

CONFUCIAN CAPITALISM

Discourse, practice and the myth of Chinese enterprise

Souchou Yao

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Confucian Capitalism

The idea of Confucian Capitalism has been crucial in shaping our understanding of the economic success of the Chinese diaspora all over the world. Hard work, family values, and communal cohesion, as well as business practices based on sentiment, trust, and social networks are the legendary means of explaining the wealth and commercial talent of these remarkable people.

This book examines the subject of 'Chinese enterprise'. It exposes the enduring myth about the determining effects of values and practices supposedly derived from Confucianism. Such myth relies on the notion of timeless 'Chinese culture', and brings into focus three areas of controversy: the economically driven Chinese subject, work-place relations characterised by consensus and cultural sharing, and an ethos of communal, pre-capitalist social relationship.

The author draws on case studies from fieldwork among the Chinese traders in Sarawak, East Malaysia. By anchoring abstract analysis to real examples, the book's multi-disciplinary approach offers penetrating insight into Chinese business practices, and contributes to the understanding of economic anthropology, the culture of Overseas Chinese, and neo-Confucian societies generally.

Souchou Yao is Senior Lecturer at the Department of Anthropology, the University of Sydney, Australia.

Chinese Worlds publishes high-quality scholarship, research monographs, and source collections on Chinese history and society from 1900 to the present.

'Worlds' signals the ethnic, cultural, and political multiformity and regional diversity of China, the cycles of unity and division through which China's modern history has passed, and recent research trends toward regional studies and local issues. It also signals that Chineseness is not contained within territorial borders – some migrant communities overseas are also 'Chinese worlds'. Other ethnic Chinese communities throughout the world have evolved new identities that transcend Chineseness in its established senses. They too are covered by this series. The editors see them as part of a political, economic, social and cultural continuum that spans the Chinese mainland, Taiwan, Hong Kong, Macau, South East Asia, and the world.

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In memory of my parents

Preface

This book is the result of a dialogue with colleagues in sociology and business management. Encouraged by the keen interest of these disciplines in the social effects of culture, and in the role of Confucianism in shaping contemporary Chinese economic behaviour, I developed a course called 'Confucian capitalism: discourse, practice, desire' for senior students at the Department of Anthropology, the University of Sydney. Later, the course was modified into a more accessible 'cross-disciplinary' offering when I was asked to participate in teaching Asian Studies in the MBA programme at the University of Western Sydney Macarthur, New South Wales. This brief background helps to explain the form the book has taken. My own field of anthropology provided much of the language and the range of issues – gifts and commodities, exchange, sexuality, network, and of course, culture – which engaged my analysis. At the same time, and at the risk of some repetition, I have made each chapter as complete as possible so that it can be read more or less by itself. Readers should nonetheless be familiar with the ethnographic conditions of Belaga township which I described in Chapter 3.

In the examination of the *modus operandi* of Chinese business, the book seems to advance a highly pessimistic view about the effects of culture, and the relevance of Confucianism, among Chinese communities. In this I share the dominant mood of my own discipline for which culture has become 'a deeply compromised idea' (Clifford 1988: 12). But culture – even that existing locally and nationally – cannot be done away with even in these postmodern times. It remains an useful concept if we can see its social effects in context, and locate it in the condition of its making and unmaking. In our case, 'Confucian heritage' and Chinese dynastic history really cannot explain the 'evidence' of workers' compliance, and of the centrality of managerial authority which researchers reportedly find in East Asian societies. In Singapore, for instance, the 'industrial peace' is more the work of the Ministry of Labour – and the pro-government National Trade Union Congress (NTUC) – than that of Confucian values. If culture has an influence in social behaviour, the political and material conditions in which it operates must be brought into focus as a part of the total equation of things. This process of 'cultural reproduction' is crucial when we make claims about

culture's effectiveness and impotence in a particular situation. Given the fetishistic notion of culture in the 'Confucian capitalism' thesis, it is tempting to wheel the argument around, by turning Chinese entrepreneurs into 'supreme pragmatists' for whom culture has no intrinsic values other than for making *guanxi* connections or installing harmony in the workplace. This, as readers will discover, is far from being the case even in the remote jungle of Sarawak. Culture, when we see it in the context of its dynamic innovation, remains highly relevant as much for the anthropologist as for the Chinese traders in Belaga – the social aspirations and economic hope of whom are the subject of this book.

Acknowledgements

Earlier versions of some chapters have been presented at various conferences. Chapter 3 is a substantial revision of a paper read at the Conference on 'Overseas Chinese and the Modernization of Asia Pacific' held in Bielefeld University, Germany, December 1995, and later published as 'The Romance of Asian Capitalism: Geography, Desire and Chinese Business' in Mark T. Berger and Douglas A. Borer (eds) *The Rise of East Asia: Critical Visions of the Pacific Century*, London: Routledge (1997). Chapter 5 had its previous life as a paper presented at the 'Conference on Chinese Business in Southeast Asia', held in University of Malaya, Kuala Lumpur, in June 1997. Chapter 6 was first given at the 'Conference on Crisis Management, Chinese Entrepreneurs and Business Networks', held at the University of Bonn, Germany, in May 1999. I would like to thank K. S. Jomo, Hans-Dieter Evers, Solvay Gerke and Thomas Menkhoff who invited me to these conferences. Hans-Dieter Evers and Thomas Menkhoff convinced me that the topic of Confucian capitalism is worthy of a 'deep analysis'; I am grateful for their encouragement. Chua Beng-Huat first suggested to me the feasibility of a book project. My students at the University of Sydney and the University of Western Sydney contributed greatly to sharpening my argument. Finally, and not least, special thanks to the Chinese traders in Belaga who so generously shared with me their lives and work. The Sarawak Museum and the District Office of Belaga had assisted me in my early stages of fieldwork, and I am grateful to Peter Kedit and Jayal Langub for their generous support and assistance.

Whatever the merit of this book, I want to thank my colleagues at the Department of Anthropology at the University of Sydney, Australia, and at the Institute of Southeast Asian Studies, Singapore, for the stimulating intellectual environments they foster. The ideas in the book also owe much to my conversations over the years with Mayfair Yang, Tong Chi Kiong, Greg Teal, Michael van Langenberg, Mark Berger, Penny Graham, Van Duesenberry, Manfred Kerseling, Flora Botton, and A. B. Shamsul. Terrence Gomez, with his expertise and quiet efficiency, has seen through the revision of the book, providing both critical feedback and encouragement. Needless to say, whatever analytical errors remain are mine.

The study is based on several stretches of fieldwork in Belaga, Sarawak, between October 1995, and December 1998. The project was made possible by a grant from the Institute of Southeast Asian Studies, Singapore, as a part of the Community Network Programme. All values are in Malaysian dollars or ringgit. In April 2002 the exchange rate of ringgit to US dollars was M\$3.80 to US\$1. Where appropriate, names of persons and places have been changed.

Finally, the way to represent Chinese terms in English is a perennial problem, especially in a situation where people speak a variety of dialects – Hokkien, Hakka, Foo Chow, Cantonese and Mandarin. However, I have decided to render the Chinese terms in the more familiar Pinyin romanization. This is arguably a less than perfect solution, but it does have the benefit of consistency.

Souchou Yao

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1 Confucian capitalism: discourse, practice, longing

If seeking wealth were a decent pursuit, I too would seek it, even if I had to work as a janitor. As it is, I'd rather follow my inclinations.

Confucius

The provision shop is less than a ten-minute walk from our house in the Jalan Bandar neighbourhood in the capital city, Kuala Lumpur, Malaysia. To get there, we have to cross the busy Jalan Tunku Abdul Rahman, then turn right and pass the traffic lights; there, between a coffee shop and a rubber merchant, is Chop Ban Loong where we, as children, found all kinds of reasons to visit. During festivals, it was here that we came for an odd dozen of Coke and Fraser and Neave cream soda, if we forgot to pick them up at the supermarket. After school, we delayed our homework by spending precious minutes being tempted by the offerings of the shop: bubble gum, water pistols, marbles, and objects of our young desire, Chinese martial art comics from Hong Kong. The shop seemed to be open at all hours. If we needed a packet of aspirin at midnight, or bottles of Anchor beer to accompany a late dinner at the foodstall nearby, we would without thinking knock on the door, and after a few minutes the owner Old Hock Lim would come, half-asleep and in pyjamas, and hand over the items.

There was no question of being unreasonable on our part; this is simply the way of all Chinese *za huo dian*, whose ruling philosophy is, as I am to hear again and again in my fieldwork, 'never turn a customer away'. Chop Ban Loong is 'small business' (*xiao shen yi*); keeping long hours is a means of survival, just as its perfect merging of business and family life involves everyone and thus eliminates the need for wage labour. So in daylight what meets our eyes at Chop Ban Loong is a scene of collective industry, as the daughter-in-law cleans the onions and lays out the *ikan bilis* (anchovies) to dry in the sun, while the son goes through the stock and dusts the shelves, and on the footpath, Old Hock Lim's wife is chasing after the two-year-old grandson with a feeding spoon urging him to take one more mouthful. All the time, the old man sits at the counter next to the cash register, eyeing what goes on in the shop with inscrutable pride.

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Through the years, the shop served our needs as our tastes changed from bubble gum and martial art comics to tobacco and other things of adulthood. And we continued to patronize the shop, especially when Old Hock Lim was able offer occasional bottles of cut-price Remy Martin or Black Label Johnny Walker, the source of which – the mysterious way in which they fell off the back of a truck – we did not wish to know. He died a few years ago, and as we expected, his son Wong Fook, whom I have known since childhood, took over the shop. When I go to the shop, we greet each other shyly, an acknowledgment which momentarily bridges the gulf between the different worlds in which we now live. Yet, as I look around nothing seems to have changed: the same eager school children trying to read comics for free and to squeeze in an hour or so before homework, and an Indian housewife asking for a packet of mosquito coils or needles for her sewing machine – though Chinese martial arts comics are now replaced by *The Beano* and the Marvel superhero series, and Gold Fish brand mosquito coils by the more ‘modern’ products of Bayer and Shelltox. As it has been for his father, the provision shop will be for Wong Fook a project in which he invests his financial future and social hope for himself and for his two young children. Since taking over the shop, Wong Fook has bought a Panasonic Air Curtain which keeps the tropical heat out of the shop. He continues to carry the standards items – toilet paper, aspirin, laundry detergent, toothpaste, beer and soft drinks, and so on – just as he has no doubt that people will come to him at all hours for goods after the supermarket has closed. To serve the needs of the growing number of immigrant workers in the city, he now stocks a range of other products: kretek cigarettes from Indonesia, perfumes from Thailand, and medicine and cosmetics from the Philippines. He continues to work long hours; but perhaps unlike his father, he at times suspects that perseverance is not matched by its reward. As he confesses, he hopes that at least one of his children would make it to university and leave this ‘back-breaking business’. To be able to send a son to university would be an incredible achievement and an honour for a family which has made a living selling plastic ware and mosquito coils. So he, like his father before him, dreams and hopes, as he sits at the counter, surrounded by his wares, while the long hours stretch on.

Chop Ban Loong is the epitome of Confucian capitalism.

The dream-world of ‘Chinese business’

For any visitor to Southeast Asia, the Chinese provision shop is probably one of the most common sights he or she is likely to encounter, especially in the cities. In Malaysia, we call it *za huo dian* (literally ‘variety goods store’) or *pei huo dian* (‘hundred goods store’) in Chinese, and *kedai runcit* in Malay. All these names go to the heart of the ‘economic principle’ of the store: the offering of a wide range of goods in order to serve a large catchment of customers. In economic terms, being open at all hours and never turning

away customers makes sense because of the need to improve the poor economies of scale of an enterprise typified by low capital, high labour input and non-standardized goods and service delivery. Economic analyses, as I shall demonstrate in the following chapter, go a long way towards explaining these and other practices of Chinese business which so amaze observers. Nonetheless, a sense of wonderment remains. These features are in fact an outcome of the 'structure of capital' of this kind of enterprise; they are evidence not of efficiency but of underemployment. Nonetheless what takes place in the shop defies such cold and abstract understanding. And what we have to contend with is the very normality of what goes on in a Chinese enterprise like the one I have just described. For discipline, hard work and commercial talent are often associated with the Chinese. Indeed 'Chinese' and 'economic success' are so organically linked that a 'poor and lazy Chinese' or 'an inefficient and a conflict-ridden Chinese family business' immediately seems an oxymoron. In the popular imagination, 'Chinese economic success' is not, as they say, a floating signifier which carries different and diverse meanings. From Kuala Lumpur to Jakarta, Bangkok to Ho Chi Min City, Singapore to Hong Kong, the transparent 'truth' about Chinese economic success needs no critique or sophistry of doubt. It is a 'truth' abundantly affirmed in these cities by the shops, banks and supermarkets – all Chinese-owned, and the Mercedes and BMWs in the street carrying Chinese men and women to business meetings, and their children to schools and shopping malls.

Above all, it is also a 'truth' which is brought to its realization by state ideology as well as by journalists and some quarters of the social sciences and the business schools: this is what concerns me in this book. The social realities of Chinese enterprise, and the discursive practices of the state and 'management gurus', are not two separate realms in the creation of the singular truth. Rather, speaking generally, what we see and understand is always guided by a discourse which smooths off all the rough edges, all the contradictory apparitions, in relation to a phenomenon so that as in this case the image of a 'hard working and economically successful Chinese' comes through as clear and natural as daylight. And speaking only of the state, the story of 'Chinese enterprise' in Southeast Asia would be impossible without the various official ideologies which endlessly circulate this 'truth', in order to constitute the highly effective yet volatile politics of ethnicity.

The role of the state in the construction of 'Chinese economic success' is too complex to be dealt with here except to mention one thing. Given the anti-Chinese riots in Indonesia immediately following Suharto's downfall, not to mention the murderous race riots in Malaysia during May 1969, the spectre of complicity has to be raised, however unfairly. As academic projects eagerly valorize the management magic of Chinese business built upon timeless Confucian cultural values, they fuel the legitimacy of the state ideology. In these projects no one talks of the Chinese squatters in ramshackle settlements in metropolitan Jakarta or the outskirts of

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Kowloon. Neither do promoters of Confucian capitalism mention that the 'management efficiency' and 'harmonious workplace relations' impose incredible burdens on women and the young in the family. The 'hard working, economically successful Chinese', just like the Chinese *za huo dian*, come alive in the twilight zone between reality, ideological construction and social imagination.

It is also in this uncertain terrain that we can locate the discourse of Confucian capitalism. To understanding something of the discourse's seductive appeal, it is not too deliberate a gesture to begin by looking at a modest Chinese *za huo dian* like Chop Ban Loong. For Confucian capitalism is less an intellectual analysis than an undertaking which celebrates the wealth and time-proven business acumen of powerful ethnic Chinese capitalists. While few researchers have actually set foot in the office of a Li Ka-shing or a Robert Kuok, this has not stopped many from explaining the *modus operandi* of these and other legendary Chinese tycoons in such terms as sentiment, family relations, business networks, and so on; terms more suitable for describing the activities of village vendors and neighbourhood corner stores. The general point of caution is surely that Chinese entrepreneurs are beasts of multiple shapes and identities, differentiated as much by the size of their working capital as by the social, political and economic conditions in which they operate.

In any case, what enables Confucian capitalism to arrive at its homogenous and unifying vision of 'Chinese business' is a specific notion of culture derived from a conservative reading of the ancient philosophic text. This culturalist reading reveals Confucian capitalism for what it is: a rendering of the classic capitalist myth about just and justifiable returns of individual effort and strive. It is a rendering, I suggest, which draws its succour from the movement of post-Cold War transnational capital just as it rehearses, more generally, the anxious concerns of business activities in an increasingly competitive and volatile environment. Historical contingency on the one hand, and the cultural psychology of what I shall call the 'immigrant enterprise syndrome' on the other, feed the current formulations of 'bamboo network', '*guanxi* capitalism', 'diaspora capitalism', 'Chinese global network'¹ and 'The Overseas Chinese as New Asian Emperors' in the exuberant wording of Haley et al. (1998). Confucian capitalism is a product of, just as it fuels, specific transnational and local forces.

In this context, it is easy enough to trace the social and historical origins of the Western perceptions of, by all accounts, the fantastical scenario of capital development in East Asian societies where culture, family relations and communal cohesion play a vital role. But the irony is that such an implausible picture of the Chinese and their economic performance is also one eagerly taken up and constructed by powerful interests in Chinese communities outside China, and by leaders of East Asian states such as China, Taiwan and Singapore. For a social anthropologist, the dovetailing of Western imagination and Chinese self-fashioning is a fascinating topic. If

Confucian capitalism actually retells another story of the capitalist myth, then the discursive undertaking in the West has been necessary for the making of Otherness in order to reaffirm Western capital's hegemony in the world. As for transnational Chinese and East Asian states such as Singapore, the discourse is crucial for announcing their triumphant achievement of economic growth and capitalist modernity via an 'Asian path of development'. In spite of their differences in power and distinct locations in global capitalism, Confucian capitalism can be seen as a joint discursive enterprise of East Asia and the West in the nexus of globalization and local interests. After all, we live at time when global capitalism must increasingly seek local markets and exploit 'wage-competitive' labour resources in rapidly developing East and Southeast Asia. On their part, East Asian states must actively respond to these forces of global capitalism in order to achieve their own economic growth and capitalist modernity. Terms like 'the Rise of Asia', 'the Asia-Pacific Age' or 'East Asian modernity', point to the triumph of transnational capital which must now more than ever incorporate the local productive forces and cultural aspirations. It is in this complex entanglement we may begin to trace the intricate contours of Confucian capitalism.

Confucian capitalism and Western imagining

In fairly loose terms the concept of Confucian capitalism is characterized by two major motifs. First, there is the valorization of the financial success and economic performance of East Asian societies where Confucianism had been a major historical and cultural heritage. Second, and on a micro-individual level, it emphasizes the continuing relevance of 'Confucian values' of discipline, collectivism and social humanism in providing the key explanation for Chinese entrepreneurial behaviour. I said 'fairly loose terms' because there is a great deal of inconsistency in the overall thesis. For instance, in linking Confucian cultural values with economic development, what receives most attention are obvious 'success stories' of East Asian economies before the 1997 crisis: Japan, Hong Kong, Taiwan, South Korea, and later on, Singapore: Vietnam, where Confucianism had been the state religion right until the end of World War II, is left out.² Further, there seems to be considerable shifting ground when it comes to consider the actual social influences of Confucianism. As Confucianism is understood to have a determining impact on collective aspiration and individual behaviour in East Asian societies, complex questions about its state sponsorship and its ideological meanings are largely ignored.

In any case, the two motifs are sufficient to begin our discussion. Crude as it is, the narrative of Chinese enterprise has produced considerable excitement in many commentators in both East and West. And much of this excitement has to do with the fact that 'Chinese enterprise', at least in the way it is understood in the literature, encourages the longing for a 'new' form of economic activity, one that is more efficient, more profitable, and less

competitively violent than those practised in the Western corporate world. The result is the tendency in the literature to write about Chinese business management *prescriptively*, as something worthy of imitation. While the approach has become *de rigueur* in management circles, the search for new forms of economic organization and business practices draws on a much wider canvas than that of the individual firm and its pursuit for efficiency and profit. Such a search in fact has a history and social origin which is located in the crisis of Western capitalism during the 1970s.

The text commonly regarded as having started the debate about Confucian capitalism is Herman Kahn's *World Economic Development: 1979 and Beyond* (1979). Published more than two decades ago, the book is credited with first linking Confucianism to the economic growth of East Asian societies, namely, Japan, Hong Kong, Taiwan and South Korea (Dirlik 1997). Notably, Kahn's argument reverses the Weberian thesis regarding the failure of capitalism to develop in traditional China because of the feudalistic ties of personal relations and the absence of a Western-type of rational bureaucracy. With the rapid economic growth of these 'neo-Confucian societies', Kahn suggests, it has become necessary to accept that 'societies based on the Confucian ethic may in many ways be superior to the West in the pursuit of industrialization, affluence and modernization' (Kahn 1979: 121). Though he does not underplay the importance of foreign aid and capital investment that flowed into these countries, for Kahn the key contributing factor for the rapid growth in these economies is Confucian cultural values. Such values, Kahn believes, are also found in China, Singapore and among ethnic Chinese communities in Southeast Asia, principally in Indonesia, Thailand, Malaysia and the Philippines.

The Confucian ethics Kahn has in mind are: 'dedicated, motivated, responsible and educated individuals and enhanced sense of commitment, organizational identity, and loyalty to various institutions' (Kahn 1979: 128). It is difficult not to see these traits as discoveries by 'Anglo-American liberalism' of 'values and virtues in East Asia that are strikingly similar to those (Protestant) qualities that are perceived to have underpinned the rise of the West in an earlier era' (Berger 1996: 93). Kahn was writing at the end of the 1970s. It was a decade that saw serious difficulties for the Western economies: the oil crisis, unprecedented trade deficits, mounting inflation, and social and economic problems associated with massive structural readjustment. Even the United States, which had enjoyed twenty years of prosperity after World War II and the status of global economic superpower, now faced a huge trade deficit and diminishing gold reserves. In the midst of these difficulties, as Kahn looked towards the other side of the world, in East Asia he found a dramatically different picture. Not only had Japan, South Korea and Taiwan been able to overcome the problems of oil price hikes and the world economic downturn; these countries were able to sustain growth rates far greater than those of the United States and other industrialized economies. The momentum was likely to gather pace in the 1980s, Kahn