

Market Cultures

Society and
Morality in
the New Asian
Capitalisms

edited by

Robert W. Hefner

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the New Asian Capitalisms*



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Robert W. Hefner

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Introduction

Society and Morality in the New Asian Capitalisms

ROBERT W. HEFNER

But after so many failed prophecies, is it not in the interest of social science to embrace complexity, be it at some sacrifice to predictive power?

—Albert Hirschman (1986:139)

From an economic historical perspective, the *fin de siècle* through which we are now passing is the most remarkable of times. Industrial growth and living standards once restricted to a handful of Western countries—and regarded by not a few Westerners as realizable *only* within the framework of Occidental civilization—have taken hold in numerous non-Western settings. Nowhere is this development more striking than in the industrializing countries of East and Southeast Asia. For the better part of twenty years in Southeast Asia and thirty in East Asia (outside Japan), economies throughout this region have expanded at a rate of 5 to 8 percent per annum; over much the same period manufacturing has grown at two to three times this pace. For a while, some observers dismissed this expansion as a form of dependent development or as “ersatz” capitalism. In these critics’ eyes, the ranks of real capitalist powers were limited to the industrial West and its honorary exception to the rule, Japan. Today, however, such a narrow view of modern capitalist growth no longer seems tenable. Driven at first by export-oriented manufactures, the scale of growth has now led to the creation of substantial domestic markets with the heightened standards of living, restless middle classes, labor disputes, and commercialized culture they inevitably imply. Barring some unexpected catastrophe, it now seems clear that the ascent of East and Southeast Asia will figure as one of the defining features of the twenty-first century.

Caught as we are in the midst of this great transformation, we sometimes attribute to it an inevitability that obscures its complexity and human drama.

Unfortunately, several of the intellectual traditions through which we think about economic and cultural change only reinforce this tendency. For example, we sometimes hear that Asia's ascent is first and foremost a demonstration of the wondrous power of the market. Clear the economic field of political obstacles, "get prices right," and the market does what it always does best, sustaining the miracle of modern growth. From this more or less neo-classical economic perspective, the emergence of industrial capitalism in East and Southeast Asia is nothing mysterious but a replica, with a little local color, of something earlier accomplished in the West and little influenced by variations of time or place.

There is little formally wrong with this first kind of account. Moreover, some of the policy issues to which its more sophisticated exponents direct our attention—such as money supply, currency exchange rates, and the costs of inefficient regulation—*do* figure among the requisite terms for understanding the new Asian capitalisms. If these are part of the story, however, they are only one part. As numerous case studies have demonstrated (Haggard and Kaufman 1992; MacIntyre and Jayasuriya 1992; MacIntyre 1994), to say that growth occurs because the market can "get prices right" still does not explain why some societies easily achieve this state of affairs and others fail miserably. Similarly, though the narrative of market magic pretends to be free of social or cultural variables, a number of its key concepts—including the ideas of the "firm" and economic "rationality"—in fact sneak in a good deal of unaccounted and ungeneralizable social baggage. How do firms work? Are they really everywhere the same? What is their internal structure and how are they related to external business networks? Most basic of all, why do people in some societies find it easy to accept the cultural logic of capitalism, whereas others find it morally repugnant? If we are really serious about understanding capitalism and its consequences, we have to open our analysis to such troublingly empirical questions and develop a more culturally and sociologically realistic understanding of market actors and action.

There is, of course, a second, equally familiar narrative on the spread of modern capitalism to Asia, one loosely associated with orthodox variants of Marxism and dependency theory. Though it too comes in several guises, the gist of this story is that Asia's industrialization is but a new chapter in the ongoing saga of a world-conquering and *unitary* capitalism. With its emphasis on labor discipline, capital accumulation, and the extraction of "surplus value" by politically empowered elites, this explanation aims to provide a richer sense of capitalism's sociopolitical reality. To its credit, this approach emphasizes that the construction of markets and industry is not a *sui generis* process flowing effortlessly from self-sustaining market mechanisms but one deeply shaped by the interests and capacities of states and societal actors. While directing our gaze to important aspects of the capitalist environment, however, this account turns us away from others. For example, whereas it

reveals much about elite struggles over state economic policies, this kind of analysis usually has less to say about the nuts and bolts of real business enterprise. "Capital" is often described as if it had an intelligence or agency of its own. In real life, however, investment and enterprise do not work so effortlessly. Like labor, enterprise is deeply social and cultural. It requires a sophisticated assessment of social opportunities and the effective coordination of a complex and invariably truculent array of human and material resources. As with the neoclassical model of economic change, the capitalist-penetration narrative places economic life at too far remove from the social detail and moral poignancy of real economic processes.

Constituting Economy and Culture

The contributors to this volume attempt to analyze market processes in relation to their cultural meanings and human organization. They are especially concerned with two issues. The first is the degree to which there exist moral and organizational precedents for *or against* modern capitalist enterprise in East and Southeast Asia. This effort to examine the relative compatibility of local cultures with modern capitalism is based on the conviction that in their rush to celebrate East and Southeast Asia's achievements, many scholars have overlooked the often uneven nature of popular participation in market growth and the deep ethical arguments it has provoked. In line with this first concern, the authors also seek to examine the relation of such precedents to broader divisions in society, including those based on religion, ethnicity, gender, and class.

This latter focus is related to a broader concern held by a number of contributors to this volume and concerns recent "culturalist" commentaries on Asian politics and economy. Many of these commentaries have been based on simplistic portrayals of Asian culture and, more generally, on a theoretical understanding of culture unfamiliar with recent refinements of the concept in the fields of anthropology and cultural psychology. Though they come from a variety of disciplines and intellectual backgrounds, the contributors to this volume were encouraged to draw on a concept of culture that acknowledges developments in these latter fields. They were asked to think of culture in pluralistic and contingent terms, examining its history and social genesis, its dependency on different social carriers, and its interaction with other forces in Asia's ongoing transformation.

Inasmuch as the authors engage the concept of culture in this manner, they do so in a way that differs significantly from the last community of economic researchers to take the culture concept seriously, that is, the modernization theorists of the 1950s and 1960s. Modernization theory tended to portray culture as a homogeneous thing, equally accessible to everyone and exhaustively determinant of its bearers' worldview and behavior. Though deviants were ac-

knowledge, most people were assumed to share the same modal culture, internalized in a more or less finished fashion from the society around them. Recently this unitary view of culture has been given a new lease on life in writings emphasizing the importance of "civilization" in international conflict (see, e.g., Huntington 1993). These accounts attribute shared passions and interests not merely to members of the same local community but to hundreds of millions of people living across vast expanses of the modern world. Such sweeping generalizations have given the concept of culture a bad name and, not surprisingly, have only confirmed the impressions of mainstream economic researchers that the notion is of little use to them.

Rather than speaking of a uniform Chinese, Malay, or Vietnamese culture, the authors in this book were invited to see culture as heterogeneous and reflect on the way that heterogeneity interacts with political and ethical divides in the society as a whole. Our model of culture is thus a pluralized or "distributional" one. It assumes that culture is not "the undivided property of the whole society" (Bourdieu 1977:73) but is instead subject to contestation and divergent interpretation. As a result, rather than being homogeneous, patterns of cultural meaning tend to vary across society in interesting ways (see Bloch 1989; Lambek 1993; Schwartz 1978).

Just as it has highlighted variation in culture's "lateral" distribution, recent writing in cultural theory has also complicated our understanding of culture's "vertical" penetration into the hearts and minds of social actors. A generation ago, anthropological enthusiasts of the culture concept often compared culture to a computer program or described it as a "template" exhaustively determinant of all levels of human experience.¹ However, recent research in cultural psychology and psychocultural anthropology has invited us to see human subjectivity as constituted by a number of dialectical influences rather than a single, all-powerful cultural "program." Rather than culture writ small, our subjectivity is now seen as constituted by the *interaction* of cultural symbolism, individual biography, biological dispositions, embodied social habits, and deliberative thought. In this revised view, culture is not a finished social fact "internalized" by passive cultural subjects. As it is assimilated by individuals, cultural knowledge is accommodated to an already complex world of emotion, cognition, and previously assimilated social knowledge. Subjectivized in this manner, cultural knowledge acquires a cognitive and affective dynamic more complex than the objectified symbols and meanings of the public world (Kleinman 1988; Obeyesekere 1981:18; Sperber 1975:x). Public culture, therefore, is not the same thing as individual subjectivity and is not the only thing that influences a person's interests, judgment, or dispositions (Hefner 1985:19; Sperber 1996). Even when they come from a similar social background, members of the same society can engage and apply their tradition in varied and even opposing ways.

This pluralized understanding of culture requires some changes in the way we understand cultural tradition in East and Southeast Asia. Rather than

speaking of a unitary Confucian or neo-Confucian culture, for example, we can recognize that Chinese tradition has often been interpreted quite differently by, among others, men and women, traders and literati, the wealthy and the poor. Similarly, rather than assuming that, say, Minangkabau Malays in Sumatra responded to nineteenth-century colonial capitalism in an identical manner, we should not be surprised to learn that men's responses differed from women's for reasons related to men's peculiar position in Minangkabau's matrilineal social structure (see Michael Peletz's chapter in this volume).

The problems raised by the chapters in this book require a second adjustment in our concept of culture. Even though highlighting cultural dimensions of economic life, the authors do not assume that culture is invariably more influential than politics or economics in shaping modern market development. Indeed, however varied their views on markets and culture (readers will note different emphases across the chapters), the contributors to this book agree in rejecting "culturalist" explanations that attribute determinative influence to culture and none to institutions, material constraints, or individual creativity. Not all encompassing, our concept of culture is intended to be an interactively "constitutional" one (see Giddens 1984; Hefner 1990; Kleinman 1988). Such an approach assumes that rather than being a sphere apart from economics, politics, and society, culture is a meaning-making medium that interacts with other forces to influence all social spheres, including politics and economics.

From this perspective, then, the culture concept invoked in these chapters is a rather trimmed-down fellow by comparison with the paunchy versions common in some schools of contemporary cultural studies. As such, it should be clear that the goal of this book is not to raise the culturalist banner against the crass infidels of politics or economics. On the contrary, the assumption shared by all of the contributors to this book is that culture and social relations are *intrinsic* to politics and the economy, not free-standing social spheres. Neither a superstructure apart from politics and economics nor a "determinant in the last instance" more decisive than the rest, culture acquires its importance by interacting with other social forces in human action and institutions. As such, it should be clear to readers of this book that these authors aspire to build on, rather than deny, the efforts of scholars in other disciplinary traditions concerned with the nature of markets, politics, and identity in our era.

A Dialogue Renewed

A final goal of this volume is to bring economic issues back into more vigorous dialogue with cultural research in East and Southeast Asia. A generation ago, this kind of interdisciplinary concern inspired lively collaboration between sociocultural researchers and economists. In 1963, for example, no one thought it curious that an up-and-coming cultural anthropologist by the

name of Clifford Geertz invoked the work of a leading economic theorist, W.W. Rostow and appealed for “a reconciliation of the economist’s and the anthropologist’s way of looking at development” (Geertz 1963:6). Shortly thereafter, however, the modernization theory that was to have served as the basis of this joint exercise fell into disrepute. The decline occurred, it must be said, for what were largely good reasons. With its emphasis on market development and liberal democracy, modernization theory had come to be seen as closely linked to U.S. foreign policy interests. A bit more broadly but no less significantly, the approach had also been associated with the developmental optimism of political elites around the world in the early post-World War II era. As the Vietnam War and other conflicts caused fissures in American public opinion and as the developing world was shaken by far-reaching political upheavals, the “orthodox consensus” (Giddens 1984:xv) on which such developmental models had been premised collapsed. Meanwhile, researchers in the human sciences discovered that there were analytic traditions other than modernization theory and structural functionalism through which one might begin to understand the nature of the modern world.

However much modernization theory may have deserved its fate, one lamentable consequence of its decline was that the hoped for collaboration between economists and cultural researchers fell by the wayside. This development was reinforced by trends in the discipline of economics itself. Despite the best efforts of interpretive economists, Austrian marginalists, institutionalists, political economists, and others marginal to the mainstream tradition,² the 1970s and 1980s saw a steady decline in mainstream economists’ interest in middle-range empirical research, especially that which appealed to the “exogenous variables” of culture, politics, and social organization. Though most of the discipline was not interested one way or another in sociocultural matters, among the few who were there was a growing confidence that the axioms of economics were sufficient unto themselves for understanding human behavior. Everything from the family and divorce to education and racial discrimination, it was claimed, could be explained in terms of a few basic axioms grounded on the bedrock notions of scarcity and rational choice (Becker 1976). Not only did economics not need sociology or anthropology, it seemed, but some in economics were prepared to dissolve these other fields into their discipline.

Meanwhile, among some in the cultural wing of the human sciences, there was an equally significant shift away from interactive models of culture, action, and environment to a purer or more restrictive concern for culture as “text,” or a meaning system in itself. In the 1970s, for example, there was growing interest in models of culture based on the ideas of the Swiss linguist Ferdinand de Saussure concerning language (*langue*). Though de Saussure had recognized that the systematic qualities of language had to be understood in relation to language use (*parole*), this portion of his message re-

ceived less attention than his methodological emphasis on language as a internally systematic and self-constitutional system of signs. Even more generally, as the concept of culture diffused from anthropology into the new field of cultural studies, there was a tendency for newcomers unfamiliar with anthropological debates to interpret the concept in sweeping terms, as an all-powerful determinant of human thought, feeling, and action. Recalling the insights of Ludwig Wittgenstein, Gilbert Ryle, and C.S. Peirce, more sophisticated analysts counseled that however vital cultural influences, human subjectivity cannot be reduced to the internalization of prefigured cultural scripts. From Shakespeare to gender studies, however, the culture concept had caught on, and many new users were convinced little more was needed to unlock the mysteries of human experience.

Ironically, this tendency toward abstraction from real actors and complex worlds paralleled developments that had earlier taken place in economics. Reacting against the political and ethical concerns of their predecessors, neo-classical economists in the first decades of the twentieth century had worked hard to bracket their inquiry from the messiness of the empirical world (Black and Goodwin 1973; Shackle 1973). They were interested in “pure” economic phenomena such as prices, which they were convinced could be analyzed without appeal to “externalities.” Whereas this methodological narrowing did indeed facilitate certain analytic tasks such as, most famous, the analysis of prices and value, it made others more difficult. Topics once within the purview of economic analysis, such as the questions of what motivates people to work and consume, were suddenly redefined as “non-economic” (McPherson 1980; Hefner 1983). Confronted with cultural researchers’ claim that culture was the real determinant of human experience, economists reacted indignantly, confident that their *homo economicus* was preferable to a cultural dummy.

In this way, the collaboration between economists and sociologists that Clifford Geertz and others had envisioned in the early 1960s had, by the late 1970s, more or less collapsed. Despite appeals from respected dissenters (Sen 1978), mainstream economics had given up its earlier flirtation with culture and social relations in favor of a *homo economicus* devoid of cultural influences. Conversely, among some cultural researchers, *homo socius* had come to be portrayed as so thoroughly scripted by culture that he seemed to many analysts like a cultural automaton. The contrast between the two approaches was but an updated version of a long-standing tension in the social sciences between what Dennis Wrong (1961) once referred to as “oversocialized” and “undersocialized” conceptions of social behavior (cf. Granovetter 1985). Though a few lonely voices affirming the need and possibility of a sociocultural economics could still be heard from the wilderness, the methodological polarization that had pushed economics and cultural research in such different directions made renewal of such a collaborative project difficult.

Capitalism's Bedding

As often happens in the human sciences, however, events in the world soon shook researchers to the realization that this existing division of academic labor was not up to the task at hand, and therefore the dialogue between economic and sociocultural research had somehow to be renewed. Several developments influenced this renewal of interest in interdisciplinary inquiry. One was the spectacular growth of capitalist industry and markets in East and Southeast Asia. Another was the collapse of communism in Eastern Europe and the Soviet Union and the rather desperate recognition on the part of policymakers that the effective operation of markets there was not guaranteed by the formal presence of market institutions alone. In the real world of Eastern Europe, "externalities" such as politics, crime, and moral disagreement had a notably annoying habit of intruding right into the heart of market processes.

The development of capitalism in East Asia played the leading role in this revival. It was not just the marvel of extraordinary growth that caught people's attention; the phenomenon was also interesting because it shattered many of the myths that had surrounded capitalism since the nineteenth century. No longer could it be said, as some Western scholars had, that industrial growth was only possible within an Occidental cultural setting. Similarly, the fact that capitalist development in the most successful Asian countries was accompanied by growing national pride and assertive foreign policies served to allay the fears of those who had long believed that the capitalist road inevitably leads to servile dependency. (Surely this same recognition contributed to the change of heart toward capitalist investment on the part of the Chinese Communist leadership.) In addition, the fact that in many Asian countries market growth was accompanied by calls for human rights and constitutional democracy reassured others that market development need not strengthen authoritarianism but might, with a little luck, diminish it. By the mid-1980s, it was not unusual to hear even Marxist or post-Marxist scholars voicing what earlier would have been regarded as liberal sentiments to the effect that the new industrialization could be a democratizing influence.

Others, of course, regarded the collapse of communism and the expansion of capitalism in East and Southeast Asia in simpler terms. In a widely read work, Francis Fukuyama (1989) spoke of a new world era characterized by "the end of history." Its central characteristic was the achievement of a worldwide consensus on liberal democracy and market development. Unfortunately for this prognosis, in many of the former Communist countries of Eastern Europe, programs of economic restructuring for which there had been strong support in 1990 had by 1994 given way to fractious disagreement. Equally seriously, in some of these same countries the collapse of communism gave rise not to an enlightened consensus on the virtues of lib-

eral democracy but to an explosion of religious, ethnic, and national conflict. Both developments seemed to foreshadow not the end of history but, in the words of the English political philosopher John Gray (1993:50), its resumption "on a yet vaster scale." Suddenly history no longer looked as if it were the unfolding of a universal developmental telos but seemed acutely responsive to local society, politics, and culture.

It was in this context, then, that pressures grew to revive research in the relationship of culture and organization to market processes. For many researchers, the analytic key to such a revival was the recognition that rather than being a separate subsystem within society, markets are thoroughly entwined with or, in the sociologist Mark Granovetter's (1985:481) now-famous phrase, "embedded in" culture and social relations (cf. Evans 1992:145; Holton 1992:44).

The language of embeddedness had been around before, of course, in the work of the great economic historian Karl Polanyi (1944) and the "substantivist" school of economic anthropology identified with him (see Dalton 1968, 1971). Though invoking the same idea, Polanyi and the substantivists interpreted embeddedness in a significantly different way than did Granovetter and the new socioeconomics. For Polanyites, embeddedness was a quality especially characteristic of premarket or precapitalist societies. As a society modernizes, Polanyi believed, the economy becomes increasingly autonomous; rather than being an instrument of the society as a whole, it begins to set the terms of its own operation and dominate other spheres in society. Modernization thus brings about the "disembedding" of markets and the subordination of society to impersonal economic powers.

Though it raises an important point concerning the nature of modern economic power, the Polanyite view is marred by the fact that it conflates two issues: the role of the market in mediating the provision of goods and services in modern societies and the question of the meaning, organization, and autonomy of market processes themselves. There can be little doubt that in modern capitalist societies a larger number of goods and services are acquired through market institutions than is the case in most (though not all; cf. Epstein 1968) noncapitalist societies. Such a linkage can create a vulnerability akin to that described by the German social critic Jürgen Habermas as the "colonization of the life world" (Habermas 1984; White 1988:107). That is, by making so much of our ordinary life dependent on the market, the commodification of goods and services can also render our desires and, ultimately, social identities vulnerable to manipulation by the very commercial agencies supposedly servicing our needs. Such a vulnerability will be upsetting to people on all sides of the political spectrum, including environmentalists worried about consumptive waste, religious traditionalists alarmed by sexuality in the media, and civic republicans concerned that the public sphere affirm values more profound than those of private satisfaction alone.

In evaluating our modern dilemma, of course, we must resist the romantic temptation to think of individuals in precapitalist societies as always free of this sort of manipulation or dependency. Western critical theory has a long tradition of this sort of historical romanticism, premised on the idea of "a 'great divide' between monetary and pre-monetary worlds" (Parry and Bloch 1989:29).³ The appealing polarity of such a divide is problematic in many parts of the world but is especially so in East and Southeast Asia. Though organized in varied manners and subject to different social controls, labor and commodity markets in this part of the world have a long and important history. So too do entrepreneurial minorities, many of whom were active in the region well before the arrival of Europeans.⁴ Though in this region and the precapitalist world generally the scope of market forces may have been limited, tastes, values, and identities were often still subject to systematic social controls. Moreover, these controls were not necessarily egalitarian or undivisively communal but often reflected the values and interests of ruling elites, religious authorities, and other social hierarchies.

As Albert Hirschman (1986:42, 1979) has noted, defenders of the market since the age of Adam Smith have pointed to facts like these to argue in favor of free and open markets (cf. Lubasz 1992; Winch 1978). Conceding that there is power and inequality in the market, market advocates assert that it is nonetheless preferable that people should be encouraged to influence others through market suasion rather than direct political coercion. Better the invisible hand—or, today, MTV—than the iron fist. Needless to say, many people will not find such defenses credible, least of all if there is rampant inequality in the distribution of wealth or if they believe that the social order must be grounded on a broader vision of the good arrived at through open and more participatory social avenues than market demand alone.

Polanyites may be right, then, to note that the commodification of exchange in modern capitalism may make human wants vulnerable to heightened dependency on the market. And they may also be right to suggest that where commercial organizations discover ways to manipulate human desires, this can be destructive of human dignity and autonomy. But these issues are different from the claim that the market in capitalist society is thoroughly "disembedded," which is to say that it has become a *sui generis* power unto itself, independent of culture and social relations and accountable only to itself. In an ironic way, this critique buys rather too much into the neoclassical myth of the market as a self-regulating mechanism.

It is on this point that Granovetter and the new economic sociologists (see Etzioni and Lawrence 1991; Friedland and Robertson 1990) present what they regard as an alternative understanding of the modern market. They argue that modern capitalist development involves not the market's disembedding but its reembedding or recontextualization within a new normative and organizational framework. This framework is still deeply dependent on cul-

tural meaning and pervasively influenced by social and political relationships. Embedded as it is in a different organizational and normative order, Japanese capitalism may be quite different from Chinese, and both in turn from American. Precisely how much they differ, of course, is an empirical question about which I will say more shortly.

Though Granovetter does not concern himself with the question, there is another corollary to the embedded understanding of the economy. Because markets and capitalism vary in their organization and meanings, their impact on politics, popular morality, and social inequality varies as well. The political consequences of capitalism in, say, a society in which there is no free press, few legal protections, and a lopsided concentration of wealth in the hands of a few well-connected families will be quite different from a society in which there is an effective balance of governmental powers, a sound judiciary, and a relatively equitable class structure. Because such variables influence both the operation of the market *and* its impact on politics and culture, it is important to avoid essentialized generalizations based on one historical ideal type when reflecting on capitalism's ethico-political entailments. The image of a monolithic capitalism has to be deconstructed in favor of models that recognize the variable articulation of capitalist institutions with society, politics, and morality.⁵

Granovetter himself was originally trained in the social-organizational wing of contemporary sociology, and his comments on the economy's embeddedness focus less on these large issues than they do on the nitty-gritty relationships involved in business and market transactions. In his early career he published several interesting studies showing that even in modern Western economies, simple economic tasks such as getting a job are heavily dependent on word-of-mouth information, social contacts, and, in a word, "networking" (Granovetter 1974, 1975). Extending this theme, Granovetter's recent work aims to show that there is a higher level of social interaction in the marketplace than economists, with their models of atomized individuals and independent firms, typically acknowledge. Business firms, Granovetter demonstrates, work the way they do not merely because of their management hierarchy or reduction of transaction costs (themes invoked in the economic literature to explain why firms come into existence; cf. Williamson 1975) but because they provide a web of social relations and communication denser than would otherwise develop in the marketplace alone (Granovetter 1985:502). Similarly, Granovetter asserts, the marketplace outside of firms is not the Hobbesian state of nature implied in many economic accounts in which anonymous buyers confront faceless sellers with little other than self-interest and the threat of state sanctions to guarantee fair play. In fact, as Émile Durkheim argued long ago, people regularly transact with one another even in circumstances where conditions for state supervision are weak or nonexistent. They are able to do so because business

relations are, to varying degrees according to time and place, regularly mixed up with social ones. When getting a job, hiring a new faculty member, choosing a baby-sitter, or making any number of other economic decisions, people rely not just on price and product information supplied by an impersonal market mechanism but on reports from friends, colleagues, and those around them (including those with whom they identify in the mass media) as to the quality of a particular person, product, or service. All this is to say that, as Granovetter puts it, the economy is “rife with social connections.” I might add that it is also rich with cultural meaning and thoroughly dependent on social trust (cf. Fukuyama 1995).

Network Capitalism

If, as Granovetter suggests, networking and information exchange are important even in the lawyer-congested economies of the West, the generalization is true in spades in East and Southeast Asia. It is now widely recognized that in Japan, for example, the networks among businessmen (and most are men), first established at college and continued after they enter the business world in after-hours socializing, play an important role in the affairs of high-level corporate managers. These relationships provide critical information for business decisions and also facilitate government-business cooperation in a manner quite different from the tradition of Anglo-American capitalism (Johnson 1982).

It is among overseas Chinese, however, that the embedding of modern economic life in social relationships assumes what is, from a Western perspective, its most striking form. Indeed, of all the forms capitalist organizations assume, those of the overseas Chinese present the most dramatic contrast with that of Western—and, particularly, American—capitalism. As Gordon Redding (1990) has shown and as Gary Hamilton (see also Hamilton and Biggart 1988), Jamie Mackie, and Robert Weller illustrate in their chapters in this book, Chinese capitalism is first and foremost a *network* capitalism. It is built from the ground up, not on the basis of legal contracts and the supervisory authority of the state but on particularistic relationships of trust. One can hardly think of a more decisive counterexample to Max Weber’s faith that the spread of capitalism would everywhere mean the demise of personalistic ties in favor of a faceless bureaucratic machine (cf. Clegg and Redding 1990:2; Hamilton, Zeile, and Kim 1990).

As Gary Hamilton’s chapter in this volume illustrates, the networks at the heart of Chinese business life are of two basic types, each characterized by its own norms and ambivalences. The first is the hierarchical relationship of the family, both in its core nucleate and extended patrilineal forms. The second is the system of lateral and reciprocal relationships known as *guanxi*. Though Chinese business is often said to be based on “family firms,” in fact