fixed day off every two weeks, but if there was a lot of work on, they would proactively alter this day off. Overtime was something common to them. Basically, each month there would be at least one or two days when they would work throughout the night, working over 20 hours. However, no one demanded the pay for overtime as it is stipulated in the Labor Law (劳动法) or other official regulations, let alone simply refused to work. Bai Yong's decline

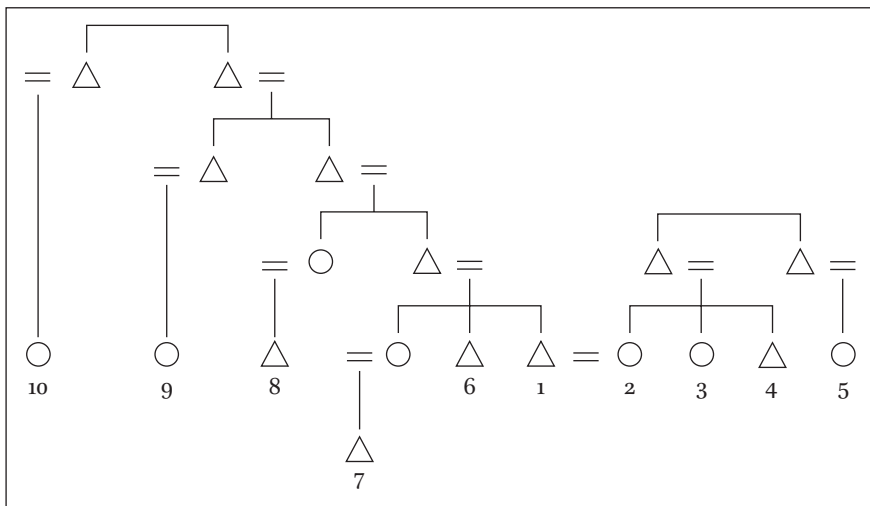


FIGURE 3.1 *The Kinship Relationship between the Staff Members of Mr. Yi's Printing Shops.*
Legend: \triangle male; \circ female; = husband and wife relationship; / parent and child relationship; \sqcap brother and sister relationship; 1 Mr. Yi; 2 Mr. Yi's wife; 3 He Li; 4 Old He; 5 He Liang; 6 Old Yi; 7 Bai Yong; 8 Luo Jun; 9 Yi Mei; 10 Yi Jun

of tip is a good case in point. One day at one o'clock in the morning, a certain customer woke Bai Yong, who was watching the shop overnight, asking him to hurry a job. Bai Yong worked right up until eight that morning. The customer wanted to give him ¥100, calling it money to buy a late-night snack, but Bai Yong politely declined the money, saying that he and Mr. Yi were family, and it was only right that he should work hard.

If we look at the overall picture of the two different models of shop respectively belonging to Mr. Huang and Mr. Yi, there is a great difference between the scale of work they take on and the level at which they work. However, as a result of their relationships through familial ties, friendship and local ties, they were both able to overcome the bureaucratic trappings of a hierarchical system—in terms of Mr. Huang's small shop, perhaps we cannot even refer to hierarchical management. Indeed, in terms of the high efficiency of internal management and labor, the two types of shop were in fact exactly the same. To some extent, almost all of the staff would do everything they could to satisfy customers' need, and they invest more of their labor without worrying about the hard work or even the pay. From the perspective of the relationship between industry development and labor investment, these were precisely the characteristics of “involution,”³ and these characteristics were the result of the embedding of familial ties, friendship and local ties into the market system.

4 Embedding the Market into Familial Ties, Friendship and Local Ties

The embedding of familial ties, friendship and local ties into the market created a warm side to the Xinhua speed digital printing industry, so that to a certain extent the shops seemed like big families. However, if we only look at this side of the issue, it would cause a picture warped by idealism and romanticism. In reality, from an industry perspective, this is after all, a market. From the perspective of the operating entity, whether they were a typing and copying shop or a speed digital image and text printing shop, in the end they were still market entities.

First, in terms of the relationships inside a market entity, familial ties, friendship and local ties have never replaced the employer-employee relationship. In

3 The term “involution” was used by Geertz to refer to the “self-defeating” process of Javanese agricultural workers, who achieved the aim of raising income by constantly increasing their investment of labor (Clifford Geertz, *Agricultural Involution: The Process of Ecological Change in Indonesia*, 1963, p. 80, University of California Press).

small shops like the Gold Printing Shop, it was very obvious that internal management was not particularly formal. In the words of Mr. Huang himself, Gold Printing Shop was a “mountain village” (“山寨”). Even so, the basic management procedures still existed. For example, in terms of wages, the two sides had already come to an agreement early on: during the period of apprenticeship it would be ¥500–600 per month, and after finishing the apprenticeship and “formally participating in work,” it was ¥1,000 per month. Once they became an experienced worker, which would usually take a year after they completed their apprenticeship, this would increase to ¥1,500. Due to the lengthy period, if we make deductions for increasing commodity prices, the employee would feel the “shrinking of real wages.” In terms of work procedures, the boss also had a set of regulations for the worker. Since the boss and the staff all worked together, in practice this achieved the effect of supervision of the whole labor process. During the process of my interviews, Mr. Huang’s three workers all complained that their work was too tiring. When I teasingly reminded them they could “think of ways to slack off,” one after another they replied: “With the boss and his wife right next to us, it’s hard to slack off. Besides, we are relatives after all. Since the boss has arranged all of the work, even if you’re not happy about it, you just have to restrain yourself and forget about it.” In other words, to a certain extent familial ties, friendship and local ties were being utilized as a management tool.

The market and these familial ties, friendship and local ties were so complicatedly interwoven that the unilateral attempt to remove the market or employment relationship would often damage the relationship based on familial ties, friendship and local ties. For example, when Mr. Huang’s first employee sought an excuse to quit, Mrs. Huang was unhappy, believing that this displayed a lack of concern for their familial ties, friendship and local ties. She said: “This girl (the employee) didn’t give a second thought to the monk (the ordinary worker), and she didn’t give a second thought to the Buddha (the boss), either. She just said she was leaving and she was off, forcing us to frantically look for someone to help out. The time we had was too tight, for it wasn’t easy to find someone suitable. In the end there was nothing we could do but to get that niece of his (Mr. Huang’s) who still hadn’t finished junior high to come over. There was nothing else we could do. At a critical time, you had to rely on your family, and only your own families are reliable.” The underlying meaning of her words was that she would no longer view this first employee, who was a relative of them, as “one of the family.”

As for Mr. Yi’s speed digital image and text printing shops, the management was far more formal. Aside from a relatively clear division of work, Mr. Yi gave his staff fixed working procedures and regulations, including the

duty schedule for the cleaning in the shops. There were also branch shops for Mr. Yi to administrate. Then, he was mainly in charge of purchasing raw materials, the comings and goings of large projects, and social networking. So, it was not possible for him to be with all his staff on a regular basis. Due to this, in both his main shop and the branches, he had installed surveillance cameras, the scope of which covered practically every last corner. In front of his staff, the reasons he gave for this were: first, it makes it convenient to monitor and control the procedures in the shop, to prevent anyone seizing the opportunity to steal when there are too many customers in the shop for the staff to look after; second, it makes it convenient for the main shop and the branches to exchange between them. However, all the staff members were clear about the third function of the surveillance cameras: the boss could use them to monitor their work. During interviews at the main shop and several of the branches, all of the staff members that I came across replied along the lines: "It's not possible for Mr. Yi to look at the recordings every day, but occasionally he will pick some out to have a look, and if he finds that any staff member has been slacking off, he will give him a telling off."

I once came across Mr. Yi when he angrily gave his staff a telling off. The rules upon which he criticized his staff were, of course, those of the formal management system. After he finished his criticisms, he said: "It's only because we're relatives that I had a go at you. You're my relative, so I don't beat around the bush with you. You don't need to feel any embarrassment. If you weren't my relative, I would say nothing. If I really thought that a person was no good, I would just tell them straight to clear up their stuff and go away at once. You don't need to get upset about it, but work has got to be done properly." These "admonishing words" have to them a certain element of management "artistry." On the one hand, Mr. Yi expressed clearly that a distinction should be made between the employment relationship (public) and the familial ties or friendship ties (private). In managing a person's work, he was unable to slacken his demands just because of their familial ties. On the other hand, he attempted to draw on their familial ties to eliminate the element of tension in the management-worker relationship. This meant that he embedded the market mechanism into the network of familial ties, friendship and local ties, and made it play a leading role. At the same time, he also embedded familial ties, friendship and local ties into the market mechanism, but his aim was to make more efficient use of his employees' labor (whilst also maintaining the need of the market mechanism).

Further, the turnover of Mr. Yi's team of staff was rather high. Similar to a great many other industries in the Pearl River Delta, the speed digital image

and text printing shop demanded a deposit of one month's wages from its young workers. If a worker quit before having worked for a whole year, in accordance with the agreement drawn up at the time of employment, Mr. Yi would deduct one month's wage from his or her salary. This sometimes met with dispute. Mr. Yi said:

If they merely play the cards of relatives or hometown connections with me, I won't even give them the time of day. If they do not play by the rules just because they're my relatives or hometown fellows, then I wouldn't be in business for long. Of all the workers here, who isn't a relative or come from the same place as us? There have been a few times when their parents called me from hometown and criticized me. I say to them: 'a nation has its national laws, and a family has its family rules. Which line of work doesn't have its own set of rules? It's not just my shops that take a month's wage as a deposit and even it's not just the typing and copying industry. There's no way I can return the deposit.' If they think that this is not right, pull a face and want to wash their hands of me as a relative or a hometown fellow, then fine, so be it! If there are sound reasons for them to resign, they just need to explain to me. That's another story. It's not a case that because I'm doing business I disown all my relatives and have no time for human feelings. For example, if one's health is not good and he need to go home to rest and get better, or if he need to go back home to get engaged, get married, or if one's parents are ill and he has to look after them, or if there's some urgent situation at home and there's no way for one to carry on working here and so on, all in all if only there's an acceptable reason, they don't even have to ask (to have their deposit returned), I would act of my own accord and quietly return it to them. But if they just job-hop after having acquired the skills or leave to go it alone in business, then of course I can't give it (the deposit) back to them.

Second, from the perspective of the relationships external to the market entity, familial ties, friendship and local ties have never been able to dispel relationships of market competition. Above, we have already seen that familial ties, friendship and local ties provide people from Xinhua working in the speed digital printing industry with a natural basis for mutual cooperation. They are the "secret weapon," allowing them to eliminate their competitors. However, networks of familial ties, friendship and local ties do not have unlimited space or effect. In many circumstances, the rules of the market will become embedded into familial ties, friendship and local ties and dispel their effect.

Take Mr. Yi's experience in the business as an example. The time he left his master's shop and began to operate relatively independently at Guangzhou's Cangbian Road, without question, he was beginning to invoke the rules of the market as far as it was appropriate for him to get around the disadvantageous restrictions that accompanied familial ties, friendship and local ties. Then, the reason that his master let him operate the shop at Cangbian Road, which is a great distance from the main shop in Guangzhou's Tianhe District, is that he wants to avoid direct competition with Mr. Yi's business. In other words, they were taking into account the importance of the rules of the market, but at the same time they were also doing their best to avoid these rules of the market causing harm to their network of familial ties, friendship and local ties.

Not long after Mr. Yi, his elder brother and his cousin had begun operating as partners on Cangbian Road, another apprentice of his master's also left to go it alone, deciding to set his business up opposite them on the same street. This type of competition caused their relationship as "brothers as students of the same master" to rapidly deteriorate. Soon after that, Mr. Yi requested that his master make this "younger brother of the same master," who was also from the same hometown, leave Cangbian Road. The street was managed particularly strictly. It was essential to obtain a special permit in order to conduct business there. A former military comrade of Mr. Yi's master, who worked in the Department of Industry and Commerce, used this as an excuse to make this proprietor cease his business operations there. However, less than six months later, a feud developed between Mr. Yi, his elder brother, and their cousin, because the cousin wanted to go into operation independently and wanted them to withdraw from the business. After the quarrel between the two sides, Mr. Yi had calculated that a split would not be completely detrimental, because he did not want to further damage the bonds between relatives, and then since he was in charge of outside contact, he had a grasp on a considerable amount of customers (particularly those from University S). Mr. Yi chose to give up his share in that business and began independent operations on the campus of University S.

After having enlarged and strengthened his business on the campus, Mr. Yi established his main shop in the basement of the university's Building H and also set up three branches in the university and its surrounding area. Without a doubt, there were also varying levels of competition between these operations and those of his hometown fellows, which came to University S or the surrounding area relatively late. For instance, when being interviewed, Mr. and Mrs. Huang said that Mr. Yi was the sort of person who was decent to people, and in the past they would often go and hang out at his shop; however, after

they started operating in the same line of business, they began to feel a bit awkward. Mrs. Huang said: “We have absolutely no way to compete with him, for we have too little capital and our equipment is too poor. The jobs that we take on are all the ones he thinks aren’t worth bothering with. Now, sharing a bowl of rice is a bit different to how it used to be. . . . If I had to say what it (the problem) is, it’s nothing really. Maybe we are just too busy and we don’t have time to hang out together anymore.”

If the “feeling” of Mrs. Huang about this competition was a little unclear, for in the end, she was more willing to use “too busy” to express the increasingly distant relationship between them as fellow hometown people, then the conflict that emerged between Mr. Yi and Mr. Wang, another proprietor whose business was next to University S, was blatantly obvious. Mr. Wang’s shop was a little larger than that of Mr. Huang’s, but in 2006 when he had just begun the business, he did not have a colour printer. From time to time, when Mr. Wang had a small amount of colour printing work to be done, Mr. Yi would “help out” and do the printing at slightly lower than the market price (there was still some profit to be made). This went on until one day when Mr. Yi realised that Mr. Wang had been handing out promotional business cards in Building H to attract clients. The teaching staff in Building H were seen by Mr. Yi as core customers for his colour printing services. As a result, Mr. Yi terminated this “helping out” relationship and also lowered his price for photocopying from ¥0.1 per page, first to ¥0.08 and then to ¥0.05—this was the same as the market price in the surrounding area, whereas previously the price within the grounds of University S had always been a little higher than that of off-campus area. This directly created a not insignificant crisis for Mr. Wang’s shop. Mr. Wang said that he had gritted his teeth and borne it for about a year before finally seeing the end of this crisis. On this matter, Mr. Yi said angrily: “I often helped him out as we’re from the same place, but it hadn’t occurred to me that he would stick his hand through my own door. Where are the bonds between people from the same place? It was him that acted without benevolence in the first place, so I can’t be blamed for acting unjustly after that.”

At a higher level, the process of the market being embedded into networks based on familial ties, friendship and local ties may even be seen in tangible form. For example, on the 6th July 2011, in the conference hall of the Xinhua County People’s Government, over 200 Xinhua people working in the speed digital printing industry came from all over the country to establish the Xinhua Speed Digital Printing Commercial Club. The County Party Secretary and the County Mayor were both in attendance at this meeting. The man in charge claimed that every year operations run by Xinhua people in the speed digital

printing industry produced the value of at least ¥10,000,000,000. He argued that the commercial club would establish a bridge to link government, business and the consumer, standardise the behaviour of the enterprises, and form a composite force and strengthen competitiveness by bringing together different kinds of resources. An example of this was the following: “To make group purchases from foreign companies will lower the cost by at least 10%.”⁴ In reality, however, not every business operator deep within this local network had the opportunity to enjoy such a channel for integrated resources. Mr. Yi, who was rumoured to be worth over ¥10,000,000, said: “The main founders are big traders with businesses in Beijing or Shanghai, so ordinarily a little proprietor like me wouldn’t be invited along, but I’ve been good ‘brothers’ with several of them for years, so they did invite me to join them.”

I have no way to judge whether Mr. Yi really had the clout to participate, for he modestly concealed the scale of his assets in the interviews. However, what we can determine is that for those Xinhua operators whose scale was not substantial enough, it was true that they did not have the capacity to enter this new network. On 4th October, 2011, whilst I were conducting research in typing and copying shops next to the grounds of Guizhou University (贵州大学) in the south west of China, one boss confided that he knew of the establishment of the commercial club, but he had not returned home to take part. He said:

That’s a game for the big players, we don’t qualify. If it wasn’t that we weren’t strong enough, we wouldn’t have been squeezed out in the first place, ending up in a faraway place like this to put food on the table. . . . In fact, in the future, as their costs become lower and lower, the competition will become increasingly formidable, and they’ll gain more and more of a monopoly over the market, whilst the rest of us (small-scale operators) will find it harder and harder just to scrape together a little business.

To put it another way, although the commercial club was coloured by familial ties, friendship and local ties, the real essence of it was that of a network of market relations, especially as an alliance of strong market players. For small operators, the network of market relations swallowed up those of familial ties, friendship and local ties.

4 Liu Jian’an, “*Ningju shi wan ren mengxiang Xinhua shuma kuaiyin anqi longtou*”, (“Embodying the Dream of over a Hundred Thousand People, Xinhua’s Speed Digital Printing Holds High its Dragon’s Head”), *Loudi xinwen wang* (Loudi News Website), http://www.ldnews.cn/news/loudi/thenews/201107/20110706201252_2.html (accessed on 6/7/2011).

There really was pressure for those who started out low or came into the industry relatively late, for their fellow business people who had made their wealth earlier on were now moving towards integrating resources and strengthening competitiveness. From Mr. Wang, who faced the heavy pressures of his business, and Mr. Huang, who had not seen any real improvement in his business circumstances for many years, it was not difficult to realise that unless they were able to gather together a large amount of capital and directly get into the field of colour printing wherein there was higher profit to be made, it would only become more and more difficult to turn themselves from small players into big players and from weak players into strong players just by relying on their small scale comings and goings. I noticed a post on the “Typing and Copying” forum of the “Yangxi People’s Forum” on the “Yangxi Information Port” website.⁵ The title of the post was “You Can’t Do This, and We Can’t Take It”; the content was a photo of an advertisement on the window of a typing and copying shop, which read, “Printing five *fen*, Copying five *fen*.”⁶ Between October 7, 2011 when that topic was posted and the end of October, there were over 50 replies. Most repliers were full of lament. For instance, one reply read, “Begging for your rice would be better than this.” Another read, “Copying and printing is only five *fen*, but it’s four *fen* just to buy a sheet of paper these days, and then you have to pay for the toner and the electricity. How can you do business like this?” But other replies pointed out the very fact that these “brothers” from Xinhua were “brutally killing one another off.” For example, one reply read, “I’m really feeling the pain from these cowardly scumbags.” Another said, “#@%*”, really, the prices have been totally messed up this way.” And a third read, “People from the same place aren’t united, and all they can see is the profit right in front of them. We should learn from Jewish people!”

5 The Possibilities and Limitations of the Informal Economy

Economic operations must always have certain institutional foundations. The formal economy is unquestionably required to respect national laws and other official institutions. In contrast with this, the informal economy often operates in the circumstances of dodging national laws and official institutions. Seen from the relationship between labor and management, those working within the informal economy lack the protection of their interests and the further

5 See <http://www.417628.org/bbs/read.php?tid=48614>.

6 (Translator’s note) A *fen* is a unit of Chinese currency equal to one hundredth of a *yuan*.

benefits bestowed by legal (for example the Labor Law) and other institutional regulations.⁷

Clearly, many stages of operations within the speed digital printing industry run by people from Xinhua have the distinct characteristics of the “informal economy.” As a kind of economic form that differs from the formal economy, this reminds us that the market is not something transparent in a vacuum. Social factors, such as networks based on familial ties, friendship and local ties, may be embedded into the market and can make up for many other failings. Particularly for some market entities, these social factors can help to lower transaction costs, thus giving them greater strength to exist and develop within the market. Taking Coase’s opinion that the lowering of transaction costs is the economic nature of a firm, we can go further to argue that social factors, including networks of familial ties, friendship and local ties, have a side to them that exists in deep accordance with the market.⁸ In contrast with Max Weber’s almost a priori verdict, this implies a kind of possibility that the development of the market does not necessarily require people who are totally

7 Some time ago, Huang Zongzhi noticed the particular characteristics of China’s informal economy and its importance to the development of the Chinese economy (see Huang Zongzhi, “*Zhongguo bei hushi de feizhenggui jingji: xianshi yu lilun* (‘China’s Neglected Informal Economy: Reality and Theory’), *Open Times (Kaifang shidai)*, 2009, No. 2.). This research points out that it is common for Chinese local government to use land and corresponding infrastructure at less than cost price, add both visible and invisible subsidies and tax breaks, and allow the bypassing of national legislation on labor and environmental protection in order to attract business investment. It is precisely this kind of informal reality and the vast informal economy that has sprung up along with it that have really been the main power behind the astoundingly rapid growth of China’s GDP. At the same time, this is also the source of the increasingly intensifying social and environmental crises Huang Zongzhi, “*zhongguo fazhan jingyan de lilun yu shiyong hanyi: feizhenggui jingji shijian*” (‘Theoretical and Practical Implications of China’s Development Experience: The Informal Economy in Practice’), *Open Times (Kaifang Shidai)*, 2012, No. 10). In contrast with Huang Zongzhi’s research, which places emphasis upon the behaviour of local government, this article turns its focus to the paths and consequences of economic development when rural Chinese people spontaneously utilize traditional resources (such as familial ties, friendship and local ties), evading national laws and official formal institutions. In reality, aside from the actions of local government, the spontaneous actions of both urban and rural Chinese people themselves play a decisive role within the Chinese economy. As such, this research on the informal economy and that of Huang Zongzhi may form a complement to one another, confirming that whilst the informal economy has clear advantages for economic growth, in terms of social welfare, it also involves natural shortcomings.

8 Ronald Coase, “The Nature of the Firm” in Louis Putterman and Randall S. Kroszner (eds.), *The Economic Nature of the Firm*, 2000, pp. 75–98, *Shanghai Caijing Daxue Chubanshe*.

liberal and in possession of the “Protestant work ethic.”⁹ Networks formed of familial ties, friendship and local ties can, in empirical terms rather than philosophical (religious) and civilization terms, aid us in explaining the embedding of the modern market into Chinese society, which is deeply influenced by Confucian culture.¹⁰

However, if the issue was that simple, it would not merit voluminous deliberation. Perhaps, there is even deeper tension and paradox underlying the issue.

At the same time as familial ties, friendship and local ties are embedded into the market, the rules of the market are also deeply embedded into these ties in ways that are often overlooked. Sometimes, they are concealed underneath the vestures of familial ties, friendship and local ties. However, at other times, they undisguisedly control the relationship between employer and employee within a market entity, as well as the competition between market entities. This is especially the case when an industry has already concluded the phase of expansion and super profit. Thus from the speed digital printing industry run by people from Xinhua, we have seen that when it comes to the relationship between owner and employee, the former will often create an appropriate degree of separation between familial ties, friendship and local ties and the market, so as to dissipate the constraints of familial ties, friendship and local ties on the market mechanism. To this end, they might even treat the familial

9 Max Weber believed that the “Protestant work ethic,” with its hard work and asceticism (frugality), was the basis for the rise of Capitalism (see *A Collection of Weber's Works XII: The Protestant Ethic and the Spirit of Capitalism*, 2007, p. 51, Guangxi Normal University Publishing House), and that one of the most important reasons China was unable to develop a Capitalist (market) economy was that it lacked this base (p. 270). However, this cannot explain why rural Chinese, who are able to use the method of “involution” for economic development, lead to non-Capitalist production methods, whilst in the same way being hard working and frugal.

10 During the 1980s and 1990s, this sparked great debate within economics and philosophy circles. The focal point of the argument was whether it was possible for Confucianism and the modern market to come to a kind of accord (see Du Weiming, “*Du Weiming Wenji*” (“A Collection of the Works of Du Weiming”), *Wuhan Chubanshe* 2002, Vol. 2, 529–539.) Without doubt, the establishment of this proposition is diametrically opposed to Weber's argument on religious ethics, as such the majority of its critical analysis was also undertaken on the level of Confucian culture (Confucian Ethics). However, I believe that whilst analysis from this dimension is necessary, if we undertake our critique purely on a cultural level, it would be very easy for us too to become caught in the trap of cultural essentialism, in which Weber was once ensnared. Perhaps, by taking as our point of entry the specific social relationships through familial ties, friendship and local ties and their ethics in practice, we may be able, to a certain extent, to make up for those shortcomings.

ties, friendship and local ties as a tool to manage employees and maintain the “standardization” of employment relations. For people from Xinhua, when it came to outside competition, it seemed that there was even less they could do about the embedding of the market rules into familial ties, friendship and local ties. Tension never ceased to exist between the cold, harsh market relations and the warm sentiments of familial ties, friendship and local ties. When this tension grows to a certain extent, the assertions of Marx become quite clear: it is difficult to avoid the veil of warm emotion being eroded or even completely torn away.¹¹

In the end, after familial ties, friendship and local ties have been embedded into the market system, the logic of the jungle (the weak becoming prey for the strong) cannot be avoided. This is connected to the very fact that the foundations of that logic were not avoided at the very beginning. When people from Xinhua used networks built upon familial ties, friendship and local ties to gain a central position in the market, the most fundamental aim in itself was to strengthen their own (private) competitiveness and to gain more market resources. It was not for some public or social aim. After this kind of competitiveness has become strong enough to drive forces “alien” to the networks of familial ties, friendship and local ties out of the market system, those networks, the aim of which was to win more market resources, do not disappear, nor has their basic nature changed. Thus we might argue that even as early on as when the “spectre” of Xinhua people began to start a trend for sharp reduction in prices on a national scale, the tragedy of “brothers brutally killing one another off” was already destined to happen.

Only when the practical forms of the informal economy, like the networks of familial ties, friendship and local ties, properly surpass purely “private” aims and establish certain levels of public or social aims, may it be possible to overcome the pure market logic. If what we look at is just a case of familial ties-friendship-local ties and the market embedding themselves into each other, at least when it comes to the competition in which “the weak becomes prey for the strong,” the weak will still not stand a chance in the end. In comparison with the employment relationship within the formal economy, since that of the informal economy somewhat escapes the restraints of the law and other institutions, there is scope to plunder even greater profit from labor (for example, low wages, deposits and so on) and to violate workers’ rights (for example, overtime), thus distorting the pricing mechanism for wages and even undermining social justice.

11 See Marx, *The Economic and Philosophic Manuscripts of 1844*, 2000, pp. 144–146, China Renmin University Press.

Today, one of the great difficulties we have to face is the pronounced tensions and paradoxes between the advantages and disadvantages of the informal economy. The possibility of overcoming the disadvantages of the informal economy, or the possibility of coming to an accord between pure market aims and public and social aims, is an issue commonly faced by societies in transition. In essence, the tensions and paradoxes, which arise from the gap between the pure market and public aims, are those internal to a transformation society, rather than those out of the choice of economic development model, or those between the modern market and Confucian culture (or civilization).

If we go beyond discussing the principles and look at what we might do in practice, we can roughly come to the verdict that we should not live with the hope that some day the market will suddenly develop a kind side. Nor should we hope it will automatically continue or abandon certain “traditions” in accordance with our attachment or abomination. If you have decided to change the market, then it may be advisable to start with rebuilding society.