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The trading crowd: An ethnography of the Shanghai stock market

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University of California, Berkeley, 1994
The Trading Crowd

An Ethnography of the Shanghai Stock Market

by

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B.A. (Yale University) 1982
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A thesis submitted in partial satisfaction of the requirements for the degree of

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Ellen Louise Hertz
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Doctor of Philosophy in Anthropology
University of California at Berkeley
Professor Laura Nader, Chair

This thesis is an ethnographic analysis of the Shanghai stock market, based on ten months of fieldwork in the People's Republic of China in 1992. It tells the moral of the stock market, the ways in which its main characters and important moments were constructed into a moral storyline by Shanghainese investors and government officials.

I begin by introducing the notion of "stock fever", situating this mass enthusiasm for the stock market in the context of other forms of mass enthusiasm in China. To determine who invests in the Shanghai stock market, who is bitten by "stock fever", I provide a sociological sketch of "stock people", a sketch which reviews the dynamics of Shanghai social life over the past 50 years.
This general introduction serves as a background for the unfolding drama of the stock market. Both popular and official discourse in Shanghai speak of the movements of the market in terms of three collective actors: "big players", "dispersed players", and "the state". Over the course of 1992, the movements of the stock market were ascribed to the activities of each of these actors in turn, with an imaginary struggle for control over the market dominating stock market discourse.

The outcome of this struggle surprised the Shanghainese, for it became clear by the end of 1992 that the "dispersed players" had "won". In concluding, I examine the implications of this "victory" for the future of market ideology in Shanghai. I also situate my conclusions about the stock market in the context of the on-going debate about the existence and/or nature of "civil society" in contemporary China. I argue that Shanghai society must, for the time being, be conceived as locked in a primary opposition between "the State" and "the People". The stock market hints at something beyond this opposition. I have called this something "the trading crowd".

Chair /Date

Laura Haden
April 25, 1997

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For my parents --

without whom different
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List of Abbreviations

BS       Baltimore Sun
FEER     Far Eastern Economic Review
IHT      International Herald Tribune
JFRB     Jiefang Ribao (Liberation Daily)
MC       marie claire
TN       The Nation
SHZQ     Shanghai Zhengquan (Shanghai Securities News)
WHB      Wenhuibao (Cultural Daily)
XMWB     Xinmin Wanbao (New People’s Evening Daily)

Conversion rate

Chinese yuan (renminbi) : U.S. dollars

Official rate:  
5.50 : $1.00 (in February 1992)  
5.65 : $1.00 (in December 1992)  

Black market rate:  
6.90 : $1.00 (in February 1992)  
8.70 : $1.00 (in December 1992)
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Introduction

This thesis is an ethnographic study of the Shanghai stock market, a study which has been both unusually easy and unusually difficult. What made it easy -- indeed, what made my ten months of fieldwork a source of excitement and pleasure -- was the tremendous interest of the Shanghainese themselves in my topic. From the moment I set foot in Shanghai until my last day there, people from all walks of life wanted to talk to me about the market. They also wanted to talk to each other, and I spent most of my research time listening to these conversations, and recording the terms in which they took place.

Unusually difficult, however, was the task of bringing what I had learned back to my Western audience. Since the beginnings of the discipline, anthropologists have had to challenge Western preconceptions about the nature of social order in order to explain the societies they were observing. Malinowski

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1 My fieldwork was carried out from February to December of 1992. In addition, I have lived and worked in China for two and one half years, from June of 1982 to November of 1984, and studied in Taiwan for eight months from January to August of 1980. As a general rule, it has been my impression that mainland Chinese talk vigorously and inventively about their own society, and that the stock market was only an unusually rich topic in an unusually rich society.

2 These conversations took place in either Mandarin (which I speak and read fluently) or Shanghainese (which I was obliged to learn in the field). I gathered two principal categories of data: media reports and interview data about the institutional structure of the Shanghai market; and interviews and observation on the ways in which the stock market was discussed, the discourse of the market. These data occupy approximately eight hundred single-spaced pages of fieldnotes.
showed that order is possible without law in Trobriand society (1932), while anthropologists working in Africa demonstrated that acephalous societies are "governed" though they have no structures that we in the West would recognize as government (Fortes and Evans-Pritchard 1958). However, these anthropologists were working with institutions which had no counterpart in Western societies. What of an object as quintessentially Western as the stock market? What other terms exist to describe a complex financial institution, created over four centuries of European and American capitalism, than those used by European and American capitalism itself?

The best way to begin unraveling this problem is to ask what the West has invested -- in both monetary and symbolic terms -- in the Shanghai stock market. Indeed, the contrast between the monetary and the symbolic is rather striking: given how little money the U.S. has placed in the Shanghai market thus far, news about its occupies a disproportionate amount of space in the mass media. The Shanghai stock market seems to exercise a fascination for Western observers, a fascination which speaks long about Western conceptions of economics and politics. What emerges from mass media treatment of this new market is the following parable: economic "reality" has led the Communist government to adopt the world's only functional development model -- that of Western capitalism -- but

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"politics" and "ideology" prevent these leaders from acknowledging what they are really doing. What is most striking about this vision is its Marxist structure: reality resides at the level of the economic base, which drives change, while secondary processes of explanation and justification are elaborated within the cultural superstructure. As a corollary, it follows that it is impossible to organize a stock market along other than Western lines; in other words, the only real stock market is a Western stock market, and the Chinese will have succeeded in their experiment to the extent that they mimic this model. The government's program of creating "stock markets with Chinese characteristics" is dismissed as a foolish exercise in nationalist bravado at best, self-deception at worst.

The international comparative perspective is central to this study because comparison is built into its object from the outset. The Chinese government's decision to create stock markets was guided by their own comparative study of Western and Chinese economic structures. Furthermore, Western experts from government (such as the Chairman of the U.S. Securities and Exchange Commission), from private industry (executives from major financial services

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4 For a Chinese author who takes essentially this same position, see Y. Hu (1993).

5 Actually, as Sahlins (1969), Dumont (1977) and Bloch & Parry (1989) have pointed out, it is Marx who reproduced, unknowingly and with nuances, this modern Western view of the place of the economy in society.

6 Itself an ideal. Were there space, I would discuss the critical literature on Western stock markets, for these markets do not function in reality as they do on paper (see Lewis 1989). Indeed, I would argue that in actual functioning, Western stock markets begin to resemble the Chinese, and not the other way around.
companies in the U.S., France and Switzerland), and from international
organizations (such as the International Finance Corporation) were frequent
visitors to Shanghai during my year of fieldwork. However, if we wish to
understand how the world of Western high finance affects the Shanghai market --
and vice versa -- we must begin, as Malinoswki told us, with the "native point of
view".

This thesis focuses essentially on that native point of view, with the
expectation that further work will place this viewpoint in the necessary
comparative and international perspective. It is structured around the "moral" of
the stock market, that is, the ways in which its main characters and important
moments were constructed into a moral storyline by investors and government
officials alike. I do not insist that only one such story existed. I do insist,
however, that interpreting the meaning of the stock market was as much a
Shanghainese preoccupation as it was my own.

The native point of view begins, ironically, by reversing the Marxist
ordering of economic base over ideological superstructure. The hundreds of

\textsuperscript{7}An initial caveat is in order. Concepts may be "native", that is to say, part
and parcel of the Shanghainese socio-cultural system of meaning and practice,
without being "traditional", "traditionally Chinese" or even "Chinese". In the case
of Shanghai, China's first modern, cosmopolitan city (Bergere 1986), notions of
"tradition" and "Chineseness" lose their clarity. In the context of the stock market,
they become patently absurd. It is clear that many of the structures, concepts and
practices found in the stock market are borrowed from the West. However, as we
shall see, these structures, concepts and practices are immediately reconfigured to
fit their new environment. Through nobody's fault and to nobody's credit, the
result is completely and inevitably Shanghainese.

4
Shanghainese I interviewed over the course of my fieldwork vigorously and insistently agreed on one point: "In China, you cannot look at economics without looking at politics". Or, more radically, "in China, the economy doesn't exist yet". Moreover, while the nature of the market's "Chinese characteristics" was a point of contention, everyone I talked with, from government officials to working-class investors, agreed that the political nature of economic thought and practice is what lent the Shanghai market its "special nature" (teshuxing). From the questions of value and return on investment with which I had set out to the field, I was obliged to move to questions of political organization, hegemony and counter-hegemony; to ask not, "how do the Shanghainese think about stocks", but rather "how do the Shanghainese understand the state's role in the stock market". And, as a result, I began to look at what we in the West would call "the market" as what they in Shanghai might call a "social movement" (shehui yundong). Markets in Shanghai are the competing groups of people who make them up.

These competing groups were thoroughly elaborated in and by Shanghai stock market discourse. Within the stock market, action and reaction are conceived of in terms of three categories of "player": "big players" (dahu), "dispersed players" (sanhu), and "the state" (guojia). Over the course of 1992, as the stock market undulated its way through a speculative cycle, its movements were ascribed to the activities of each of these actors in turn, with an imaginary struggle for control over the market dominating stock market discourse. In Chapters III through V, I examine each of these collective actors to discern the
ways in which they talk, think and act in relation to the market.

However, to make sense of these categories of actors, we must examine the cultural and social setting in which they are conceived. In Chapter I, I discuss the notion of "stock fever" (guipiao re), situating mass enthusiasm for the stock market in the context of other forms of mass enthusiasm in China. I argue that a feverish interest in the stock market follows a pattern which we should analyze as deep structural, a pattern in which entire portions of the population are mobilized to concerted action.

In Chapter II, I situate this cultural pattern in the context of the socio-historical evolution of Shanghai society over the past fifty years. It is only with this background in mind that we may ask who invests in the market, and what strategies of urban living they call upon for this activity. My portrait of Shanghai "stock people" (gumin) is thus also a description of the cultural and social construction of community in contemporary Shanghai. I ask, how collective actors are culturally configured and set into social motion.

By the final chapter, however, it will become clear that the "dispersed players" have, in a sense, "won" the battle for control over the stock market. What this means is that neither the "big players" nor "the state" proved powerful enough to manipulate the forces of supply and demand. In my Conclusion, I examine the implications of this "victory" for the future of the stock market, and more generally for the future of market ideology in urban China. The triumph of the small players is the triumph of a certain type of group actor over others. It is
an actor moved by forces beyond the primary cultural opposition structuring Shanghai society -- that between "the State" and "the People". I have called this actor "the trading crowd".

A final word on method is necessary. As I have said, the anthropological perspective is implicitly, and, at its best explicitly, comparative. It is implicitly comparative because every observation about what "they think about this, is also an observation about what we think about them thinking about this" (Dumont 1986:248). When misused, this leads to the orientalism which has dogged the discipline since its beginnings.\(^8\) When used consciously and critically, comparison allows us to situate both Chinese and Western social forms among the array of human possibilities which unite us. The comparative framework is that which places all cultures, including that of the anthropologist, on the same ontological and epistemological register, thereby avoiding the moral and intellectual pitfalls of exoticism.

A critical comparison requires increased self-consciousness about the practice of anthropology as well as about its conclusions. In my case, this self-

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\(^8\)A classic example of Orientalism in Chinese studies can be found in Etienne Balazs:

For the comparative sociology [of the history of Chinese bureaucracy] has an outstanding virtue: it can be used as a mirror image in reverse of everything that is unique in the history of the West.... [A] glance at the social structure of bureaucratic China will be enough to bring to notice a curious reciprocity. Everything convex on one side is concave on the other. One is almost tempted to speak of a European Yang and a corresponding Chinese Yin (1964:21-22).
consciousness was forced upon me by my Shanghainese friends and acquaintances. This came about in a round-about way which bears mentioning here. One of my most frequent (and no doubt absurd) questions during my fieldwork was: "Why are Shanghainese so interested in the stock market?" Virtually everyone I talked with answered this question in the same way: "Because we're poor". Few things irritated and depressed me during my ten months in the field more than this response. At first, I simply ignored it. True, I thought to myself, Shanghainese frequently live in crowded, inconvenient and tiring conditions, but these people are simply not poor. By national standards, Shanghainese led relatively well-to-do lifestyles, lifestyles which could in no way be compared to the hardship and deprivation experienced by significant proportions of the peasant population. Furthermore, by world standards Shanghainese were in no sense poor. I found this answer somehow greedy and solipsistic, and in many ways perhaps it was.

My irritation became more intense when I heard this response from some of my "big player" friends, men and women who had accumulated millions of yuan on the stock market and elsewhere. I stubbornly set myself the task of explaining to these people that they were richer than I was, that if I could not play the market, it was because I simply did not have the extra thousand dollars it took to make the minimum non-laughable investment. But, I never succeeded in convincing a single "big player" that, relatively speaking, it was in fact I who was
poor. It took a heated argument with one of my most interesting acquaintances before I began to see that perhaps it was the Shanghainese who were right after all. True, I did not have their cash, but I had enormous cultural and social capital. I came to realize that the claim of poverty was actually a statement in a complicated process of claiming respect. By insisting they were poor, my friends and acquaintances were requiring me to take seriously the power discrepancies in our relative positions. In my view, responsible anthropology must factor these discrepancies into the doing of anthropology at every step of the way, from the first encounter in the field, to the writing of the final product.

9Indeed, a problem of credibility was posed by their conviction that I must have thousands of loose dollars at my disposal, as the question of why I did not invest them in their market became pressing. I finally realized that unless I offered them an alternative, I would be seen as irreparably stupid and rude. I therefore told them that I was playing the real estate market in Switzerland, which was rather "hot" these days (indeed, my husband and I were buying an apartment). This satisfied everybody. Yes, it seemed reasonable that real estate in Switzerland would be a better bet than stocks in Shanghai. I had saved face.
Chapter I: Stock Fever (gupiao re)

I arrived in Shanghai in February of 1992 to begin my fieldwork. I got into the car sent by the Shanghai Academy of Social Sciences, my host institution. It could not have been more than two minutes into our ride into the city when the official who had met me turned to me and said: "It's a good thing you came now. If you had come last year, your topic wouldn't have been interesting. Next year, we don't know what will happen. But this year, the stock market is re".

***

1. The Social Fact

And so I encountered what was to become the guiding concept of my thesis two minutes into my stay in the field. Re means "hot" or "in", and in this context is often translated as "fever". "Stock fever" (gupiao re), as defined by the

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1All foreign researchers in China must have a host institution, either a research academy, or a university. For an excellent description of field research conditions in China, see Pieke (1992 Appendix 2).

In my case, the Shanghai Academy of Social Sciences facilitated the administrative aspects of my stay in China, provided me with convenient living quarters, introduced me to my Chinese advisor, and then left me entirely to my own devices. I take this opportunity to thank the Academy for all that it did, and also for all that it did not do.
Shanghainese\textsuperscript{2}, is evident in the fact that "everyone" is talking about stocks; stocks were (and to a certain extent still are) in, and not to invest in -- or at least to have an opinion about -- the market is to be out-of-it. Long lines of people waiting to buy and sell stocks spill into the streets outside the many stockbroking offices scattered throughout the city. Next to these lines are other crowds: crowds of people straining to catch a glimpse of computer screens in the lobby, smaller crowds of people gathered in circles discussing the market's activities, and other even smaller groupings engaging in various forms of deal-making. At night, the city is dotted with groups of (mostly) men standing on the streets in circles of five to fifteen, sharing information and predictions. I could eavesdrop on conversations about particular stocks, recent trends, and government policy shifts in virtually every restaurant I ate in, on every bus I took. Perhaps most importantly, while literally "everyone" was not, of course, talking about stocks all of the time, literally everyone agreed that the stock market was \textit{re}. Stock fever is a social fact.

This thesis is an inquiry into the nature and consequences of stock fever.

\footnote{The phrase "stock fever" is used throughout China to describe intense interest in the stock market. While Shanghai and Shenzhen are the only officially recognized exchanges, various forms of stock have been issued in virtually all of China's provinces (Jin, Xiao & Xu 1991:64-65), and unofficial or black market exchanges have cropped up in Chengdu, Chongqing, Guangzhou, Nanning, Tianjin, Shenyang, Wuhan, Xiamen, and no doubt many other cities (FEER 1991a:29, and pers. comm.). The phenomena I discuss in this thesis are thus of relevance throughout urban China. However, significant variation in form exists, and I prefer therefore to restrict my discussion to Shanghai, with the hope that further fieldwork will allow me to extend my conclusions to urban China generally.}
As I hope to demonstrate, such an inquiry requires that we examine the structure and dynamics of Shanghai society at large. Stock fever must be set in the context of Shanghainese forms of sociability and networking, systems of status and authority, and images of self and other. However, the stock market has brought new institutions and new patterns of behavior and discourse to Shanghai as well, all of which merit careful attention. The tale of the stock market has many morals; it will be up to us to chose the one we find most prescient.

A note of caution is necessary at the outset of this enterprise. In this first chapter, I linger over the Chinese notion of "fever" (re) because I believe it is of central importance to our comprehension of both the stock market and Shanghai society at large. More specifically, it is through the notion of re that one can see with particular clarity the symbolic relation between the state and "the People" in contemporary urban society, a relation of both identity and conflict, of great proximity and of great distance.

However, the notion of Chinese "stock fever" conjures up powerful images in the Western imagination, images which should be handled with great care.3

3A typical example of Western fascination with Chinese fascination with the stock market is to be found in the March 1994 issue of marie claire, a French "women's" magazine. As reported, Ying, a 33 year old ex-textile worker turned investor, has the following to tell us about the workings of the market: "How does it function? I don't know. There is no need to study this. You bet, you lose and you win." The magazine adds: "Speculation is one of the most important sources of income for Shanghainese [sic]. All of this is completely legal. There is even a program every evening on television which reports market prices...." (MC 1994:25). What is it which compels Westerners to dot-dot-dot with excitement and disbelief over a part of the Shanghai evening news which they yawn through when it appears nightly on their own television sets at home?
On the one hand, it is deceptive in its familiarity. We in the West have also been prone, for centuries now, to epidemics of speculative "mania" (Kindleberger 1989). With the spread of financial markets to Asia, bourses in Bombay, Taibei and Tokyo have experienced similar booms and crashes. As capitalist evolutionism gains ground in its claim of universal historical inevitability, it seems a mere matter of course that the Chinese would participate in these moments of speculative fever along with the rest of us.\(^4\)

And yet, though it may be a matter of course, Chinese stock fever is also the object of particular curiosity. The Chinese stock market is the piece de resistance in the West's ideological triumph over Communism. Mao, we are told, forced a billion Chinese to repress their latent money-making tendencies for thirty years, and that stored-up energy has bursting forth with Deng's "capitalist" reforms.\(^5\) Ideology must sooner or later give way to "practicality", idealism to

\(^4\)It is worth noting that the presumed universality of speculative manias does not make them "rational": indeed, speculative manias are moments when our economic behavior does not make economic sense, and economists are generally hard put to explain, or even to acknowledge, these phenomena (see Kindleberger 1989). In my view, this is because financial fevers are not merely economic events, but also and perhaps primarily social facts.

\(^5\)The Western press makes frequent references to "capitalism" in China, with headlines such as "Stock Market Puts China Under a Capitalist Spell" (BS 1992), "Coy Capitalists" (FEER 1991b), "La Chine adopte le capitalisme rouge" (Liberation 1992), "Deng's Pattern Takes Shape: Hybrid 'Capitalist Totalitarianism' for China" (IHT 1992a) and "Capitalist Leap: China Plays the Market" (TN 1992). Here, "capitalism" means something as vague as the fact that rich individuals exist, that Coca Cola is marketed, or that the pursuit of wealth has become an important social activity. This usage only makes sense in the context of the on-going ideological struggle which the mainstream Western press wages against "socialism", "utopianism" and "Communism". (This is not new. Already in
individual self-interest.

In the Chinese case, this generalized ideological triumph is reinforced by Western presumptions about a particularly capitalist "gene" shared by the Chinese nation. The particular strategies used by the overseas Chinese communities to insert themselves in the societies to which they had immigrated have been taken for an immutable "Chinese characteristic", an instinct for petty commerce, thrift and industry.

1937, Thurman Arnold, in The Folklore of Capitalism, identified "capitalism" as an empty, though socially central, "polar word" (1937:167-84), that is, a word whose analytic relevance is held hostage to an ideological face-off.) The Chinese, of course, do not speak of "capitalist" reforms, but rather of "socialist market" reforms which borrow a certain number of "capitalist mechanisms" (Zhonggong Shenzhen Shiwei Xuanchuanbu 1992).

Needless-to-say, the analytic question of what "capitalism" really comprises is far from settled. In many works it is simply not defined (e.g. Chossudovsky 1986, Gates 1987, Potter 1968). In standard economics textbooks, "capitalism" is defined in such a way as to make its application to China today highly problematic (see e.g. Bornstein 1985:27). I too will avoid a strict definition of capitalism, as it seems to me that all definitions are inevitably sucked into the polar vortex. As for the Shanghai stock market, the short version is that it is about as "capitalist" as the California state lottery.

I heard the term "gene" used by a French China-hand in a television interview on China's economic reforms.

Freedman (1979[1959]) identifies overseas Chinese "sophistication in the handling of money" as a factor in their remarkable economic success once arrived in their new homelands. However, what Freedman describes is actually an extremely elaborate use of credit and debt among social networks in the mainland. It was only when these Chinese found themselves in hospitable foreign communities that this economic sophistication became a "capitalist gene". If thrift and industry do figure among the list of "Chinese characteristics" identified by Smith (1894) in his monument of sociocentric missionary writing, the rationalistic and forward-looking worldviews also associated with capitalism certainly do not. Clearly this question is more complicated than the genetic metaphor would allow. (See Gates (1987) for a careful beginning.)
Finally, "stock fever" conjures up other images particular to China. Crowds of black-haired, black-eyed Chinese squeezed together on the streets reminds us of other crowds, revolutionary crowds, and the fanaticism associated with them. The image of crowds has a particular potency in what the West has called "Asia". The loss of individuality associated with crowds (Canetti 1984) is accentuated by our deep-seated conviction that Asians all look alike. In the Western collective unconscious, Asians are natural crowds.

Thus, the Western fascination with Chinese stock fever draws simultaneously on stereotypes of Chinese as instinctive capitalists and as brain-washed hordes. It is worth noting for starters that these two images are in some degree of tension. If all that Chinese want to do is get down to the business of making a buck, how are we to account for the revolutionary and millenarian movements which, while they reached a historical high-water mark under Mao, have been an important part of Chinese history throughout the imperial and Republican periods? Or vice versa? In sum, how do we reconcile these qualities of fanaticism and rationality (or, "capitalism", a word which has become its synonym)?

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8It would be interesting to date this popular conviction. Was it part of Western perceptions of "Asians" from our first contacts, or has it developed more recently, and if so how? At any rate, it is a conviction which is mirrored by contemporary Chinese perceptions of Europeans.

9Note, by way of contrast, that "Africans" do not seem to fit into this perceptual scheme. In the American cultural context, we do not believe that "Africans" all look alike, nor do we think of them as crowds in the sense described by Canetti.
The very contradictory nature of these images is a hint as to the sociocentrism in their formulation.\textsuperscript{10} The question becomes, how does anthropology position itself in relation to this imagery? It is instructive here to make a brief detour by way of a famous anthropological site, a theoretical place where money-making and frenzy appear to go hand-in-hand, the famous "cargo cults" of Melanesia. The anthropological treatment of cargo cults serves as a guide to some of the underlying assumptions about wealth, production, exchange and sociability which structure the discipline's apprehension of non-Western socio-economic forms, assumptions which parallel and even elaborate on the popular imagery discussed above.\textsuperscript{11}

2. Anthropology and the Myth of the Cargo Cult

The "cargo cults" which animated various tribes inhabiting the islands of Melanesia have been a source of fascination and repugnance in anthropological theory since their "discovery" in 1948 (Kilani 1983:24).\textsuperscript{12} These cults were seen

\textsuperscript{10}Note also that the element of comparison with Western speculative manias has disappeared. This tacking between universal and particularist logics is the result of what Louis Dumont has identified as the implicit hierarchy within Western universalist individualism (Dumont 1986).

\textsuperscript{11}I criticize anthropology's sociocentrism here, but it should be clear this critique is itself a central part of the anthropological tradition. For a detailed discussion of this "modified universalism", see Dumont (1986) and Kilani (1993). For another approach, see Marcus & Fischer (1986).

\textsuperscript{12}Lucy Mair coined the term "cargo cult" in Australia in New Guinea (1948) and applied it retrospectively to the numerous millenarian movements which had been observed by missionaries and colonial administrators since the mid-19th century. For this critique of the anthropological treatment of cargo cults, I draw...
as an expression of the Melanesians' "hopeless envy" of the material wealth of their Western colonizers (Mair 1948:67). Through various fanatical activities -- invocation of the ancestors, worship of certain Western consumer items, and sometimes the large-scale destruction of indigenous goods -- the Melanesians, it was said, were trying to bring about the arrival of "cargo", Western wealth and commodities. That their system of belief had not yet evolved to a state which could be considered rational (in the "strong" sense of the term (Jarvie and Agassi 1970:173)) was evident in their failure to fit the means employed to the ends desired. With time, anthropologists predicted, this irrational relation to wealth and production would evolve along Western lines, and the Melanesians would come to see that hard work, investment and technology are the only routes to genuine prosperity.

According to Kilani, a careful rereading of the ethnographic record demonstrates that the cargo cult is an invention not of the envious Melanesians but of their Western observers (Kilani 1983). Numerous cult and millenarian movements did exist in Melanesia -- both before the arrival of the colonial powers, and well after the period when these movements were to have evolved away under the influence of Western rationality. However, none of them appears to have been motivated by "envy" for Western prosperity. Rather, in the manner of comparable revitalization movements among native Americans, or traditionalist movements in Africa (Wallace 1956), Melanesian cult movements were motivated on the excellent re-study by Mondher Kilani (1983).
by a desire to assert a revived tribal identity, thereby bringing about more balanced and equal relations with white and other neighboring ethnic groups. Kilani concludes that the notion of cargo cult must be discarded altogether, as the forms of these movements are too various to be subsumed under a single rubric. Instead, each cult movement must be examined in its particular historical and social context.

From our point of view, what is important about this example is that it demonstrates how anthropologists created an ethnographic object which was in fact an inverted version of Western beliefs about money and rationality.\textsuperscript{13} Despite the disciplinary injunction to holistic inquiry, the majority of anthropologists conducting research in this area were unable sufficiently to distance themselves from Western preconceptions about the place of the economy in social life to read their own ethnographic data with objectivity. A complex social phenomenon was taken to be a simple economic one; means-end rationality was then used as a criterion for evaluating the effectiveness of this imaginary economic institution; and it was concluded that the Melanesians did not yet come up to snuff.

I mention this example not because I wish to apply it directly to the Shanghainese context. Shanghainese are not Melanesians (indeed, they would be

\textsuperscript{13}Perhaps it is worth reminding ourselves of the context in which Mair coined this concept, that is, the late 1940s: the Western world had just emerged from a paroxysm of violence and fanaticism, set off, at least in part, by one ethnic group's fantasies about another ethnic group's relation to money.
most offended by the comparison\textsuperscript{14}). "Cargo cults" are instructive indirectly, both for what they can tell us about the discipline's preconceptions, and for what they suggest by way of alternative interpretations. Interestingly, however, the term "cargo-cult mentality" has been used to describe the Chinese relation to their new stock markets.\textsuperscript{15} Here we find that boomerang effect (or, as Bourdieu (1980) calls it, the Montesquieu Effect) typical of the relation between popular and scientific sociocentrism: a loosely related series of cult movements to renew tribal solidarity and resist colonial domination in Melanesia are interpreted as cults to Western goods or cargo; these cults then take on a life of their own, they are reified in and by theoretical jargon, entering the popular discourse only to reappear in entirely different social and historical contexts as "mentalities".

\textsuperscript{14}I was once asked by a Shanghainese acquaintance who had the opportunity to get an exit visa for Guam whether I thought that from Guam he would be able to emigrate to the United States. Needless-to-say, I asked him why he didn't want to stay in Guam. "Their skin is black, and they don't wear clothes", was his prompt reply.

This answer reflects the racially based evolutionary worldview that is a standard part of contemporary Chinese culture. For most Chinese, Melanesians, Africans, even their own minority populations represent peoples who are not yet entirely civilized. For a study of Chinese racial ideology, see Dikötter (1992); for an analysis of "internal orientalism" in Han China's relation to its minorities, see Schein (1993).


In an even more far-fetched analogy, the building of the Goddess of Democracy during the 1989 student protests in Tiananmen has been characterized as "a kind of cargo-cult to the coming of democracy in the absence of a coherent political strategy" (Godement 1993:293).
If we are to break out of this self-confirming framework, we must make two moves simultaneously. First, we must be alert to the ideological system out of which anthropology arises. Western social sciences have dedicated a couple of centuries to the work of segregating economic behavior from other forms of social practice, and of framing the science of economics in terms of ever more refined forms of "rationality". Anthropology has the difficult but necessary task of circumventing this construction.

Second, we must begin, wherever possible, with the ethnographic record, moving from there to the appropriate conceptual framework. In my case, I must describe and explain a "feverish" Shanghainese interest in the stock market -- how is it created and maintained, what forms does it take, how is it interpreted by the Shanghainese -- without forgetting that the West and I have very particular investments, economic and symbolic, in this fever. In this chapter, I approach the question of "stock fever" from a number of angles. In the following section, I place "stock fever" in the context of other "fevers" which circulate in urban Chinese society. In section four, I compare "fevers" to their closest cultural cousin, political campaigns or *yundong*. In section five, I trace the use of mobilization campaigns under Deng, focussing in section six on mobilization for economic reform. By section seven, we should finally be in the position to place "stock fever" in its broadest social and political context.
3. **Forms of Re**

The Chinese notion of fever (re) is a standard and important element of contemporary urban culture, and applies to many phenomena beyond the stock market. The year I was in Shanghai, a number of things were in (re): wearing black, hanging a picture of Mao on the rearview mirror of one's taxi, hula-hoops, even emigration were described to me with the suffix "re". Frequently, these descriptions were accompanied by a particular kind of commentary. "Chinese have no individual personality" (gexing), I was told by Chinese friends and acquaintances. "They always follow fashion (gan shimao), they have the psychology of a beehive (yiwofeng), they 'rush headlong into mass action' (yihongershang [a proverb])." These judgments were delivered with an air of contempt, as if it went without saying that I, as a Westerner, would find this "psychology" (xinli) absurd and inferior.\(^{16}\)

Putting stock fever in the context of other fevers (re) demonstrates that beyond purely economic motivations, a "feverish" interest in the stock market follows a pattern which we should analyze as deep-structural. The fundamental notion underlying a re is that everyone is doing the same thing at the same time. Here, the Chinese commentary noted above should be of some help to us, for it frames the concept of re as a problem of relationship between the individual and

\(^{16}\)This hints at an implicit value judgment in the Chinese concept of re which parallels but is not identical with the implicit hierarchy in Western stereotypes discussed above. Perhaps also a negative judgment is presumed when Chinese discuss re with Westerners.
the group.

Clearly, there are different forces propelling different types of fevers. Some are principally commercial, as with the sudden arrival among thousands of small distributors in Shanghai of millions of hula-hoops during the spring of 1992. From one day to the next, it seemed, hula-hoops were everywhere: young and old, women and men were to be found hula-hooping throughout the city, and television programs vaunted the merits of hula-hooping as entertaining, low-impact exercise. And then, just as suddenly as they had appeared, the hula-hoops disappeared, replaced by portable computer games such as Tetris. Likewise for the color black, which disappeared during the summer in favor of lime green, bright orange and fluorescent yellow.

Fads form part of commercial culture throughout the industrialized world, and work in much the same sudden and evanescent way in the West\textsuperscript{17}. However, commercial fads in Chinese urban centers are followed by a wider spectrum of consumers. This may be because marketing engineers in China have not yet segregated the market to parallel and demarcate the class/status system, as they have in the West. This in turn may be a reflection of the fact that the class/status

\textsuperscript{17}Indeed, we have come in the West to celebrate fads as a crucial force in keeping consumer economies in motion. In the area of fashion, this consumerist mechanism appears to have consumed itself, for today what is in fashion changes so quickly that it is now no longer possible to be clearly out of fashion.
system in China today is not (yet?) as rigorously fixed. Commercial fads in urban China are also more noticeable than their Western counterparts, as lack of space forces city-dwellers to spend more time on the streets, and more of that time is spent doing what we think of as private activities, than in the West.

Commercial re are but one form of fever in urban China. Proverbs and "in" phrases (shunkouliu) circulate throughout the city for a moment, and then pass out of fashion. Or, millions of small laminated picture of Chairman Mao suddenly appear in the shops and stalls of private entrepreneurs, and on the rearview mirrors of taxicabs. This outbreak of Mao fever (maore) deserves detailed examination, for it takes us beyond the consumer culture of contemporary urban China, and back to traditional popular religious/mythical practices.

The first appearance of Mao fever can be dated to 1990, when small-scale

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18 The question of the urban class/status system will be picked up again in Chapter II.

19 A typical example of a shunkouliu is the following rhymed jingle, popular in the late '80s: "Out of a billion people, nine hundred million are doing business; together they will counter the Party Central Committee" (shiyi renmin, jiuyi shang, gongtong duifu dangzhongyang).

Note that similar phenomena are common in the United States among minority groups, particularly among African-American and Hispanic youth. These practices are generally thought to be linked to processes of identity formation and group membership in a context in which the dominant culture is hostile to or ignorant of the culture of the minority group; they form a minority "counter-culture". The analogy is useful as it draws our attention to ways in which all of popular culture in urban China might be structurally constituted as counter-cultural.

producers in Canton began distributing inexpensive laminated images of Chairman Mao through private entrepreneurs and hawkers. One standard double-sided image prevailed, in which the Chairman was pictured before and after the Chinese Revolution -- on one side, Mao the young revolutionary, on the other, Mao the seasoned leader -- but a variety of images were put in circulation, occasionally including pictures of Zhou Enlai or other members of the Long March pantheon. Drivers of state and privately owned cars hung these picture on their rearview mirrors to protect against accidents. Private entrepreneurs hung them in their shops, along side or in place of the Fortune God (Cai Shen), the popular deity whose help in bringing prosperity and warding off evil is frequently invoked throughout China and in the Chinese diaspora.

When asked why Mao was in (re), most people I talked with answered that

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21I put these events in the past tense as they came into and went out of style during the year I was in Shanghai. However, recent newspaper reports suggest that these practices and others have been revived, or that in certain parts of the country they never died out (FEER 1993b).

22Mao as a young revolutionary has a distinctly feminine look about him, for reasons which merit analysis. My suggestion would be that this double-sided image works to highlight the enormous transformation (hua) which the Chinese Revolution wrought on Mao as a person, but also on the entire Chinese nation, as Mao is seen "as having become synonymous with the Chinese nation" (Beijing Zhoubao (Peking Review), cited in FEER 1993-94). The femininity of the young Mao serves to highlight the mature masculinity of the post-revolutionary Mao. Chinese deities are frequently ambiguously sexed (see e.g., Hodous 1929:104, cited in Watson 1985:298, n.18), perhaps because transformation is a central element of their supernatural power.

23The Fortune God (Cai Shen) is also named Guan Yu or Guan Gong. See generally Feuchtwang 1992.
"people" thought he was a God. When asked whether they themselves held this belief, they generally expressed skepticism about Mao's god-like powers; they hung his picture in their store or taxi because it was "fashionable" or, at the most, "to bring good luck", they told me. Be that as it may, Mao has a familiar mytho-religious structure. Mao fever began after Mao gave a certain number of signs of his powers to harm disrespectful citizens and to protect those who paid him homage. The first of these occurred during the student demonstrations in Tiananmen, when three protesters threw paint at his portrait overlooking the square. Hours later, Beijing was drenched by a torrential rain storm (IHT 1992b).

That Mao the man should become Mao the god is not usual, as the line between the human and supernatural worlds in Chinese tradition is notoriously porous. Indeed, it is probably incorrect to speak of a line at all, for as Arthur Wolf (1978) has pointed out, all humans take on some form of supernatural power when they die, either benevolent (ancestors), malevolent (ghosts), or quixotic, (gods) (1978). The ability to influence the natural order has been a standard element of imperial power throughout Chinese history, and in this myth

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24 We may explain this hedging by the fact that no reasonably worldly Chinese would admit to engaging in such "traditional thinking" in front of a foreigner. However, I would like to suggest, along with Slavoj Zizek (1989), that belief in the modern world often takes the form of the mere belief that others believe, and that this indirect structure of belief is sufficient to produce all the effects of direct belief. Of course, the quintessential example of this structure of indirection is the stock market itself.
is simply attributed to Mao.25

Since the onset of Mao fever, the Chairman has been implicated in the miraculous survival of numerous car accident victims. While the place of these miracles varies with the teller, they are always located in a city of symbolic importance. In many versions, the miracle took place in or near Canton, that is, the center of the most radical economic reforms under Deng's model of socialism, creator of its own economic "miracle" (Vogel 1989). In others, it occurs near Mao's birthplace in Hunan Province. Finally, in others it occurs in or near Peking, the national capital and symbolic site par excellence.

The circulation of these anecdotes follows the form in which myths of local deities have circulated in China since at least the 12th century. Anecdotes of a

25Historian Barend ter Haar adds a new element to this configuration. He argues that supernatural power in the Chinese tradition is essentially linked to the god/hero's capacity for violence. The more violent the human being, the more powerful the god. The ritual use of blood and sacrifice is, to his mind, evidence of the fundamental link between violence and power, as are the violent storylines of many historical hero myths (1993).

I am, unfortunately, in no position to evaluate his evidence. However, it is worth noting that ter Haar's interpretation resolves a "contradiction" frequently noted in journalistic treatments of Mao fever. "That millions died as a result of disastrous Mao initiatives such as the Great Leap Forward and the Cultural Revolution seems to matter little to the more than four million people [who have come to visit Mao's place of birth]", complains the Far Eastern Economic Review, which attributes this oversight to forgetfulness and youth (FEER 1993b). But, perhaps Mao's power to cause harm in his lifetime is directly related to his powers as a god after his death. This would also explain why many Chinese believe that Zhou Enlai, while a more respectable human being than Chairman Mao, is not a god. In the words of one acquaintance: "People who have met Mao say that when they saw him they became so frightened they couldn't speak. Zhou Enlai did not frighten people, he was just like us."
heroic exploit performed by a local hero lead to the creation of local cults. These cults bring pilgrims seeking to tap the god's powers, which in turn spreads the cult over large areas of the country, as with the Song dynasty cult of Guan Yu explored by Barend ter Haar (1993). Beyond cults, the circulation of rumors, panics, and of course, rebellious thought on a large scale seems to have been a constant feature of popular culture throughout the imperial period, a feature which attests to the high degree of complexity of urban-rural networks (Kuhn 1990, Wakeman 1977).

In sum, fevers (re) seem to express a particular form of the relation between the individual and the group in urban Chinese society. They spread by means of the extraordinarily complex and flexible networks linking different sectors of this society. In their strongest forms, they make reference to mythical conceptions of power, either power to do good, as in the cult of Mao or Guan Yu, or the power to harm, as in the Qing dynasty sorcery scare discussed by Kuhn (1990). Finally, with re we witness entire sections of the population acting in unison.27

26 Frequently, deity cults spread by means of official promotion and promulgation. See J. Watson (1985) for a very interesting discussion of official-popular relations in this context.

27 As P. Steven Sangren has pointed out, the mythical power invoked in shared community beliefs is, in reality, the alienated representation of the power of the community itself (Sangren 1993, 1991). I will argue that re similarly create an "imagined community", in the words of Benedict Anderson (1983).
4. **Official Re: the Yundong**

*Re* have a close cousin in the political campaigns (*yundong*) that have shaped Chinese history throughout the Communist period, and which, in diluted intensity though similar form, have played an important part in imperial history as well.  

Indeed, we could say that *re* are simply the popular version of *yundong*; or, that *yundong* are official *re*. Both create moments when an entire cultural area (often all of urban China, sometimes the nation as a whole) is unified by a common activity.

The Chinese word *yundong* can be translated as "campaign" or "movement". Campaigns, movements and mass mobilization were a central aspect of Chinese culture.

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28This observation graduated from the state of a vague intuition to that of a full-fledged thought with the help of Christopher Reed, historian and brilliant *manqué*.

Whyte and Parish's *Urban Life in Contemporary China* confirms this characterization:

In Canton [during the 1970s], the mania for hobbies and card games became known among some as the "mass movement", welling up from below, as opposed to the numerous "political movements" which descended from above. Among others, it became known as the "army, air force, navy movement", with crickets being the army, birds the air force, and goldfish the navy (1984:321).

29Clearly, these two formulations differ in an important way. In the first case, popular culture imitates official culture; in the second, the tables are turned. We should be in the position to decide which formulation most accurately characterizes the nature of popular-state relations in the stock market by the time we reach the Conclusion of this dissertation.

30Given the problem I am exploring here, it is interesting that the Chinese word "*yundong*" specifically does not distinguish between conscious and directed mobilization from the top down (more or less captured by the English word "campaign") and spontaneous or popular mobilization from the bottom up (as implied by the English word "movement"). However, the differences between
element of Mao's successful revolutionary military strategy (Kim 1969), and were extended to the political arena even before the Communist reunification of the country in 1949 (Bennett 1976). With the success of the revolution, the Chinese Communist Party's principal goal became to assure the triumph of the revolutionary classes over the bourgeoisie; to this end, political campaigns became the Party's primary means of mobilizing "the People" to wage class struggle against its "enemies". Campaigns varied enormously in character and importance, from two-day campaigns to kill sparrows, pick up litter or plant trees, to the enormously influential Great Proletarian Cultural Revolution.

In this discussion, I wish to focus on the form and not the content of China's long history of campaigns (yundong). It is the West's (ideological) emphasis on ideology which has prevented us from analyzing with care the particular representation of politics which lies behind the yundong. I have therefore sketched out a brief list of some of the principal campaigns to touch the bureaucratically led "campaigns" and grass-roots "movements" did not go unnoticed. Indeed, their relative merits were an important point of discord between Mao and other leading Party members (Meisner 1977:288-293).

31It is frequently noted that Mao's political philosophy derived in large part from his military experience. This is generally attributed to his inability to grasp the difficulties of managing a country as large as China, an inability which intensified as he became increasingly preoccupied with power struggles within the Party leadership. This explanation ignores a long tradition of what could be called strategy studies in China, which treats government and military affairs as two branch of the same art (see von Senger 1991). More importantly, it ignores the power of war-like social mobilization in the creation of community: "New China" was in part created through this perpetual mobilization of "the People" against "its enemies". It is Elias Canetti who writes most eloquently about the formative role of these "double crowds" in human history.

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Chinese population over the past forty-five years. The list is incomplete and uncommented. It is worth including simply to give readers unfamiliar with recent Chinese history a sense of the number and scope of these movements, and of the suddenness with which they could alter the direction of national policy, often in radical ways: 32

1942-43 Movements for party rectification and collectivization in the occupied territories;
1946 Land reform in the occupied territories;
1948 Second party rectification campaign;
1950 Nationwide land reform movement;
1951-52 Three-Ants and Five-Ants campaigns against corruption, waste and bureaucratism, and tax evasion, bribery, fraud, theft of government property and theft of state economic secrets, respectively;
1955 Sufan movement against counter-revolutionaries; drive to meet targets of the First Five-Year Plan;
1956/1 Drive for agricultural cooperativization; campaign for socialist reform of private business intensified;
1956/4 Mao speaks on "The Ten Great Relationships" at Special Politburo meeting; reversal of "high tide" of collectivization;
1956/5 Hundred Flowers Movement launched;
1957/2 Mao's speaks on contradictions within the people;
1957/6 Publication of Mao's speech on contradictions within the people; Anti-Rightist Campaign launched;

32 This chronology is compiled from Meisner (1977), Schurmann (1968) and Spence (1990).
1957/8  *Xiafang* movement to send cadres and intellectuals to factories and villages;

1957/10 Irrigation campaign launched;

1958 Transfer of central industries to regional jurisdiction; communization movement launched;

1959 Halt called to communization drive; Mao resigns as Chairman; "all the country is a single chessboard" stabilization policy; movement to "increase production and economize"; renewed production drive in agriculture;

1960/1 *Xiafang* drive resumed; urban communization resumed

1960/10 Decentralization of communes to team level;

1961/1 "Full retreat" on economic front; "return to the [home] village" movement;

1962 Intra-Party movement to criticize "modern revisionism" and to strengthen Party solidarity; Socialist Education Movement against "revisionism" launched;

1963 The "Four Cleans" campaign to eliminate corruption within the Party;

1964 Campaign to train a "revolutionary successor generation";

1965 Mass media campaign to criticize playwright Wu Han;

1966 Cultural Revolution launched through movement to criticize "black gang" in Beijing universities; Red Guards mobilized at mass meeting in Tiananmen Square; Red Guards encouraged to attack top Party leaders; Cultural Revolution extends to factories with campaign against "economism";

1967 Shanghai Commune established, then disbanded; campaign against Liu Shaoqi officially launched; struggles against Party secretaries in provinces; attempts to curtail excesses;

1968 Mao launches the campaign against "privatism";

1973-4 "Criticize Lin Biao, Criticize Confucius" campaign;
<table>
<thead>
<tr>
<th>Year</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>1975/10</td>
<td>Campaign to study Dazhai;</td>
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<td>1976/2</td>
<td>Campaign against &quot;China's Khrushchev No. 2&quot;, Deng Xiaoping, intensifies;</td>
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<tr>
<td>1979/1</td>
<td>Crackdown on Democracy Wall protests;</td>
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<tr>
<td>1980</td>
<td>Decision to create 4 Special Economic Zones; One Child Policy announced;</td>
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<tr>
<td>1981-82</td>
<td>One Child Policy intensified through periodic campaigns; responsibility system in agriculture;</td>
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<tr>
<td>1983-4</td>
<td>Anti-spiritual pollution campaign in cultural work;</td>
</tr>
<tr>
<td>1983/1</td>
<td>Structural reforms of Party launched;</td>
</tr>
<tr>
<td>1984</td>
<td>Industrial reforms begun; 14 more special economic zones created; anti-crime drives;</td>
</tr>
<tr>
<td>1985</td>
<td>Retrenchment in reform policy caused by economic overheating; anti-corruption drives;</td>
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<tr>
<td>1987</td>
<td>Campaign against &quot;bourgeois liberalization&quot;; anti-corruption drives; campaign to study Lei Feng; reforms of price system and industry continued;</td>
</tr>
<tr>
<td>1989</td>
<td>Retrenchment after events in Tiananmen;</td>
</tr>
<tr>
<td>1992</td>
<td>Deng Xiaoping's &quot;Southern Tour&quot; <em>(Nanxun)</em> signals end of retrenchment.</td>
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There are many ways to go about analyzing this political technology: from a Western liberal point of view, mass mobilization connotes peer pressure and lack of liberty; others point to the positive effects of a high degree of participation in the doing of politics (Cell 1977). I would like to focus on a third element which I will call the representational element in mass mobilizations campaigns *(yundong)*.
In social terms, *yundong* are characterized by what I will call, for lack of a better term, a dramaticization of politics; the Party or the state mobilizes a target population (cadres, intellectuals, peasants, "the People"). to enact the application of the new policy. In *yundong*, one can hear, see or read the application of the new policy in the words and deeds of all citizens concerned.

The point I am trying to make here is perhaps best illustrated by contrasting Chinese with Western techniques of policy implementation. Western policy design adheres to a logic of systems: the "incentive environment" of the target population, be it institutions or individuals, is modified so that the desired behavior is produced, as it were, naturally. Taxation is thus the quintessential model for the application of positive state power in Western societies (Nader 1978).

By contrast, *yundong* follow the principle of ritual: policies "work" when they are visibly enacted by the populace. With *yundong*, society is transformed not gradually, through the workings of structures and systems on individuals, but immediately, through the mobilization of a monolithically conceived society for

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33 This contrast is rapid, no doubt too rapid, but a theoretical discussion of Western conceptions of power would take us too far afield. However, even from this brief gesture, it should be clear that I oppose the free-for-all use of Foucaultian theory as applied to Chinese society (see e.g. Anagnost 1991, Dutton 1992, Yang 1989). Foucault traces a very particular "archaeology" of power over the last five centuries in Western Europe. By the force of his own arguments, there is no reason to believe that China would have experienced a similar trajectory, and every reason to resist correlating China's particular archeology of power to the formal political turning points of modern Chinese history, as Dutton and Yang seem to do.
immediate action. The consequences of this ontology of state power for the short-term economic well-being of the nation were undeniably negative. Its consequences for the social, political and cultural coherence of New China are far more complex.

5. Reform through "revolution"

With the death of Mao and the ascension of Deng, the focus of the Communist Party programme shifted from class struggle to economic modernization. In later sections, we will be examining the various strategies for reform, particularly economic reform, which have come out of this shift. Here again, however, I would like to focus not on the content but on the form of the reforms. For while the word "campaign" (yundong) is rarely heard today, the form in which policy shifts are announced and applied in Deng's China bears important resemblances to the practices of mobilization detailed above.

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34 This shift is articulated in what has come to be viewed as the landmark document of the reform turnaround, the "Communique of the Third Plenum of the Eleventh Central Committee of the Communist Party of China", adopted December 22, 1978 (Chinese Communist Party Central Committee Documentary Research Office 1987).

35 Many Chinese today speak of yundong with the same note of irony and derision used to discuss re, as evidenced by a popular pun: yundong means "movement" in the physical sense as well as the political sense, and a yundongyuan is an athlete; however, yundongyuan is also used ironically to refer to someone who participates frequently, actively and opportunistically in political campaigns. Incidentally, "popular puns", frequently political in nature, are another form of re. During the Democracy Wall movement (1980-81) which followed Deng Xiaoping's articulation of the "Four Modernizations" Programme, the phrase "fifth modernization" (dīwūge xiàndàihuà) was frequently used in critical political circles.
Here again, a word of caution is in order. The image of China's reform programme which dominates the Western press is one of a complete rupture with past practices. "Once regarded as the epitome of radical communitarianism, China [is] suddenly pictured by many outside observers as a budding capitalist society alive with the spirit of entrepreneurial individualism" (Perry and Wong 1985a:1). This impression is reinforced by a parallel effort in the Chinese press to emphasize what Deng has called "a revolution in urban and rural economic policies" (Riskin 1987:342).

Clearly, recent reforms have brought about very important changes in China's economic, political and social structures; indeed, this dissertation is born of those changes. However, the ideological dimension of claims for change on both sides must not be overlooked. The most fundamental sense in which the ideology of rupture serves the interests of both China and the United States is as a justification for normalization of relations, even friendship and economic cooperation, between two countries that had, only a matter of years ago, been formal enemies.36 Beyond this coincidence of motives, however, the notions of
to denote democracy. With the Anti-Spiritual Pollution Campaign (1983-84) to combat Western influence and alienation (yihua), alienation replaced democracy in popular discourse as an ironic "fifth modernization". Punning and double-entendres form part of a long tradition of what we could call dissident uses of language in Chinese culture; the subject merits further exploration.

36For a discussion of normalization, first undertaken, we should remember, by Zhou and Mao, not Deng, see Hsu (1982:56-90).

It is not too outrageous, I think, to compare this event with the sudden shifts in allegiance parodied in Orwell's 1984 (1949); indeed, the very word "normalization" has a slight reek of Newspeak. What Orwell captures is the
rupture propounded by U.S. and Chinese commentators part ways. U.S. portrayal of China's abandonment of Maoist practices follows the American tendency towards a Manichaean view of political economics in terms of a binary opposition between free markets/ democracies and command economies/totalitarianism. In this view, if Chinese policy-makers are distancing themselves from the failed command model of economic development, this can only mean they are becoming more like us in all respects.

The Chinese government press has a more complex set of reasons for propounding the notion of "revolution". Undeniably, a major factor prompting

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contrast between the eternality of the principles evoked to justify enmity or friendship between nations, and the ephemerality of their effects. We might think that diplomatic relations could be conducted in the language of real politik, as they are analyzed in the press or the academy. But, it seems that states cannot speak the language of the real; allegiance or enmity between "peoples" appears to invoke Principles.

The jarring nature of these sudden realignments is even more remarkable when viewed cross-culturally. Compare the distinct rhetorics of friendship (ie. trade) versus war employed by modern nation-states with the apparently more dialectical ideologies of tribal societies, where trade and war are quite consciously seen as two sides of the same coin. The potlatch, practiced by natives of Northwest America (Codere 1950), is the classic ethnographic example of this dialectical logic.

37It is interesting to note that the strength of this ideology has in no way been undermined by developments in Western economics over the past thirty years, where it has been established to the satisfaction of the greater part of the profession that the state has played a crucial role in structuring economic development throughout the industrialized Western, in Japan and in the so-called newly industrialized countries (NICs) of Asia (see, on the U.S. economy, Galbraith 1985 [1967], on Japan and NICs, Godement 1993), and that within a single enterprise both internalized (command) and externalized (market) allocative decision-making are necessary for successful management (see Chandler 1977 and Williamson 1983).
Deng to undertake reform was widespread and mounting popular discontent with economic performance during the ten years of the Cultural Revolution (Perry and Wong 1985a:2).\textsuperscript{38} Added to this was cynicism and fatigue after countless campaigns for political mobilization (Whyte & Parish 1984:319-325). In proclaiming a "revolution", Deng aimed to garner popular support with promises of immediate and tangible improvements in the general standard of living.

However, dissatisfaction with economic performance, followed by changes in economic policy and promises of increased economic yield, had been a mainstay of pre-reform politics, as even a cursory glance at the various campaigns listed above should demonstrate. As Perry and Wong point out, the fact of "abrupt swings in policy which occur when the locus of decision-making authority shifts from one set of leaders to another" is a "commonplace in the study of contemporary China" (Perry and Wong 1985a:5).\textsuperscript{39} It is, in other words, rather a point of continuity with the past than rupture. At one point in the early 1960s, then-Premier Liu Shaoqi had even suggested restoring the stock market (Dittmer 1989:49). What makes Deng's reform policies more "revolutionary" than this?

Furthermore, as early as 1978, before the direction of reform policies had

\textsuperscript{38} Agricultural growth per capita was averaging only 0.5\% per annum, and while high levels of industrial output and even growth had been attained, "this performance was undermined by problems of inefficiency and poor coordination" (Perry and Wong 1985a:3).

\textsuperscript{39} In the view of these authors, however, the "swings of the political pendulum" have become increasingly radical with time because each faction of aging revolutionary leaders has a tendency to seizes what may be its last opportunity irreversibly to determine the course of China's future (Perry and Wong 1985a:5).
been demonstrated or even, perhaps, taken real form in the heads of the new leaders, the Party was calling for a "profound and extensive revolution" to carry out socialist modernization (Chinese Communist Party Central Committee Documentary Research Office 1979:168). In hindsight, the range and depth of the reforms launched in 1978 may appear revolutionary, but it was not their content that made them so at the time.

Blinded by the content of the reforms, we have overlooked the form in which they were announced; the call for "a profound and extensive revolution" is an example of the precise rhetoric with which mobilization campaigns had been announced throughout the Maoist period. The claim of revolution must be understood not so much as a statement of fact but as a linguistic political act, an act by which Deng simultaneously reappropriated the Maoist past and marked

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40 Dittmer (1989) argues that reforms were launched more as a response to perceived problems in Maoist policies than as the expression of a clear vision of what the future should hold.

41 I have purposely avoided using the recently trendy word "performative" here. Austin (1975 [1962]) came up with the term "performative" to qualify a particular form of language use -- those moments in which the law requires its agents or others to pronounce specific words to produce specific legal effects, such as "Do you take this ... I do". He distinguishes these uses of language from others which he calls "constatives". In some forms of speech act theory (Malinowski's being an early example, see Adam 1990), the notion of performative has been extended to include all the illocutory effects of speech. This extension is interesting to the extent that it points to what one could call an ideological element in all language use; any use of language aims to produce, and produces, effects in the world. However, I am not sure that this point should be made through the notion of "performative", thereby emptying it of its particularity. Here, I mean only to point out that statements by the Chinese Communist Party enter a well structured ideological field, in which their speakers intend that they take up position.
his distance from it.

Mao was, it should be remembered, the only Communist leader in world history ever to have put the Trotskyist theory of "permanent revolution" to the test, first with the Great Leap Forward of 1958-1960, then with the Great Proletarian Cultural Revolution of 1966-69.\textsuperscript{42} True, these experiments have not been held up as successes; they may even make up most of the 30% of error which the Party's reevaluation of Mao's contributions to socialism was to assign him (Hsu 1982:44-52, 142-167). However, this has in no way tarnished the glow of the term "revolution" in the Party lexicon. After all, China's own national revolution was just thirty years old. Thus when the Chinese press acclaims a new "revolution", it draws on a different set of connotations from those available to the Western press. "Revolution" within the context of continued Communist Party rule involves elements of continuity and change; it is the Party bowing to its own capacities for continual self-renewal.\textsuperscript{43}

Beyond this rhetorical continuity, there is more fundamental\textsuperscript{44} continuity

\textsuperscript{42}On the Chinese interpretation of "permanent revolution", see Meisner (1977:204-216) and Wakeman (1973:320-327).

\textsuperscript{43}See Spence, "Redefining Revolution" (1990:653-682).

\textsuperscript{44}It may represent an act of sociocentrism on my part to consider rhetorical continuity as somehow un-"fundamental". Take another example from the same time period: the programme most commonly associated with the name of Deng Xiaoping, the Four Modernizations in industry, science and technology, agriculture and national defense (see Hsu 1982:91-125), was first formulated by Zhou Enlai in a speech to the Fourth National Party Congress in 1975. It was taken up by Mao's designated successor, Hua Guofeng, Chairman of the Party and Premier of the government until his forced resignation from the premiership in 1980. The phrase was written into the Party and state constitutions in 1977 and 1978,
in the manner in which politics is conducted in Dengist and Maoist times. That continuity is most apparent in the delicate and charged area of law reform. With the Four Modernizations and policy of opening to the outside world, one important area of reform has been the law (Baum 1986, Dicks 1989, Keith 1990, Leng 1989). However, while enormous efforts have been made to develop a comprehensive statutory code and judiciary system, particularly in areas touching on foreign trade and investment with China, not law but "policy" (zhengce) remains, as in the Maoist era, the primary locus for the articulation of norms and their application (Potter and Potter 1990:245).

As Article One of the new Constitution of 1982 makes clear, the legal system is subordinate to the "people's democratic dictatorship", which is guided by Marxist-Leninist-Mao-Zedong Thought, and manifested by the Party. Political direction comes from the "spirit" of the Party leadership, and this spirit guides the application law to facts through "policy" (zhengce).

respectively. In the "peaceful evolution" in leadership after Mao's death (see Dittmer 1989:54-55; Hsu 1982:29-55), this element of verbal continuity -- from Zhou and Hua (hence Mao) to Deng -- may indeed be of fundamental importance.

45 This position of law in Chinese society today is a point of struggle (see Keith (1990) for a review of the Chinese debate on the "rule of law). No unified attitude, even among top leadership, can be distilled: many believe that economic development depends on a fully independent legal system on the model of Western democracies; others believe that "socialist legality with Chinese characteristics" requires that law maintain its position as "tool" of Party policy (Dicks 1989:542; see generally von Senger 1985). Whatever the disagreements at the highest level and the intentions behind the reforms, in practice today law remains in a secondary and instrumental position in relation to policy.
The subordination of law to policy is apparent in numerous domains. In those areas where newly issued codes are designed to govern the legal apparatus, this subordination is most obvious, and, for Westerners, most "cynical" (Dicks 1989). In the prosecution and sentencing of criminals, both the way in which crimes are defined and the seriousness with which they are treated vary with the intensity of the political climate. In 1983, shortly after the enactment of the new codes of criminal law and criminal procedure, a "Decision of the Standing Committed of the National People's Congress Regarding the Severe Punishment of Criminals Who Seriously Endanger Public Security" was adopted, followed (and preceded) by massive arrests and public executions. Likewise, the near yearly "cleaning-up" campaigns launched against corruption and economic crime routinely net twice as many criminals as during non-campaign times (Rocca 1992:407). During such drives, defendants who would in laxer moments be sentenced to long prison terms may find themselves sentenced to death.46

Policy and not law governs the application of state power in other domains as well. In the controversial area of birth-control policy, law, formulated at a very general level, has consistently been supplemented by policy, which is refined as it descends down the bureaucratic ladder to take into account "local circumstances" (S. H. Potter 1987). In the cultural area, campaigns against "Spiritual Pollution"

46Crime, particularly economic crimes and corruption, is increasingly an enormous problem for the Chinese state. For a general survey of the statistics, see Rocca 1992. According to an official pronouncement by Deputy Procurator General Liang Guoqing in September of 1993, "corruption is now worse than in any other period since New China was founded in 1949" (FEER 1993c:16).
(Larson 1989) and "Bourgeois Liberalization" can lead to the arrest of artists and writers through the application of policy, broadly supported by laws against "counter-revolutionary activities", and activities that "disrupt the socialist system" (Dicks 1989:548).

In none of the areas just mentioned do campaigns have the dimensions of Cultural Revolution mass mobilization, and it is clear that real changes in the conception of appropriate forms of mass mobilization have occurred. What has not changed, however, is the belief that sporadic mobilization itself is an appropriate technique for the application of policy. The Western press tends to treat these "campaigns" as residual, hangovers from Maoist practices, or political posturing by "Leftist" leaders. Clearly, this is an area in which changes are taking place; however, I would like to insist that the dramaticized conception of policy application which lies at the base of yundong has not been fundamentally altered.

The most important area in which the processes of power and mobilization are visible today is in the economic arena. This is perfectly logical: as the focus of Party work has shifted from class struggle to economic modernization, the techniques of mass mobilization previously used in the former area have been concentrated on the latter.
8. **Time and Politics: the Importance of Opportunity**

Since the launching of economic reforms in 1980, and their extension to the areas of urban and industrial policy in 1984, China has experienced waves of change that touch on virtually every area of economic life. The ebb and flow of these various policies is generally attributed to struggles within the Party leadership between "conservative" and "liberal" factions. While important differences of opinion do exist among officials, economists and planners, the journalistic focus on inner-Party power struggles blinds us to the broader formal continuity between waves of economic reform and campaigns or *yundong*.

Whether the wave-like system of policy application represents a cultural pattern, a series of last-minute decisions caused by power struggles within the Central Committee, or conscious choice on the part of central authorities, as some of my Shanghainese acquaintances implied, remains unclear to me. The result, however, is a particular cultural conception of "opportunity" (*jihui*) which will become central to our understanding of "stock fever". I will not review here the exceedingly complex history of economic reforms with which China has been experimenting over the past fifteen years. In what follows, I simply mention the most important of these new economic policies by way of illustration. This

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47 For an excellent anthology on the "Politics of Time" see (Rutz 1992). Of particular relevance for this discussion is Verdery's article on the "etatization" of time in Ceaucescu's Romania (1992).

discussion should also help situate the decision to experiment with capital market and financial reforms, taken up in section 7.49

Reforms began in the countryside, with the transfer of responsibility for production decisions from the brigade and team units of organization down to the level of individual peasant families (Hartford 1985, Kung 1992).50 Important also have been the increased use of free markets for the distribution of cash crops (Sicular 1985), and the rapid development of the rural collective sector (see Oi 1986, Siu 1989b, Whiting 1993). The agricultural reforms, generally considered a success, brought about a distinct rise in the standard of living for portions of the peasant population; this in turn put pressure on the central authorities to bring about similar improvements for urbanites.

In the cities, the first changes were made in the mid-1980s in a response to the pressing problem of youth under-employment (intensified by the policy of allowing young people who had been sent to the countryside to regain the right to live in their city of birth). These young people were encouraged to set up urban collectives and cooperative (jiti qiye and jiti hezuoshe), generally under the auspices of a state-run enterprise (Whyte & Parish 1984:55, Jefferson and Rawski 1992), or

49 The implementation of new policies generally take place at "experimental sites" (shidian), which can be as small as a township or as large as a province. After a few months or years of local experimenting, the policy is then extended to the entire country, or discarded.

50 For anthropological treatment of revolution and social change in rural China, see Potter & Potter (1990), Siu (1989a).
to take up various sorts of small artisanal or commercial activities as "individual entrepreneurs" (getihu) (see Bruun 1993, Gold 1991). The economic success of a portion of these individual entrepreneurs has been the source of enormous jealousy and resentment among workers and cadres, tied to a fixed state-allocated income.\footnote{We will discuss the stereotypes surrounding "big players" (dahu), a related category of nouveaux riches, in Chapter III.} 

A second major thrust of post-1984 reforms has been the gradual lifting of price controls (Weimer 1992). Non-subsidized prices plus rising expectations among the urban working class have in turn brought about a steady policy of wage increases (through "incentive bonuses", generally distributed on an entirely egalitarian basis), which in turn has led to serious problems of urban inflation. A third important aspect of the reforms, that which generally receives the closest attention in the Western press, has been the "opening" to foreign trade (Lardy 1992) and investment (Pearson 1991).

But, by far the most important of the urban reforms, in terms of China's long-term economic prospects, are those designed to improve efficiency in industrial production. This vast project has taken the form of decentralizing the factor allocation system (Naughton 1992, Putterman 1992, Wong 1985, 1992) and the commercial distribution network (Solinger 1983, Weimer 1992), reworking the management incentive system (Chamberlain 1987), and setting up fiscal and taxation structures in which enterprises are accountable for their own profits and
losses (Naughton 1985).

With ten years of urban reforms accomplished, a pattern or cycle of economic action and reaction can now be clearly delineated: when central authorities loosen control over credit and authority for independent action, the localities react with a flurry of investment projects, as often as not over-ambitious and wasteful from the perspective of China's overall development needs; this boom in investment causes inflation, which in turn leads to price and wage hikes (Bowles 1990, Naughton 1991); the center then tightens the reins again, slowing the tendency to over-investment while simultaneously restraining the general economic climate through wage and price freezes.

It is this cycle that reached acute levels in 1988 and helped fuel the fires of student protests, with the ensuing crackdown in Beijing in the spring of 1989 (see Pieke 1992). The following two years, 1990-1991, have generally been described as "conservative"; that is, new experiments in economic reform were kept to a minimum, as central authorities exercised tighter controls over the economic behavior of local governments. However, a new "liberal" wind (feng) was inaugurated at exactly the moment I arrived in Shanghai, in February of 1992. This "wind" is worth a detailed examination, for not only did it have a profound effect on my study, it also took a form which does much to elucidate the political dimensions of time in Dengist China.

The events at the origin of this change in political winds are deceptively simple. From January 18 to February 21, 1992, retired government official Deng
Xiaoping visited Wuchang, Shenzhen, Zhuhai and Shanghai to inspect the effects of economic reforms on these four localities, announced his general satisfaction, and urged that Party authorities "quicken the pace of reforming and opening" (gaige kaifang yao maikai buzi). There followed a spate of editorials throughout China's important state-run newspapers affirming the principles laid forth in Deng's "talks" (jianghua), and then an extraordinary meeting of the Politburo of the Party Central Committee, during which the official call to increase the pace of economic reform was made. Deng's visit to the south -- which was soon labeled the "Southern Tour" (Deng Xiaoping Nanxun) after the numerous voyages to the south taken by the Kangxi Emperor between 1684-1707 (see Spence 1966:124-165) -- set the programme for economic policy developments throughout 1992.

\textsuperscript{52} Deng's "talks" during this trip were widely published in March and April of 1992. I am using a version published by the Chinese Communist Party Shenzhen Municipal Committee Propaganda Ministry, Deng Xiaoping vu Shenzhen. Yijiujiuer chun (Deng Xiaoping and Shenzhen. Spring, 1992) (Zhonggong Shenzhen Shiwei Xuanchuanbu 1992).


\textsuperscript{54} That an entire country can be thrown into motion by the pronouncements of a retired official taking a trip is perhaps the quintessential illustration of the subordinate role of law, particularly constitutional law, in contemporary Chinese politics. This monumental fact is barely taken seriously by Western scholars of Chinese law and politics, for what, I believe, is a simple reason: contemporary Western scholars cannot bring themselves to believe that authority can exist in the
Behind this event lay a complex series of maneuvers, in which Deng successfully rallied key Party players to his side in a bid for power against more conservative factions, power which he was then to use to place loyal reformists in key positions in the coming 14th Congress of the Chinese Communist Party in October 1992 (FEER 1992). In the version of this behind-the-scenes tale I heard, Deng’s visit to Wuchang had garnered him little support. Rather than return to Beijing weakened, Deng decided to continue his trip to Shenzhen. In Shenzhen, Deng met, by chance, with top military authorities Yang Shangkun and Yang Baibing, who manifested their loyalty through public pronouncements in favor of reforms. Bolstered, Deng then proceeded to Shanghai, where he convinced ex-Mayor Wang Daohan to urge Party Secretary Jiang Zemin, Wang’s "student", to fall into line. The final piece to the puzzle consisted in convincing Chen Yun, a powerful conservative economist (also from Shanghai) who has consistently weighed in in support of greater reliance on planning mechanisms, that Shanghai’s absence of law.

True, Western journalists make snide references to Deng as "the strongman of China", but this only confuses matters by characterizing Deng’s authority as a kind of brute force. If Deng has indeed maintained his central position in Party politics with the backing of large portions of the Chinese military, this simply means that for these military officers, Deng represents an authority, not a "strongman".

It has been a constant struggle in my studies of China to overcome my own disbelief that such a system of authority could exist. I have found that the inquiry becomes easier once one asks whether power in the modern West does not share some Chinese features, despite our ideological adherence to the principle of the rule of law. However, as yet I would not venture a full-fledged description of how Chinese authority works. I would only follow my Chinese acquaintances in suggesting that the place to look is in the system of patron-client loyalty, one side of the phenomenon of "social relations" (guanxi) to be examined in Chapter II.
Pudong New Development Zone should become the new center for reform experiments. This Deng did with the help of China’s most renowned anthropologist Fei Xiaotong, who has, since the 1930s, vaunted the merits of Shanghai as the "dragon’s head", and Pudong as the "dragon’s eye", of the Yangzi River Delta.55

Deng’s "talks" (jianghua) themselves also merit detailed examination. In them, he repeatedly urges Party cadres to be bolder in promoting the reforms. Deng stresses the tremendous opportunity (jihui) which lies before them, and the need not to be afraid of making political errors. His tone is dramatic, reflecting his awareness that he is nearing the end of his life:

Surrounding countries and regions are experiencing more rapid economic development than we are. If we do not develop, or we develop too slowly, ordinary people will compare and have questions ....56 Developing at a slow pace is equivalent to standing still, even

55 I received this scoop from a Shanghai intellectual with friends in high places in Shanghai and Beijing. However, there is no reason to think that my friend’s version is "correct". This is not for vague reasons of "multivocality" -- to each her own perspective -- generally evoked in ethnography today, but for reasons which have everything to do with the way politics works in contemporary China. No one, not even Deng himself, can know "what really happened" because "what really happened" is a political stake, which can be and is manipulated by all manner of participants and bystanders. In this system, clarity is to no one’s advantage, for it rigidifies an otherwise dynamic system. It is interesting that in the version told to me (anthropologist in Shanghai) Shanghai and an anthropologist emerge as the cornerstone of the entire Deng edifice.

56 The common characterization of China as totalitarian has been challenged from various points of view (see Shue 1988:12-25). Here, I would simply like to add one more critique to this list. The notion of totalitarianism (total state control over civil society, backed by military force) fails to account for the power which the fantasy of popular dissatisfaction exercises over Chinese leaders at all levels. Here we see the questions of "ordinary people" (laobaixing) being used by Deng as
to regressing. We must seize this opportunity; now is a good opportunity. My only worry is that we miss this opportunity, that we fail to seize it, that we see it and yet lose it; that the time for opportunity will pass as quickly as it came.57

It is most important to note the self-confirming nature of this discussion. As Deng must know, for the Chinese nation reading these speeches it is he who has the power to create the opportunity which he is urging them to seize. The fear of political error -- in Deng's words, the worry over whether economic reforms belong to the socialist or capitalist "lineage" (xing she xing zi) -- is not a vague metaphysical concern over China's future, but a concrete fear held by all those in positions of responsibility that if they are seen supporting the reforms too openly, a change in political winds could bring about professional reprisals. Deng's highly publicized appearances are a signal that this change of political wind is not imminent. His ability to bring the major instruments of state propaganda in line with his rhetoric is the surest sign that exists in Chinese society today of the direction of current policy.

This self-confirming structure is apparent in the notion of "opportunity"

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57 "Zhoubian yixie guojia he diqu jingji fazhan bi women kuai, ruguo women bufazhan huo fazhan de tai man, laobaixing yi bi jiu you wenti le.... Yao zhuazhu jihui, xianzai jiu shi hao jihui. Wo jiu danxin sangshi jihui. Buzhua ya, kandaod de jihui jiu diudiao le, shijian yihuang jiu guoqu le". (Zhonggong Shenzhen Shiwei Xuanchuanbu 1992:6)
itself. The content of Deng's speech suggests that the opportunity currently presenting itself to China is an event with natural causes: it is a series of circumstances lying beyond China's control which bode well for her economic development. However, for Chinese cadres, investors in the stock market, and just "ordinary people", the opportunity opening up before them has entirely political roots. Indeed, it is the pure product of Deng's pronouncements on the opportuneness of opportunity today.

The political nature of opportunity in China brings with it certain consequences. For one, it is the result of an act of communication: through his Southern Tours, Deng successfully sent a message to the entire population. There is thus no place for differing interpretations of this opportunity. This becomes clearer if we contrast this notion of opportunity with the kind of market analysis which employs millions of functionaries in the West: analyzing, the opportuneness of investing in real estate in Thailand, for example, is an endlessly complex process, in which differences of opinion are more than commonplace. Analyzing the opportunity opened up by Deng's pronouncement is not.

The notion of "opportunity" also has profound links with widely shared Chinese beliefs in personal fate or destiny (mingyun). One's personal fate or mingyun is a natural tendency or pattern (readable in one's hands, one's physiognomy, one's throws of the bagua, and in one's life history generally) in which one can and should actively intervene. The belief in fate is thus in no sense "fatalistic"; quite the contrary, fate presents itself in the form of opportunities which are to be seized upon and worked with. To remain blind to or to disregard signs of one's personal fate is as foolish and counterproductive in the Chinese moral universe as to disregard one's psychic history in the West. For careful treatment of this complex topic, see Basu 1991, Harrell 1987.
inevitable result is that a far larger proportion of the population will immediately throw itself into the breach opened up by such a political moment.

Secondly, being eminently political, and hence shrouded in the mystery that surrounds China's centers of power and decision-making, it is virtually impossible to predict how long this opportunity will last. All the more reason, therefore, that it be seized immediately, in the perspective of profiting as fully as possible in the shortest time possible. In early 1992, the stock market presented itself as the biggest, most open and most interesting opportunity around. We are finally in a position to take a closer look at this development.

7. The Stock Market: Between Re and Yundong

Deng Xiaoping's Southern Tours set off the biggest wave of interest, both official and popular, in the Shanghai stock market in Shanghai’s Communist history. As will be discussed in Chapter V, the shareholding system had been part of reform experiments since the early 1980s, and had attracted a good deal of attention. In order to promote the orderly functioning of the secondary market in stocks and bonds, the official Shanghai Securities Exchange was inaugurated in

59 The stock market expanded dramatically during the year of my fieldwork in 1992. Furthermore, happily for the Shanghainese but unfortunately for me, it did not stop expanding just because I left the field. It is impossible for me to know at this distance whether this expansion is principally quantitative in nature, or whether it also changes the qualitative relations that I will describe in this thesis. This intimidating discovery will have to await my next field trip to Shanghai. As the social dynamics which I describe here concern the 1992 market, I have included 1992 facts and figures in the body of the text, noting in the footnotes where possible later developments by way of comparison.

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December of 1990, in an atmosphere of great pomp and circumstance. However, officials and investors had been proceeding cautiously, unsure of the legal and policy basis for this radical new institution. Only eight stocks were listed on the Shanghai Exchange when I arrived in February, and trading was listless.

With Deng's positive comments about "capitalist mechanisms"; and particularly, with his manifest support for the Pudong project, Shanghai's New Development Zone, energy for the stock market arrived from all corners. The Mayor of Shanghai, Huang Ju, announced that central authorities had given Shanghai special privileges and conditions for developing Pudong, including the right to more independent control over the issuing of stocks and bonds. For 1992, this meant that Shanghai had the right to issue 200,000,000 shares over and above the quota already set for by central authorities (400,000,000) (SHZQ 1992a). The Shanghai Composite Share Index, which had been hovering at around 300 since the end of 1991, began a spectacular rise which peaked at 1953 on June first, more than six times its January value (SHZQ 1992b).

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60Read carefully, Deng's comments about stocks and stock markets are not as unambiguously positive as one might hope: As for securities and the stock market, are they finally good or bad, are they dangerous, are they things which only capitalism has, or can socialism also make use of them? We are allowed to try and see, but on a resolutely experimental basis. If we think they work, if after a year or two we think this is right, then we expand; if they are wrong, we correct, we close them down. Even if we close them down, we can do so quickly or slowly, and we can even leave a little tail (Zhonggong Shenzhen Shiwei Xuanchuanbu 1992:4).

The operative element in this discussion is clearly not the assertion that stock markets are correct, but the implication that those responsible for experimenting with stock markets will not be punished if there is a change of policy.
We are now in the position to analyze the particular nature of "stock fever", and to come to a first and important conclusion. Unlike other urban re "stock fever" was kicked off by government policy changes. Indeed, "stock fever" was kicked off by what comes awfully close to a "movement", as Deng's new "spirit" of bold experiments with "capitalist mechanisms" filtered down from central authorities, through Shanghai municipal authorities, through the directors of Shanghai's state-run Exchange and brokerage houses, to individual investors. The stock market represents a complex intersection of bottom-up and top-down action, of official and unofficial discourse.

Like other re, stock fever is also the forum for a dramaticization and reworking of the relation between individual and group in urban Chinese society. In Chapter II, I examine this question by asking which Shanghai citizens decided to "take the plunge" (xiáhai) into the market. However, within the market as well, the relation between individual actors and group dynamics is of central importance. Like other re, "stock fever" is maintained through complicated networks for the sharing of information and funds, to be examined in Chapter IV. However, unlike re and yundong, which are based on the notion of unity in action, the stock market functions only if there is a minimum division between those who are buying and those who are selling at any given moment. The stock market

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61It is important to note that the Shanghai stock market does not have "market makers", that is, those agents who in most of the world's exchanges guarantee the liquidity of the market by acting as buyer or seller if none appears among the general public. Thus, if everyone in Shanghai wants to buy and no one wants to sell a given stock, the market for this stock remains blocked.
thus represents a very different notion of how a successful institution functions: the stock market only works if everyone is not doing the same thing at the same time. In Chapters III and IV, I will discuss how this difference plays into the investment strategies of big and small players alike.

But, does stock fever manifest the third characteristic which we identified for re: does it make reference to mytho-religious conceptions of power? As I hope to demonstrate in Chapters III through V, the answer to this question must be both yes and no. The discourse of stock fever, both official and unofficial, speaks of three supra-human actors behind the movements of the stock market: "big players" (dahu), "dispersed players" (sanhu) and "the State" (guojia). These actors are mythical to the extent that they are built on a very particular abstraction of a set of characteristics attributed to "the People" under Chinese socialism. They are real to the extent that the sum total of the actions taken by individuals grouped into these three categories make up the stock market, with its very real movements, entailing very real gains and losses. Together, they make up the "imagined community" of the stock market. The meaning of this community is the subject of the concluding chapter.
Chapter II: City people, stock people

In Chapter I, I tried to convey a sense of the excitement which surrounds the Shanghai stock market, and to place that excitement in the context of other forms of popular and state action on which it builds. In this chapter, I turn to the actors themselves. When I arrived in Shanghai in early 1992, there were a reported 700,000 stock accounts at government-controlled brokerages throughout the city; when I left in December of 1992, that number had almost doubled to 1,200,000 (Shanghai Zhengquan Nianjian 1993). Who were these "stock people" (gumin), gripped with fever, and what place did they occupy in Shanghai society?

In this chapter, I attempt to answer this question by sketching out what I

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The Shanghai Securities Exchange -- the only legal forum for trading shares -- uses a computerized system of entirely scriptless trading. "Stock accounts" are those accounts opened at brokerages in which a computerized record of one's stock holdings is kept. The buying and selling of stock takes place via government-run brokerage houses by means of telephone and computerized transactions between the Shanghai Securities Exchange and individual stock accounts. In December of 1992, the SSE introduced a magnetized card system by which shareholders could access their accounts at trading centers without having to stand in line or work through an employee. I do not know whether this system has actually been put into use, or exactly how it works. The number 1,200,000 was the number of card-holders registered as of late December. It is possible that some portion of the large increase in investors reflects the fact that magnetized cards were widely promoted and distributed throughout the city. Many of the people who may have shared an "account" under the previous system, may have opted to receive individually named cards under the new.

By December of 1993, the number of Shanghai investors was reported to have reached 4,600,000. It is not clear from the report, however, if this number includes investors located in other cities or provinces who are investing through a brokerage house linked to the Shanghai Exchange (SHZQ 1993).
take to be appropriate generalized description of Shanghai social dynamics during the 20th century. As we shall see, the personal and family situations of the vast majority of Shanghai's citizens have altered significantly, often more than once, over their lifetimes and those of their parents and grandparents. These changes cannot be compared with the patterned shifts in prestige and wealth which sociological categories capture with a certain grace for more stable political regimes. We will see that for the "natural" evolution of civil society, taken for granted in the sociological paradigm, we must substitute a politicized notion of state-society relations. Thus, we will be exploring again, under another angle, the "politicization of time" discussed in Chapter I. Differentiation in urban Chinese society is as much a product of the shifting rhythms of Chinese politics, as it is a result of the functional divisions of labor which have enabled the creation of the imperturbable class-status systems of Western capitalism.\(^2\)

1. The act of investing.

I did not come to the field with these sweeping characterizations of Shanghai society in mind. Rather, it was my contacts with hundreds of investors over the course of my ten months of fieldwork which caused me to question the series of assumptions I had about who invests in stock markets. What was most striking about these investors was their enormous diversity of social status,

\(^2\)Whyte similarly comes to the conclusion in his study of rural families in urban Chengdu that income and education are not salient predictors of socio-cultural patterns (1993:358 n.2).
educational level and financial well-being. In a special office for wealthy investors which I visited regularly, one of the more respected "big players" was a woman of peasant background, in her '60s, who had started investing with the money her son had sent her from his temporary work in Australia. My research assistant, a graduate student in finance, had borrowed a significant sum of money from his family and teachers to play the market. I was introduced to an editor at the Academy who had made a neat fortune investing in the lottery tickets issued to distribute shares during 1992. I was also befriended by a worker from a local factory who had been hired by a group of colleagues to buy and sell for them.

For each of these people, the social implications of investing in the stock market represented something quite different, both in terms of the image they had of themselves, and in terms of the relations called upon to invest.

For the Western reader, this variety may not come as a surprise. After all, a great variety of people invest in shares or mutual funds in the West as well. It is necessary, however, to draw a preliminary distinction between investment decisions in the West, and investment activities in Shanghai. In the United States, the

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3A parameter I regularly controlled for -- but one could and should ask why -- is sex. In public places connected with the stock market (brokerage houses, informal courses, and discussion groups, all of which will be discussed in Chapter IV), 10% of the participating public were women. I suspect this figure corresponds rather closely with equivalent figures in Western countries. This does not mean, however, that 10% of all investors were women, as much investing was done by pooling money in the hands of one active member.

4It is taking a great liberty to discuss investment in the "West" as if it represented a single form of social activity. Attitudes toward and popular participation in the stock market varies greatly as between the United States and
decision to invest in the stock market is a private decision about the amount of risk and return one feels appropriate to one’s financial situation. If one feels one needs counseling, the names of large stockbrokers are common knowledge, and the assumption is that these brokers can be trusted to give reasonably good advice. Those who enjoy informing themselves about the market or who are confident that they can make better choices than a broker may make their own investment decisions. Furthermore, the majority of Americans are linked to the market through managed funds of one sort or another, and are therefore at one remove from the entire process.

In Shanghai, the choice to invest in the stock market is of much greater consequence than a similar decision in the West. It is also potentially much more lucrative. The stock market is a new, politically delicate and intimidating institution. The decision to invest is thus the decision to enter an unfamiliar universe. Because what we would consider personal financial decisions are generally public knowledge in Shanghai, entering the stock market generally puts not only one's finances but also one's "face" on the line. Furthermore, investment decisions are not made, or even aided, by brokers. Investors must inform themselves about the virtues of the stocks on the market with very little published

the various countries of Europe, not to mention Japan (Balley 1986, Mayer 1988). I will limit the discussion here to the United States, with the hope that I will have the time to carry out serious comparative work in the future.

5Indeed, brokers are forbidden to counsel clients on which stocks to buy or sell.
financial material to rely on. They must wait long hours, sometimes even days, in line outside the brokerage offices to place their orders. And, at various times, they must meet minimum order requirements or work through a lottery system even to have the right to purchase shares.⁶

Thus, becoming an investor in Shanghai means having at one's disposal, or at that of a friend, colleague or relative, enough time, energy, sources of information, confidence, and, of course, money to tackle a complex procedure. Knowing where these financial and informational resources, expertise and confidence come from requires a detour through a generalized description of urban life in Shanghai. As we shall see, the effects of recent Chinese history on individual Shanghainese have been unpredictable to a degree which is difficult for Westerners to imagine. The question of who invests in the Shanghai stock market only makes sense in the light of this unpredictability.

2. Shanghai before 1949

By Chinese standards, Shanghai is not an old city.⁷ Founded during the Southern Song in 1267, it remained a relatively small fishing town and port, dominated by the large commercial cities of Ningpo, Wuxi, Suzhou and Hangzhou

⁶In addition to the active investors just described, there is a form of "managed fund" investing available to employees in the state sector through their "work units" or danwei. Predictably, this form of investing requires little energy, risk and money, and occasions none of the reflection just described. All of these aspects of investing will be discussed in more detail below.

⁷This paragraph draws on Zhang 1990:7-11.
until the mid Ming (1368-1644). Located at the intersections of Suzhou Creek (Suzhouhe) and Huangpu River (Huangpujiang), the latter of which feeds into the Yangzi, its value as a commercial port and trading center was recognized by Europeans eager to develop commercial pathways into the hinterland. In 1842, with the signing of the Treaty of Nanjing, Shanghai became a Treaty Port where first the English, and then quickly the Americans and other Europeans present in China enjoyed the privileges of semi-colonialism: special trading status, extraterritoriality and complete legal and political jurisdiction over the "Foreign Concession" areas of the city.

From the middle of the 19th century until the Communist victory in 1949, Shanghai experienced a growth -- in wealth, population, complexity and prestige -- of rare dimensions. I do not have space here to do more than hint at this rich history. However, certain of its features have been of lasting influence in shaping contemporary Shanghai society. The first of these is that Shanghai is a city of immigrants. Between the threats to social stability outside Shanghai and the possibilities for employment created by industrialization, Shanghai's population increased ninefold to more than 5 million inhabitants in the hundred years between 1852 and the revolution (Zhang 1990:55). With these immigrants came the standard panoply of Chinese organizations establishing group solidarity in

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cities: local place associations, guilds, and kinship networks. However, the Shanghainese system of social stratification featured new elements and new classes as well (Zhang 1990:55). If merchants and entrepreneurs enjoyed generally heightened status throughout China at the end of the Qing dynasty, this was especially true in Shanghai (Bergere 1986). The possibilities for upward mobility brought about by economic growth carried new social groups to power. At the same time, codes of social discrimination based on native place were elaborated, which operated to create status differences (Honig 1992).

Second is Shanghai's revolutionary history. As one of China's most industrialized cities, with the largest concentration of what could be called "the proletariat", Shanghai attracted Marxist-influenced Chinese to its intellectual circles, and was the site of the founding of the Communist Party in 1921. The Shanghainese work force was receptive, and strikes, work stoppages, boycotts and sabotage were a common feature of urban life until the Nationalist suppression of Communist organizations during the White Terror of 1927-1930.

Dialectically, Shanghai was also the site of China's most important experience with capitalism. As in all of the Treaty Ports, this experience began with the compradors, Chinese entrepreneurs who served as middlemen between foreign merchants and the Chinese public (Hao 1970). However, by the turn of the century, a small number of Chinese-owned and run industries had sprung up

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9Honig constructs an interesting argument for the "ethnic" nature of local place as it affected Jiangsu immigrants coming from north of the Yangzi river (subeiren).
in the lower Yangzi region, and this number mushroomed with the opportunities provided by the paralysis of foreign trade during World War I (Bergere 1986). Under the Nationalists, these "Shanghai capitalists" became the principal source of financial support for the war efforts against the Japanese and the Communists (Coble 1980).

In both the revolutionary and capitalist history of Shanghai, the influence of foreign powers is evident. The Chinese Communist Party was actively supported by the Soviet Union, and many of its founding members received some form of foreign education, either in missionary schools in Shanghai, or in Europe or Japan. Likewise, while Chinese commerce and to a lesser degree industry had developed rapidly during the second half of the Qing dynasty, it became "capitalist" when central government control weakened enough for entrepreneurial initiative to blossom. In this blossoming process the proximity of foreign methods, and more importantly, of foreign ideologies of production, accumulation and investment was of central importance (Bergere 1986:55).

In the decades after WWII, the historical study of modern China was haunted by the "problem" of this foreign influence (Cohen 1984). Had the West helped to bring progress and modernity to a static and backward China, or had Western imperialism retarded and distorted China's natural developmental process

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\[10\] Zhang Zhongli reports that an estimated 50,000 "nationalist bourgeoisie" were located in Shanghai at the time of the Communist victory in 1949, or 1% of the city's population (Zhang 1990:56).
through ruthless exploitation? The historiography of Shanghai is no exception: the complex mechanisms -- cultural, social, economic and political -- by which Shanghainese have for over a century appropriated Western ideologies, institutions and technology, and put them to distinctly Shanghainese uses have been downplayed. In hindsight, much of this debate appears misguided. Shanghai inherited the countervailing traditions of revolutionary Marxism, capitalism and nationalist internationalism (Levenson 1971), all built upon a distinctly *nouveaux riches* and dynamic social structure. However, all of these foreign influences were actively appropriated by the Shanghainese themselves. As Bergere points out, if modernization was equated with Westernization and imitated, it was in order better to compete against the Western presence in China, and as an equal partner on the world scene (Bergere 1986).

As Shanghai entered the Revolutionary era, its economic resources, industrial infrastructure and skilled work force were to be harnessed to serve the needs of New China. However, its socio-cultural heritage of flexibility, inventiveness and cosmopolitanism were to play an equally important part in

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11Matters were only made worse by the official Communist Party interpretation of this history. For political reasons, it became necessary to separate the positive elements of industrialization, which were then linked with a "nationalist bourgeoisie" presumed to be "of the people", from the exploitative aspects of colonial capitalism, associated with the "bureaucratic bourgeoisie", or "enemies of the people". However, as Bergere (1986) has shown, there is no reliable test for distinguishing between nationalist and "running-dog" capitalists. All Shanghai capitalists were dependent, to a greater or lesser degree, on foreign merchants, bankers, traders and governments. At the same time, and because of this experience of dependence, these capitalists appear to have been moved by powerful feelings of nationalism.
determining the city’s place in the new order.

3. Shanghai Social Dynamics since 1949

The Communists entered Shanghai on May 25, 1949, to an apathetic, occasionally hopeful, mainly ignorant reception (Gaulton 1981). For the new Communist government, Shanghai provided contradictory images. As a capitalist, corrupt, foreign-dominated, sophisticated coastal city, Shanghai represented all that the CCP’s nationalist leadership, generally of inland, peasant background, felt most uncomfortable with (ibid:40) However, as one of China’s most industrialized city, Shanghai was of central importance to the Party’s economic policy. And, as the birthplace of the Chinese Communist Party, Shanghai’s revolutionary heritage could not be ignored (ibid:39).

The ambivalence of central authorities was to be felt throughout the thirty years which preceded Deng’s rise to power, and a number of years into the Dengist era as well. Beijing’s economic dependence on Shanghai was patent. One year after the establishment of the People’s Republic of China, Shanghai was responsible for producing one fifth of China’s industrial output (Pye 1981:xii). During the First Five Year Plan, Shanghai contributed more than 14% to the total increase in gross value of industrial output, while receiving only 1-2% of national

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12Most of Shanghai’s indigenous capital and "talented managers" fled to Hong Kong in 1949 (Pye 1981:xii). We shall see that the kinship links with overseas Chinese in Taiwan, Hong Kong and the West created at that moment have become an important asset in Shanghai’s recent economic development.
investment (Howe 1981b). In addition, Shanghai sent between one and two million educated workers to help with economic development in other parts of the country (Pye 1981:xiii). Shanghai can legitimately claim to have given far more to the national economy than she received in return (Pye 1981).\textsuperscript{13}

However, despite what could be called an anti-Shanghai bias among central authorities, the Communist government did not initially set about radically to transform the city. Until 1951, the CCP focused on controlling inflation, reestablishing order and restoring production, moving to close the Shanghai Stock Exchange only in June of that year (Howe 1981a:419). It soon became clear, however, that the process of mass mobilization for socialist production would involve more than propaganda (Gaulton 1981). In late 1951, the Communist Party launched the \textit{Wufan} (Five-antis) campaign, and the process of urban change under Communism was under way (Gardner 1969).

Getting a grasp on the complex and entrenched structures of urban life involved an effort at deep penetration into Shanghai society by the Party/State bureaucracy, a process which was paralleled throughout urban China. Once in place, however, this bureaucracy began to take on a life of its own. It was the rise of this independent bureaucratic class which, for reasons of power and ideology, frightened Mao into launching the Great Proletarian Cultural Revolution, radically altering for a second time the structure of Shanghai society. Then, it was

\textsuperscript{13}This fact is popular knowledge among Shanghai citizens, and is the source of both resentment and pride. For a careful calculation of changing standards of living in Shanghai after the Revolution, see Reynolds (1981).
disillusionment with this radical vision and its unintended consequences which led to the reappearance of a third social system, the system of guanxi, or connections. Finally, with the reforms, these three social systems -- the bureaucratic, the radical egalitarian, and the guanxi-based -- were countered and complemented by a fourth, the market.

In this section, I discuss key factors in the creation of each of these systems. However, we would be gravely misled if we treated them as independent entities, as social "structures". Rather, these different organizational and cultural logics intertwine, creating the conditions for what I have called "the art of urban living". In section four, I examine this "art" in an attempt to bring out its intrinsically dynamic, strategic, and yet also conservative qualities. Only then can we fully appreciate who is in the position to enter the complicated and risky business of playing the stock market (section five).

a) The Bureaucratic System

With the Communist victory in 1949, the Party set out to reorganize the nation into an all-encompassing social, political, economic and cultural "New China". Perhaps the most fundamental distinction in this new order is that which the government quickly established between rural and urban citizens. Urban residents and peasants live under two very distinct social systems. While urbanites

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14This section draws heavily on Whyte and Parish's pioneering sociological study of post-1949 urban life in China (1984).
are, or at least were until very recently, part of an all-encompassing system of
social welfare\(^{15}\), peasants have no such guarantees from the state in matters of
employment, healthcare and retirement benefits. Contrary to official ideology,
urbanites are "citizens" of China, in a way that peasants are not (S. H. Potter
1983).\(^{16}\)

The reasons for such a distinction are certainly practical, perhaps also
ideological. The distinction between peasants and other social categories
resonates with traditional Chinese hierarchical worldviews (see Kuhn 1984).
However, Chinese cities have traditionally maintained multiple links with the
countryside (Fung 1981:294, Whyte & Parish 1984:10), and urban residents could
always (and still can) trace their "old home" (laojia) through the patriline back to
a rural site. This suggests that the purely administrative reasons for distinguishing
between rural and urban residents predominate.\(^{17}\) The early '50s saw large-scale
immigration of poor peasants looking for work in the cities. Worried about
unemployment, crime and the possibilities for social unrest which this floating
population created, the government moved in 1958 to control urban residence

\(^{15}\)The Chinese welfare system is examined in comparative perspective in Dixon

\(^{16}\)For speculation on the future of the urban-rural dichotomy in modernizing
China, see Southall 1993a, 1993b.

\(^{17}\)That the origins of the strict urban/rural division may be administrative in
nature does not mean that its effects are. The distinction between rural and
urban is more than a division, it is a hierarchy. Sulamith Potter's characterization
of this hierarchy as a "caste-like system of social stratification" merits serious
consideration (S. H. Potter 1983, Potter & Potter 1990:296-312; see also Whyte &
through a system of household registration (*hukou*).

The *hukou* system provided a primary means of controlling residence in urban centers. All families were issued a household registration booklet (*hukoubu*) in which the names of each individual in the household were recorded. Parallel records were kept at the local police station. Virtually all of the activities which made up urban life involved showing one's *hukoubu*: gaining access to rationed goods, schools and officially assigned jobs, receiving permission to marry and divorce, and, more recently, having one's child. One's *hukou* may be transferred to another location only with the permission of public security, residential committee and workplace authorities. Throughout the more than thirty years that the registration system has been in place, it has been relatively easy to transfer one's *hukou* to a rural residence, and immensely difficult to transform a rural to an urban *hukou* (S. Potter).\(^\text{18}\)

If the household registration system guaranteed control over who lived in China's cities, it did not solve the problem of how these city residents became participants in New China. One basic urban task was to control the infamous urban social evils of which Shanghai could boast a flourishing tradition: opium-smoking, prostitution, gambling and vagrancy. Second was to begin the task of

\(^{18}\)The *hukou* system still exists today. However, with free markets in all food supplies, and an increasingly developed labor market outside state-planning channels, it has become quite possible to live in urban areas without an urban *hukou*. As predicted, then, the reforms have created problems of massive rural migration, with resulting poverty, vagrancy and crime (FEER 1994c, Zhou Daming 1993). We will touch on these changes again in section 4.

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reorienting city life away from consumption and towards production (Banerjee 1993:88). Furthermore, citizens had to be mobilized for high levels of ideological commitment to the new regime. Following both traditional and Communist organizational patterns, this was accomplished by grouping citizens into a cellular bureaucracy of guidance and control. Two parallel system make up the core of this ambitious project of bureaucratization: the "work unit" (danwei), or simply "unit" in a direct translation from the Chinese; and the residential system.19

The features of the Chinese work unit have been described in detail by others, and I will only sketch their general outline here.20 The unit is first and foremost the place of employment for urban residents. With this job come the privileges of membership in the state system: heavily subsidized housing, a retirement pension, health and child care benefits, and access to rationed

19I hesitate to use the word "bureaucratization" here because of its dry and administrative connotations in English. In China, bureaucracies have traditionally been conceived as the lifeblood of government (Balazs 1964, Harding 1981); they have a kind of phenomenological force which translates poorly into the language of Western rationalist individualism. Perhaps the import of bureaucracy is best illustrated by the word "unit" itself. It implies that these complex organisms, in which thousands of people may work, eat and live, are the primary cell of social reality, the building blocks out of which society will be constructed. It is not that the Chinese ideology of governing ignores the existence of the individual people within a "unit". However, it gives them no ontological priority.

goods\textsuperscript{21}. It is important to note, however, that contrary to the logic of system equality at the heart of bureaucratic ideology, all work units (danwei) do not receive equal treatment under the system, and hence not all danwei provide the full panoply of rights and privileges (Pieke 1992:172-228, Whyte & Parish 1984:25-26). Most disadvantaged in this hierarchy are the "collective" units, enterprises created by low levels of government such as a neighborhood committee, or by another enterprise (Whyte & Parish 1984:28-33). There are enormous incentives for competition within the system, both among units and among members of a single unit; we will return to this point below.

The second bureaucratic system, put in place as early as 1950 in Shanghai, was the residential or neighborhood system (see generally Whyte & Parish 1984:22-25). Shanghai's urban center\textsuperscript{22} was divided into 21 districts (qu), which

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{21}] Whyte and Parish provide a good overview of the rationing system as it functioned in urban China up until the reforms (1984:86-93). The concept of "rationed goods" is a difficult one in China today. While rationing for staple foods and articles (rice, oil, eggs, meat, soap, etc.) has been progressively phased out over a period of 8 years from 1984-1992, more complex goods, services and, most importantly, permissions are still rationed, in fact if not in theory. For example, permission to go abroad is still controlled primarily by one's danwei, which must comply with quota systems established by superior organs. More importantly, subsidized housing is rationed out by one's danwei, with priority given to certain types of employees over others (Yang 1989:29-30). As we shall see, access to share-offerings on the primary market is also partially rationed through the work unit.

\item[\textsuperscript{22}] Shanghai is one of three cities in China which rank as provinces in the centralized system of government. With all three province-level municipalities, urban self-sufficiency was guaranteed by a large rural belt surrounding the urban center (Ash 1981). Thus, Shanghai Municipality spans a territory of 5,910 square kilometers, out of which 116 square kilometers make up the urban center (Fung 1981:272). The general statements about the urban/rural hierarchy above
\end{itemize}
\end{footnotesize}
were in turn subdivided into wards or streets (jiedao), and these wards were again subdivided into units of about 100-800 families called residence committees (jumin weiyuanhui). Finally, these residence committees were at various times subdivided again into smaller groups of 15-50 families. While the entire structure made up the state system of residential control, not all of the officers on the ladder received a state stipend. Generally, retired people or housewives were called in at the level of the residence committee and below. These citizens carried out directives from superior levels, reported back to these offices on unusual activities or problems in their jurisdiction, and generally acted as go-betweens between the state bureaucracy and city residents (Whyte & Parish 1982:22-25). The residential control system was closely tied in with the police and public security system, particularly through control of the household registration books, allowing the state easy access to information on such things as residence permits, marriage, divorce and child-births, place of employment, class background, etc.

Paralleling these organizational systems was the cultural/ideological system of class labels. These class labels seem at first glance to correspond to a Marxist vision of productive relations. However, further examination reveals that the "class status" system was rather a sui generis creation, reflecting traditional hierarchical values, Marxist analysis, and the political needs of the Communist

\[\underline{\text{doubt require qualification to account for the particular structure of province-level municipalities. For further details see Fung 1981, L. White 1981.}}\]

\[\text{23I rely here principally on Billeter (1985). See also Kraus (1982), G. White (1976).} \]
Party at that time (see Billeter 1985, Kuhn 1984, Watson 1984). Furthermore, the system of class labeling changed nature over the thirty years of its application as Mao alternated between a view of class consciousness based on social origins (xuetonglun) and the view that class consciousness could be demonstrated through revolutionary virtue (see Schram 1984, Shirk 1984, Watson 1984).

In Shanghai, the class status system had to be adapted to the very particular circumstances of that city. It was necessary to find a means for distinguishing between those "bourgeois elements" who could be useful in the reconstruction of New China, and those who threatened it. The urban household registers contained two entries -- "family social origin" (jiating chushen) and "individual class status" (geren chengfen). "Family social origin" consisted of three principal categories: "worker", "national capitalists" and "bureaucratic capitalists", with a sprinkling of labels indicating peasant origins. "Individual class status" differed as between members of the same family, and was based on a (changing) list of activities which qualified as "revolutionary work" (geming gongzuo). In this way, sufficient flexibility was built into the system to accommodate a wide variety of people within a wide variety of categories.

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25 I do not mean to imply that this class-status list was designed with merely utilitarian purposes in mind. The "flexibility" within the system also reflects confusion over and creative adaptation of the Marxist-Leninist concept of "class" (jieji), which corresponds only obliquely with traditional Chinese notions of hierarchy (Kuhn 1984). Furthermore, the practice of adapting theory to practice itself represents a theoretical commitment of the Chinese Communist Party.
In practice, what this meant was that the "new class" of managers in Shanghai was made up of two elements: managers from the bourgeois management class of the Republican era who were necessary to maintaining industrial production (and who usually qualified for their positions through their "individual class status"), and proletarian or peasant recruits into Party schools (L. White 1984). According to White, the tensions between these two factions of the new elite were dissipated over the ten years between the Communist victory and the Great Leap Forward. By 1963, the new management class was to divide on the question whether economic or political factors were more important to China's socialist reconstruction, but this division was not based along old class lines. In other words, a short fifteen years after the Revolution, "family social origins"

\footnote{White (1984) reconstructs the chronology of this melding as follows: (1) Before 1952. The Shanghai Communist Party leadership itself was largely of bourgeois background, and this because of the KMT's heavy-handed control of small business and intellectual life in Shanghai; (2) 1952-56. Management of Shanghai industry was carried out under the "joint private-public management" system. This was a period of cooperation between old- and new-style managers; (3) 1956-58. With the Transition to Socialism movement launched in January of 1956, capitalists were encouraged to criticize industrial policy, and more efforts made to instill loyalty through night schools, military recruitment and Party recruitment. On May 2, with Mao's Hundred Flower speech, it was principally the new managers of capitalist-intellectual background who spoke out. With the launching of the Anti-rightist movement, formal continuity was maintained, in the sense that it was again the new managers who were speaking out, but this time those of proletarian and peasant backgrounds. However, and this is important, relatively little serious punishment or demotion ensued; (4) 1958-62. The Great Leap Forward was launched, but despite its millenarian revolutionary rhetoric, it was not "anti-bourgeois" in practice. Rather, in Shanghai it translated into a movement to educate ex-capitalists to meet higher and higher quotas. It was with this cooptation of the "real" capitalists through an ideology of production that the blending of the two factions of Shanghai's managerial elite was completed.}
ceased to be a useful category for understanding the political, social and economic
worldviews of Shanghai's new elite.

These three systems -- two organizational and one ideological -- sought to
give a socialist shape to China's new cities. And, clearly, many aspects of urban
life did change. However, the bureaucratic incursions into Shanghai society did
not alter certain of its fundamental features, or altered them only partially. Part
of the reason for this can be found in the history of Shanghai's urban planning and
housing policy (see Howe 1968).

Chinese city planners faced with the complex problems of urban
management following the Revolution turned initially to Soviet models (Fung
1981). Very quickly, however, these models were abandoned for a vision of
Communist urbanization which kept urban growth to a minimum, moved factories
out of the city center to suburban neighborhoods where worker residence could be
built close to their place of work, and tried to maintain a balance between urban
and suburban conglomerates (ibid).

This pattern, followed in Shanghai, left pre-existing urban neighborhoods
largely intact.27 Before the 1920s, Chinese residents were mainly concentrated in
the "old Chinese city" (xiancheng), a walled and densely populated circle of
approximately two square kilometers, situated to the southeast of the much larger
areas of the French and International Concessions. As the population of the

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27 Whyte and Parish found that the average length of residence in the same
home in urban China was eighteen years (1984:21).
Chinese city grew, and as richer Chinese sought out the legal and physical security of the foreign-governed Concessions, Chinese began buying or renting houses throughout the Concessions area (Bergere 1986:105-146). Thus, in 1949 a significant number of Shanghainese were living in relatively well-built and modern apartments or houses (shikumen), or row-house neighborhoods separated by a network of small alleys (longtang) built specially by Chinese or foreign employers for their employees.\(^{28}\) Little of this housing was destroyed with the arrival of the Communists. Rather, through much shuffling and partitioning, large proportions of the population remained in the areas developed before 1949. New-style buildings were located in the expanding outskirts of the city (see generally Pellow 1993).

As a result, despite bureaucratic ambitions, many Shanghai work units were not able to provide housing for their employees in the same physical complex as their job. Rather, employees frequently lived scattered throughout the city. While relations among co-workers did become increasingly important with the *danwei* system\(^{29}\), neighborly relations continued to represented an independent source of

\(^{28}\)A significant proportion, but by no means the majority. Enormous slums existed in Shanghai prior to the Revolution, and to a certain extent still do exist, particularly in the working-class district of Nanshi.

\(^{29}\)See Whyte and Parish's careful discussion of the important role of friendship and personal relations in urban China (1984:332-40).

I am aware of neglecting here the classic anthropological question of kinship. In general, my fieldwork in Shanghai corroborates Whyte and Parish's observation that kinship has played a secondary role in Chinese urban life since the Revolution (1984:333-335). However, what we do not know is the extent to which it ever played an important role amongst anything but the ruling elite.
acquaintances, friendships and mutual aid, and kept Shanghai citizens in touch with a wide variety of their co-citizens. Likewise, the implementation of class/status ideology did not entirely transform pre-existing Shanghainese notions of social status. An indication of class ideology and social stratification as they affected popular values and behavior can be gained through an examination of marriage choice. Croll (1984) traces these developments by examining expressed choices in marriage partners between 1949-1979. She finds that despite the radical free-choice ambitions of 1950 Marriage Law, Chinese continued to prefer status homogamy; what has changed are the factors influencing popular perceptions of status. While the political class/status system outlined above played an important role, social factors such as level of education or training, wealth, looks and family influence were equally important. The actual class/status system during these years represented a combination of "political" and "natural" sociological ideologies.\(^\text{30}\)

Thus the bureaucratic system's main impact was to further compartmentalize the already tightly communal though highly flexible social

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I discuss the role of kinship ties in the stock market in Chapters III and IV.

\(^{30}\)For a careful discussion of post-reform urban hierarchies in a northern Chinese city, see Jankowiak 1993:60-96.
groups making up Shanghai society. No doubt its most important contribution was to bureaucratize the distribution of goods and services through these new cellular structures (Solinger 1984). This not only represented a significant change from the market economy which had flourished in pre-1949 Shanghai, it placed a new class of bureaucrats in positions of control over life essentials. We shall see that the power thus distributed and the opportunities for its abuse will play an important role in future developments. However, this bureaucratic system was essentially static. To understand the energy behind the dramatic reversals of fortune which characterize Shanghai history, we must turn to the revolutionary dynamic.

b) The Continual Revolutionary Dynamic

We have been examining a set of systems put into place by the new government to deepen and strengthen control over Shanghai society. As we have seen, these bureaucratic systems worked important but, in a sense, limited changes on the structure of that society. More radical innovations were accomplished by the means of what I am calling the revolutionary dynamic, that series of discourses designed to intensify egalitarian practices and counter the creation of a new class of bureaucratic elites.\(^\text{31}\)

The revolutionary dynamic ebbed and flowed, following changes in political wind determined both in Beijing and at the local level. In general, radical

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\(^{31}\)These radical discourses are generally associated with Mao Zedong, but, as the Shanghai example illustrates, extended far beyond his personal influence.
discourse stressed the need to dismantle China's "semi-colonial, semi-feudal" class structure and build a new social structure on the foundations of the revolutionary alliance between workers and peasants. This general goal translated into numerous specific policy moves. It could mean, for example, that citizens with "good" class-status labels ("worker", "staff", "poor peasant") be given priority in access to education and jobs. Or, it led to the periodic criticism use of what were identified as bourgeois ideological criteria for governing promotions and production, such as "slavish reliance" on expertise and individually based incentive structures. Instead, at moments when radical discourse was in the ascendant, factory and office managers, teachers and administrators were encouraged to place full faith in the People's revolutionary fervor.

This discourse is frequently identified as "ideological" or "utopian". However, it should not be forgotten that radical discourse generally corresponded with very tangible changes in policy, changes which addressed what were perceived as pressing social problems. In the process these policies tended significantly to increase the Communist Party's hold over civil society. The 1951 Five-antis campaign examined by Gardner (1969), or the urban commune experiments discussed by Schurmann (1968:380-399) are cases in point. So is the egalitarian discourse which brought women into the workforce in massive proportions, strengthening somewhat women's position in Chinese society, but perhaps more
importantly, strengthening the Party's hold over the education of children.\textsuperscript{32}

But, perhaps the clearest example of the particular pragmatic vision behind radical egalitarian policies can be found in the rustification campaign, which relocated no less than ten percent of China's urban population to the countryside (Whyte & Parish 1984:39).\textsuperscript{33} As Whyte and Parish point out, the "up to the mountains and down to the villages" campaign was promoted "as a measure to foster revolutionary fervor and class solidarity with peasants"; however, the program served perhaps a more pressing purpose as well, that of alleviating "the crisis situation of educated unemployed" (\textit{ibid}). Like many developing and developed countries, Chinese cities of the 1960s were unable to absorb the enormous number of educated young people which improvements in political stability and standards of living had produced. In the view of the Party, rustification provided an ideologically forward-looking means of solving this practical problem.\textsuperscript{34}

\textsuperscript{32}Nader has pointed out that state moves for control over women (that is, for the site of the education of children) often goes hand-in-hand with state-sponsored rhetoric promoting the position of women (Nader 1990). For a general overview of the changing position of women under Chinese socialism, see Whyte & Parish (1984:195-227). The recent rise of housewife ideology among urban \textit{nouveaux riches} has not yet received detailed attention.

\textsuperscript{33}On rustification, see generally T. Bernstein (1977). On figures for Shanghai, see Ivory & Lavely (1977).

\textsuperscript{34}Whyte and Parish make a convincing case that the negative consequences of rustification have far outweighed any short-term benefits. As a whole, educated youth were miserable and unwelcome in the countryside. All efforts were devoted, in the 1970s, to returning to the cities, efforts which put in motion some of the problems of \textit{guanxi} to be discussed below. Furthermore, rustification contributed to the "absence of predictable mobility" which Whyte and Parish
The cry for continual revolution reached a paroxysm of expression during the Great Proletarian Cultural Revolution (1966-69). With the contemporary focus on Shanghai as a commercial megalopolis, it is easy to forget that Shanghai was also the site where the Cultural Revolution attained its "greatest" (Goodman 1981), its most "proletarian" (Wylie 1981), its most "cultural" (Gardner 1981, Ragvald 1981) and its most "revolutionary" (Chang 1981) expression. Launched from Shanghai, the Cultural Revolution took a radical turn with the creation of the Shanghai Commune in January 1967. With the Commune, competing workers parties, Red Guard and other youth movements came together to overthrow the Shanghai Municipal Government and proclaim a new government for Shanghai along the lines described by Marx for the Paris Commune.

The Shanghai Commune was to be very short-lived indeed. The assertion of "actual proletariat" (Meisner 1977:319) interests along radically anti-hierarchical lines frightened Party leaders, Mao among them. In mid-February identify as the principal factor in youth disillusionment and urban delinquency (Whyte & Parish 1984:256-58, 364).

35 The historical reconstruction which follows is based on Meisner (1977:309-24).

36 With Yao Wenyuan's November 1965 criticism of Wu Han's play "Hai Rui Dismissed from Office", an anti-Mao political allegory.

37 Meisner's use of the term "actual proletariat", like White's attempt to distinguish a "real" bourgeoisie from the Chinese-labelled "bourgeoisie", suggests the degree to which virtually all Western intellectuals are more "Marxist" than virtually all Chinese. By this I mean that the Western intellectual tradition grants an ontological reality to the notion of class, correctly analyzed, which we find incompatible with the Chinese "politicized" use of this term.
1967, Mao declared that the situation was one of "extreme anarchism, it is most reactionary.... In reality there will still always be leaders", thereby quietly but effectively putting an end to the Commune (Meisner 1977:323). There followed ten years of confusion and counter-productivity, with Chinese society benefitting neither from the stability of functioning bureaucratic structures, nor from the principled egalitarian challenges of revolutionary discourse. This unproductive period also had its roots in power moves emanating from Shanghai, in the form of the infamous Gang of Four. The structure of Shanghai society during "the ten lost years" will be examined below.

The various waves of radical egalitarian policy which swept Shanghai, beginning with the Wufan campaign in 1951 and culminating in the Shanghai Commune of 1967, effected significant changes on the composition and rhythms of Shanghai society. The effort to promote people of "good" class background gave power and privileges to categories of society which would not otherwise have entered the ruling elite. Conversely, members of the pre-Revolutionary elite frequently suffered personal and familial downfalls which left them utterly destitute, until Deng set about "correcting leftist errors" in the early 1980s. These changes transpired in the context of the tight workplace and neighborhood communities described above, the fate of all being known to all. Furthermore, the element of a-morality -- the detachment of private virtue and vice from public structures of reward and punishment -- led to a general disillusionment with the
public domain which was to have profound effects on future developments.  

**c) The Origins of Guanxi**

The sources are unanimous that it was with the end of the Cultural Revolution, and the governmentally sterile years that followed (1970-1976), that a new dynamic entered the Chinese social scene: the art of social relations, or *guanxixue* (Cheng 1986:497, Gold 1985, King 1991, Pieke 1992:250-268, Yang 1989:35). 39 *Guanxi* is a polysemic word in Chinese, meaning relation, connection and importance, as in the common phrase "it is not important", literally "there is no connection" (*meiyou guanxi*). The social art of *guanxi*, as defined by Yang, "lies in the skillful mobilization of moral and cultural imperatives such as obligation and reciprocity in pursuit of both diffuse social ends and calculated instrumental goals".

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38 Whyte and Parish conclude that "the new socialist values and rituals failed to provide meaning and structure to urban life in the 1970s" (1984:324). I think this statement vastly oversimplifies the ways in which "belief" work in any society, traditional, socialist or capitalist. While I agree that many Chinese have turned against the "strident dogmatism" of government rhetoric, many socialist values have become internalized, and even serve as the basis for criticizing current policy shifts. That popular values and beliefs do not simplistically reflect government or elite rhetoric is surely not unique to China. A far more subtle analysis is provided by Jankowiak (1993:60-164).

39 Equally important evidence of the recent re-appearance of *guanxi* on the Chinese scene is the fact that they are barely mentioned in Whyte and Parish's otherwise thorough study of urban life (1984). Given that most of their interviews were conducted with refugees from the '60s and early '70's it is reasonable to suggest that these refugees, whose political memories were based on China of the 1950s and '60s, were simply not acquainted with the practice of *guanxi*.

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The subject of guanxi is a dissertation in itself (see Yang 1986), and I will only touch on some of its basic features here. Guanxi, or what Pieke calls "personalized transactions" (1992:250-268), have many manifestations, from the purely instrumental doing of favors to the deep loyalties of friendship and mutual aid common among Chinese friends and colleagues. However, whatever their actual form, guanxi relationship share certain qualities which merit that they be considered as a category. These qualities are the creation of a long-term relationship in which reciprocity and continued obligation are presumed, and the invocation of "feelings" (ganqing) or "human feelings" (renqing) as the basis for the relationship.

Guanxi was an important part of imperial and Republican era Chinese social dynamics, as numerous studies have attested (Fried 1953:102-123, M. Yang 1945). With the rise of the bureaucratic system during the '50s, the guanxi system was suppressed in favor of the universalist logic of Communist bureaucratization. By the early 1970s, however, the use of guanxi was back, and permeated all levels

40 In this discussion, I prefer the more commonly used term guanxi to guanxixue. Guanxixue is a term which has emerged as self-consciousness about guanxi grew among Chinese intellectuals. It promotes the guanxi phenomenon to an "art" or set of skills to be developed by upwardly mobile Chinese. As such, the word is not only cynical, it mischaracterizes the sociological nature of guanxi, portraying the use of guanxi as an individual strategy, not a social system.

41 Interestingly, one cannot speak of developing guanxi with one's relatives, the presumption being that there is a special long-term relation of loyalty and mutual aid. When this presumption proves false, however, one can say that one "does not have any connection" with one's relatives.
of the Chinese social system.\textsuperscript{42} Guanxi transactions ranged from the small mutual favors which two factory workers might render each other, to long-term relations of reciprocity developed between a petroleum processing plant and a synthetic fibre plant. In both cases, as Yang points out, official channels of distribution are circumvented as the partners to the exchange assure themselves access to scarce commodities.

The use of connections is undoubtedly intensified by what Kornai has called "the economics of shortage" (Kornai 1980).\textsuperscript{43} The converse is true as well: the use of guanxi exacerbates shortages in a command economy by distorting the planned flow of goods and services. On the industrial level, an increase in the use of guanxi between danwei reflected the need to procure primary materials and distributors in an allocative system which had crumbled into a state of autarky and paralysis with the chaos of the Cultural Revolution (Donnithorne 1972, Perry and Wong 1985b).

However, there are two important reasons to find this scarcity-based theory of the development of guanxi inadequate. First, guanxi are an important part of

\textsuperscript{42} Acquaintances in Shanghai told me that the use and abuse of guanxi began in that city with parents attempting to have their "sent-down" children transferred back to Shanghai and granted a Shanghai residence permit. If, as we have suggested, the rustification policy touched at least ten percent of Shanghai's urban youth (not to mention the one to two million skilled workers sent to other parts of the countryside), the mobilization of guanxi to obtain their return must have been a massive phenomenon.

\textsuperscript{43} See Whyte and Parish on shortages in urban China before the reforms (1984:93-100).
the Taiwanese and Hong Kong economies, economies which are hardly troubled by shortages (de Glopper 1972, Jacobs 1979, King 1991, Moore 1988, Silin 1972, Smart 1993). Second, the shortage-based perspective fails to account for that particular form of excess produced by guanxi, the supplement of "face" which guanxi transactions provide. As commentators on traditional and Republican era China have noted (Fried 1953:102-123, Hu 1944, Yang 1945), face (mianzi) is a central element in the conception of the person in Chinese culture. As contemporary anthropologists and my own fieldwork have demonstrated, it is no less so for urban Chinese today. Mianzi is a quality which adheres to a person not as a lone individual, but in her relations to those around her; it is by nature interpersonal. The accumulation of mianzi comes with the maintenance and development of wide-spread harmonious relations in society. As the size of one's personal network will depend on one's power to provide desirables, mianzi inevitably correlates with social status. However, mianzi has a universalist, moral component in the form of lian (which also means "face", Hu 1944). Thus, the large amounts of face (mianzi) which generally accompany power and status can

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44I unfortunately do not have the necessary background adequately to compare guanxi to Soviet and Eastern European forms of connectionism, and particularly, to know whether an equivalent to the Chinese notion of "face" plays a role in particularistic ties in these economies. From an anthropological point of view, those materials by economists and political scientists which have attempted such a comparison tend to stray too far from the distinct cultural structures of these different societies, in a search for a generalized (usually economistic) model (see e.g. Furubotn & Pejovich 1974, Szelenyi 1983).

be diminished by personally reprehensible behavior, which causes loss of face (lian).

One of the clearest roles of the guanxi system is to serve as a forum for the expression and negotiation of face. The ability to obtain or grant desirables through one's social network is a measure of one's social status, and hence one's mianzi. Conversely, the fact of waiting one's turn, like everybody else, for the distribution of a desired good or service is more than an inconvenience: it is a loss of face, or a patent demonstration of the narrowness of one's social relationships. As we shall see, this has remained true even as market reforms have made consumer goods and special privileges more freely available.46

The survival, even flourishing, of the guanxi economy well into the reform period is finally the strongest argument against a shortage theory of connections. Clearly, the particularistic ties of guanxi relationships help to maintain the Chinese sense of self in a way that universalistic "free" markets cannot. This is true from the lowest level of society to the highest, although our moral evaluation of the use

46One of my Shanghai acquaintances was what could be called a "connections junkie" (guanxigui), a person for whom cultivating connections was more than a casual interest, as with most urban Chinese, but rather an obsession. This man staked his honor on his ability never to pay full price for anything, never to obtained anything as an anonymous consumer on the market, and never to adhere to bureaucratic procedures meant to govern access to desirables. Fortunately for me, he was also an astute observer of his own behavior. He had calculated, he told me, the amount of money he spent in order to maintain his guanxi network, and concluded that it exactly equalled the amount of money he saved by mobilizing this network. "However", he said to me with didactic self-satisfaction, "no matter what, a man always needs face" (danshi, buguan zemma yang, ren zongshi yao mianzi). This acquaintance will figure again below.
of guanxi by a taxi-driver and by a high-level official tend to differ greatly. In political terms, guanxi work to reinforce the power and prestige of those in the position to distribute goods and services. The widespread (most Shanghainese say universal) abuse of guanxi by officials at all levels cuts against the distributional logic of the state system, while simultaneously reinforcing the power of its officers.47

The widespread use of guanxi is generally decried in official and popular discourse, although popular discourse also reflects a grudging admiration for those who have managed to ascend the social hierarchy through the skillful mobilization of guanxi (Yang 1989:36). These discussions, however, fail to recognize one of the paradoxically "socialist" side-effects of the guanxi system. Because all acquisitions bring face when obtained through guanxi, all people in the position to control a desirable commodity or service are to be cultivated for eventual mobilization. The

47The rampant use of guanxi by state officials -- which can also be labeled corruption -- causes a problem for the use of the term "state" in descriptions of Chinese politics. Is the "state" that collection of discourses and institutions which are currently fighting against internal corruption, or is it the corruption itself? In my view, this tension should not be resolved. Both notions are reflected in the indigenous use of the term guojia (nation/state), and both should form part of the anthropological perspective.

For this reason, I cannot agree with Yang's use of the term "state" in "The Gift Economy and State Power in China" (1989). She argues that "the State" attempts the normative exercise of bio-power (Foucault 1979) through its distribution bureaucracy, and that something like "the People" resist and circumvent this power through the "gift economy". This is a teleological interpretation of power and "intransigence" which builds on de Certeau's (1984) work on strategies of resistance in everyday life. Such a morality tale is only possible if we can maintain a reasonable distinction between those exercising power and those resisting it. In China, such a distinction is simply not tenable.
result is a criss-crossing of people of widely different social statuses. Whyte and Parish report a bit of popular wisdom which circulated in Canton during the 1970s:

one should maintain relations with "three valuables" (sanbao) -- a doctor, a truck driver, and a sales clerk. The doctor would help one beat the lines and medical shortages at hospitals. The truck driver could get one cheap goods from markets outside the city. The sales clerk could notify one when scarce goods like electric fans, televisions, and better clothing were about to appear on the market and might "forget" to check purchases off on one's ration book (1984:98).

Though this discussion is put in terms of shortages, the habit of cultivating useful connections in all sectors of society has continued well into the reform era, when electric fans, televisions and clothing abound in state-run and private stores. I

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48One curious phenomenon, which reinforces the need for connections, is the widespread social fear of "fake goods" (jiahuo). The worry that goods in state-run and particularly private stores are "fake", that they are not made where or with the materials that their label proclaims, has been the target of repeated campaigns (JFRB 1992a, 1992b, WHB 1992a, 1992b). While many of these worries are no doubt founded, what is interesting from a cultural point of view is the way in which this concern reinforces a quasi-Marxist view of real value. The assumption is that certain products have an intrinsic worth which is greater than others, and that this worth depends on the quality of the materials or the place of production, not on market determinations of supply and demand, still less on individual preference curves.

An example may serve to illustrate this point. Two individual entrepreneurs in my neighborhood were selling the same sweater. At one stand, orange, black and green cardigans were being sold for 45 yuan. At another, the same model in different colors was being sold for 35 yuan. As I was buying my orange cardigan, a woman approached the more expensive stand in a rage, and began to insult the owner for her higher prices. The owner tried pitifully to defend herself by arguing that her sweaters were slightly different from those at the neighboring stand and that she had ironed her sweaters while her neighbor had not. The argument continued around this theme of "difference" until, unable to stand it any longer, I pointed out to the enraged customer that no one was forcing her to buy the expensive sweater if she did not want to. Clearly, however,
do not mean to suggest that this cross-cutting of social relations equalizes social statuses, for it has no effect on the general cultural perception that a driver is lower in the status hierarchy than his boss. However, the boss must engage in the cultivation of his driver, and must be prepared to render him services in return. This structure of reciprocity works to soften the impact of the Chinese status hierarchy in practice.49

Thus we can see that the widespread use of *guanxi* which began in the ’70s has introduced a new element of dynamism to urban life in China. While it has strengthened the power of state officials, it has done so in ways which cut against both the distributional logic of the bureaucratic system, and the egalitarian logic of revolutionary discourse. Furthermore, despite economists’ predictions, the *guanxi* system has not disappeared under the pressure of market reforms, to which we now turn.

49 This is one of the many examples of how ideology must be separated from practice when we conduct comparative evaluation of such great principles of Western ideology as Equality or Freedom. Confronted with Chinese discourse on social stratification, Westerners are often shocked by popular acceptance of the inevitability, if not justice, of social hierarchy. In practice, however, I would argue that far more contact exists between people of different statuses in China than in the United States, where our egalitarian ideology blinds us to the rigidly stratified nature of our own society. The same caveat is in order when evaluating the position of women in China. Much of Chinese discourse on women is frankly and unabashedly sexist by Western standards. However, the actual position of women in urban China can be compared favorably to that of women in Western democracies.
d) The Market Sphere

In Chapter I, I touched on those aspects of economic reform under Deng which have been designed to increase the role of market forces in the urban economy: the gradual phasing out of rationing for foodstuff and basic consumer items in favor of a system of "guidance pricing", the legalization of free markets, the encouragement of small-scale entrepreneurial activities,\textsuperscript{50} the increased possibilities for job mobility (Davis 1992a) and the creation of a quasi-market in real estate (Vucinic 1993).\textsuperscript{51} The literature on market reforms in China is vast.\textsuperscript{52} Again, I limit myself in this section to bringing out those aspects of

\textsuperscript{50}Encouragement" is perhaps too strong a word. While individual entrepreneurship (getihu) has served as a partial solution to the urban unemployment problem, as discussed above, the government has remained on guard against excessive accumulations of private wealth, and has tended to burden individual and private entrepreneurs with far heavier tax burdens and administrative hurdles than for the collective sector (see Gold 1991, Whiting 1993).

\textsuperscript{51}It is important to note that these elements of the market touch on the lowest level of the Chinese economy -- that of the production and distribution of cash crops and simple consumer commodities and services. At the level of industry and large-scale commerce, market forces have made only partial incursions, creating the possibilities for new levels of official corruption to be discussed below. In my view, this new system, half-way between planning and market, should not be taken as a transitional moment as China moves towards capitalism (see, for example, World Bank 1990a), but rather as a very functional, very particular configuration for the distribution of power and wealth which it is almost impossible to eradicate. It is for this reason that I object to the use of the term "capitalism" as applied to China today. See also Pieke (1992).

Rather that treat this vast question in the abstract, I illustrate my point of view through my discussion of the role of the state in the stock market in Chapter V.

market-oriented reforms which have created the possibility for new configurations of social status and power in urban China.

The clearest change wrought by market reforms is to decrease the power of state officials to control the distribution of goods and services in the bureaucratic system. Indeed, in some sense this is the express aim of market reforms, though in official discourse this is generally put in terms of increasing "efficiency", not of decreasing bureaucratic power. With food, clothing and consumer commodities available to all without ration coupons, the state has lost an important hold on the behavior of state employees.

With the opening of a limited labor market, state and collective units have lost another source of control over their employees. Most people who wish to can now elect to exit the danwei system altogether, and find work in the joint-venture or private sectors. As Davis's (1992a) study of job mobility under reforms demonstrates, however, job mobility has not increased in the way that reform policies would suggest. Rather, a number of forms of "muddling by" (hun) seem to occupy a large percentage of the population. In some cases -- as with journalists, researchers and other professionals -- one's job officially takes up only about 20% of one's time. The rest can be devoted to one's chosen path for social and economic advancement, entirely outside the confines of one's job. Those

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53 I say "most people" because work-unit leaders still have to power to block one's departure from the unit, if not indefinitely, at least for a long time.

54 Researchers at the Shanghai Academy of Social Sciences, with which I was associated, were a case in point. Officially, they were required to come into the
who work in supervised situations frequently ask for one of a number of forms of unpaid leave from their state or collective unit (detailed in Davis 1992a), and then use their free time to earn money through other channels.

Leaving the danwei system in no way ends one's relationships with urban bureaucracy. Personal records once the property of work unit leaders will be transferred to one's street committee, and each new job or change of civil status will require permission from these officials. Those who launch themselves into business must satisfy numerous registration and tax requirements set by the local Ministry of Industry and Commerce. Tales of encounters with these officials tend to be tales of how and how much one must bribe them to receive the required stamps and letters in a reasonable length of time. Likewise, while the real estate market is being opened up, especially to foreign purchasers, the allotment of state-subsidized housing remains highly bureaucratized and riven with corrupt practices.

The second important change brought about by market reforms is the birth of an urban nouveaux riches. Many of the people who have launched themselves outside state channels -- either in black market activities or as individual entrepreneurs (although the two are hardly distinguished in popular ideology) -- have become remarkably rich. As

Academy only twice a week. A small percentage spent the rest of the time doing research related to what we would consider their work. Most were engaged in entirely different lines of business. One friend started a small fashion import company, another was busy writing scripts for television, a third acted as a consultant and middleman for numerous Shanghai companies seeking foreign investors, etc.
mentioned, this new wealth is the object of envy and admiration by those tied to state-planned salaries, and is the source of constant pressure to increase pay in the state sector.

The story of the social trajectory of these *nouveaux riches* is far from written, but even over the ten years since their appearance on the urban scene a certain evolution is apparent. During the mid '80s, as opportunities for doing business, legal or illegal, were just opening up, these new black marketeers and individual entrepreneurs were so looked down upon that only those individuals with few other options entered these lines of business: a common urban stereotype has it that most individual entrepreneurs are people who have been released from prison. However, as the reforms have continued and as money has become a more explicit object for many urban Chinese, all manner of professions and social strata have been "taking the plunge" (*xia hai*), leaving the state sector for business. Of course these "businesses" are stratified -- high level cadres and sons of cadres frequently capitalize on their connections, going into consulting and middle-manning; intellectuals and lower level cadres tend towards professional activities such as computer sales and programming, cultural promotional activities or night-school teaching; and workers lucky enough to have an apartment which

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55 There is a marvelous social metaphor here, which I leave for others to develop.

56 Chinese newspapers report that 70 percent of top officials' children have opened "trading companies" in Shanghai (Rocca 1992:415). These "trading companies" generally engage in all manner of wheeling and dealing.
can serve as a storefront often open small clothing or food stands.

Thus, market reforms have indeed created the possibilities for more individual risk-taking and entrepreneurship; they have also, of course, introduced the tensions and rhythms of petty capitalism into urban life. While the tempo of work in the state and collective sectors is languid at best, individual businessmen and women work long and tiring hours, knowing that while they are taking a break their competitor might not be. For those who have launched themselves into the joint-venture world, they get a first taste of capitalist discipline in a neo-colonial context.

4. Urban Living: qian, quan and mianzi

Whyte and Parish conclude their sociological portrait of urban China with the observation that "there is but a single status hierarchy" (1984:363), the hierarchy of government officials. This observation marks the limits of a study based on interviews of refugees from the 1960s and '70s. It may or may not be correct to say that up until the Cultural Revolution, the only edifice of social status was the Party/State hierarchy; Croll's study (1984) of status homogamy in marriage choice indicates that the situation was more complicated even in the early years of Communist rule. It is certainly not an accurate description of contemporary reality, when a variety of strategies for attaining social prestige are open to urban residents simultaneously.

Two principal changes have occurred since Whyte and Parish conducted
their study. First, the Dengist era has put an end to the egalitarian rhetoric which I have called continual revolutionary discourse, and reversed for a second time many of the dramatic changes of fortune which struck China’s ruling elite during the Cultural Revolution.\textsuperscript{57} With the rehabilitation of Deng, numerous other victims of these "Ultra-leftist deviations" were also rehabilitated. This, of course, left those cadres who had risen to power during the Cultural Revolution badly situated, and many were demoted or "retired" (Manion 1990). Finally, as mentioned in Chapter I, a moratorium was called on "class struggle", and policies designed to equalize class disparities as between the powerful and the less so fell thoroughly out of favor.

The second great change was the creation of the \textit{guanxi} system, followed by the advent of market reforms. In what follows, I center on the new avenues for advancement, power and wealth opened up by these changes. However, it must not be thought that the radical egalitarian discourse of continual revolution has not left its marks on this new reality. At the most basic level, the Cultural Revolution deprived an entire generation of young Chinese of an education. Urban youth averaged about seven years of schooling during "the ten lost years", and became proficient in none of the skills demanded by an increasingly

\textsuperscript{57}It may be clear now why I have tried to avoid structuring my presentation of recent Chinese history around a simple Dengist/Maoist dichotomy. If we do not separate egalitarian discourse from mass mobilization techniques of policy implementation from the bureaucratic system, we cannot understand the persistence of certain "pre-reform" features in Dengist China, nor the resembles between certain "Dengist" measures and Maoist policy.
technological urban economy (see Davis 1992b). With the reforms, these young people often found themselves in jobs for which they were not trained. The overall result is that a wide range of positions are occupied by people who developed the fine art of improvising. As we shall see, this anti-professional spirit was to come in handy in the creation of a stock market.

Furthermore, for that generation of people, now in their late thirties and early forties, who served as Red Guards or who were "sent down" to the countryside, Cultural Revolutionary rhetoric is still a powerful source of odd forms of inspiration. At the very least, the Cultural Revolution impressed on China's youth the tremendously fragility of the status quo. At its most powerful, Cultural Revolutionary rhetoric reinforced a strong aversion to elite power and privilege that is reflected in popular discourse at all levels.

The following description is a cultural account of the ways that Shanghai citizens talk about urban living. Two qualifications are in order. First, I do not mean to imply that other perspectives on urban social dynamics -- statistical, institutional or economic -- would not provide us with additional valuable information. However, these methods tend to treat what I have called the different systems in urban social life as discrete entities. They thereby neglect the most important technique of urban living, the ability to navigate between systems.

Second, I do not mean to imply that this account is "cultural" in the sense that reflects a set of positive shared values and norms, or that this "cultural" account is in some sort of functional harmony with the "social" system.
Shanghainese view the cultural notion of the conversion of one form of social status into another as an accurate description of an aberrant social structure. The general sense that order and virtue have become confused in contemporary urban society is summarized in a popular jingle: "One must walk the black road and the white road simultaneously" (heidao, baidao, tongshi zou). Whether this generalized moral condemnation of contemporary urban society is a threat to China’s future stability, or whether it represents a cynical adaptation to a stable reality, is a question I do not attempt to answer here.  

As I have said, recent changes in Shanghai social dynamics have opened up new domains for deploying the strategies of urban living. These strategies can best be labelled strategies of conversion, centering on the ability to convert the "goods" of one system into the "goods" of another -- conversion of authority into money into face and back again. The first of these convertible social "goods" is authority (quan), associated with the bureaucratic system. This authority is only ambivalently a moral authority, for as we have seen, the moral integrity of officials has been increasingly called into question by the Chinese populace since the Cultural Revolution (Jankowiak 1993: 60-96, Whyte & Parish 1984:362-363).

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China specialists are often lured into predictions of this sort, in my view for two reasons. First, the highly dramatic tones in which urban Chinese at all levels of the social hierarchy talk about the fate of their country lends itself to imitation. Second, in the Manichaean struggle between Capitalism and Communism, clear story lines are desired. In the process, foreign observers forget that the relation between "the will of the People" and the longevity of a social system is a vastly complicated affair. Are not many Americans disillusioned with many of the basic structures of their own society? And then?
Authority is principally an external criterion, the ability, because of one's position in the bureaucratic hierarchy, to control a certain number of decisions and obtain a certain number of privileges.

With the growth of market reforms, however, much of what was once available only through authority (quan) is now available also with money (qian). Indeed, expensive consumer goods may be beyond the reach of officials on state salaries, who watch with consternation as newly wealthy entrepreneurs and black marketeers parade about in expensive suits or on expensive motorcycles. It has thus become necessary to find ways to convert quan into qian. This is accomplished through the guanxi system (Pieke 1992:281, Yang 1989:44-49).

With the guanxi system, the privileges of authority can be transformed into the privileges of wealth, and, to a certain extent, vice versa. High-, mid- and even certain low-level officials, by carefully capitalizing on the particular authority associated with their position, may cultivate a series of guanxi with those in the position to procure them the signs of wealth. As noted above, a surprising number of positions with authority lend themselves to conversions of this sort: journalists have the authority to publish flattering stories; drivers have the authority to travel relatively freely around the city and beyond; clerks in personnel departments have the authority to weight the file of one up-and-comer over another; hotel managers have the authority to reserve rooms for special guests; and teachers in a good middle school have the authority to let one child enter
their class over another. On the other side of these officials one finds someone with whom they have guanxi, that is a personal relationship, most generally, a personal relationship which can benefit them in return.

The conversion of money into authority is somewhat more tricky, suggesting that our inter-locking system of conversions remains weighted in favor of the bureaucratic hierarchy. Unlike during the heyday of Republican government in Shanghai, those who make their wealth at low-status illegal activities -- such as black-marketeering, prostitution, illegal speculation -- are not coopted by the power structure for its own ends. These "bad elements" may become rich, may become very rich, but without a few of the trappings of respectability they will not develop real guanxi relations with those in authority. There were isolated examples of individual entrepreneurs or rich stock investors who were brought into a low-level function by the municipal government in order to serve as a kind of mascot of the government's support for the reform policies, but these coopted individuals generally lost the respect of their old set of business relations without

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59 We can see that the notion of "authority" here extends beyond what we would consider fair uses of one's position in the West. While the notion of procedural justice is certainly present, in both official and popular culture, there is a corporatist reaction amongst all those with small bits of authority to hang on to which prevents complaints from receiving resolution. This has been one of the targets of "legalization" (fazhihua) under the reforms.

60 However, as indicated, a parallel system of social status is developing which centers on mere wealth.

61 The notorious case is, of course, Du Yuesheng and the Green Gang's long-term guanxi relationship with Chiang Kai-shek. In my view, this particular pattern of social symbiosis is not about to repeat itself in Shanghai. Shenzhen may be another story.
really gaining the respect of their new official friends.

A far more complicated and interesting set of possibilities exists, however, for those on the edge of the state economy, in that vaguely legal area of economic reforms touching on the renting and contracting out of state and collective enterprises. As Pieke rightly points out, the state bureaucratic monopoly over goods and services has been put to the service of private interests largely through the system of "contracting out" (chengbao) (Pieke 1992:191-210). As part of industrial and managerial reforms, state-run enterprises were encouraged in the mid '80s to contract out portions of their operations to individuals. These individuals generally promised to pay a fixed portion of their profits to the parent enterprise; the rest of their after-tax income they were free to dispose of as they liked. While the intentions of these reforms were to put parts of the state sector to more efficient use through incentives for private wealth, these measures were quickly coopted by the very officials they were meant to circumvent.

Unwilling to see profits being made in which they did not participate, these officials quickly established guanxi relationships with their contractual partner, in which the official in charge of the parent enterprise facilitated certain activities for the contracting party in return for an additional cut of the profits. The easiest way to do this was through the highly destructive practice of guandao. Guandao, literally "official speculation"62, is the practice whereby officials use their authority

62See Pieke 1992:273 n.13 for a thorough discussion of the etymology of this word.
to buy products at state-subsidized prices which they then sell at market prices. As these price differences have remained significant in many sectors, this is one of the greatest sources of wealth for officials and for the entrepreneurs whom they hire to work for them.63

The mobilization of guanxi relationships to procure wealth or the privileges of bureaucratic authority brings into play the third "good" of urban social life, face (mianzi). However, mianzi is a most delicate commodity, which demands of its seekers strict adherence to certain kinds of formality. That one has become wealthy through the strategic use of one's authority does not in and of itself give face; indeed if one allows one's behavior to have the look of crude corruption, one loses rather than gains face. Face is earned by the breadth and depth of one's social network, not by the profitability of any particular guanxi relation. Face demands adherence to the rhetoric of personal loyalty and commitment, to displays of generosity and largesse, and to the ability to make oneself useful as well as to use others.

Gaining and maintaining authority, money and face in urban China is a tightrope walk which few are in the position to perform well, if at all.64

63 Guandao takes many forms, as indeed it must in order to escape constant bureaucratic efforts to suppress it. The practice of contracting out is merely one of its most easily described manifestations. For further discussion, see Rocca (1992).

64 The portrait I have painted is one which applies only to those who have handle on at least one "good" at the outset. A state-sector factory workers on a production line with no education or family ties, and no particular talent to trade is excluded from most of this activity. The kinds of face which he may accumulate
mixed privileged of knowing one expert tightrope during my fieldwork.\textsuperscript{65} A description of his activities in Shanghai during my fieldwork may help to illustrate the polyvalent demands of urban living.

The social origins of this "connections junkie" are mysterious. It seems that his family suffered terribly during the Cultural Revolution, and that he was raised by an aunt. When I met him, he was working as a journalist with a state-run magazine devoted to personnel training and development in state enterprises. Through the careful use of flattering articles, he had befriended a number of high-level municipal officials and industry managers. On the side, my friend dealt in the black market in stamps.\textsuperscript{66} By cultivating connections in the postal service, he had been able to make a small bundle on this speculative market. Putting these two resources together, my friend had rented a facility, and opened a night school for the children of the city's highest level cadres. There these children received special training in all areas, and frequented other children of their social standing.

All of these activities were couched in a rhetoric of mutual assistance and are principally the internalized moral face or lian which comes from cooperative and harmonious relations with one's friends and relations.

\textsuperscript{65}"Mixed" because such people are, by Western standards, hypocritical, manipulative and self-serving. In addition, my particular acquaintance was a pathological liar who had befriended me for rather base reasons. His wife was studying abroad, and he had learned that she was having an affair there, causing him much loss of face. I deduce from the fact that he kept parading me about in public (at the high-level banquets he was incessantly organizing) that he aimed to avenge himself on his wife and gain back a little face by pretending I was his girlfriend.

\textsuperscript{66}The details of the stamp market will be discussed in Chapter III.
friendship. "I've just invited a few friends to dinner to thank them for supporting me", he would say, encouraging me to come along. On the numerous occasions when I did so, these "few friends" turned out to be some of Shanghai's top industry managers and municipal officials. My acquaintance would dash about madly, making sure that each of these big-wigs felt sufficiently important and flattered, and that each was seated next to someone who could be of service to him. The payoff for all this effort tended to be enormous: tens of thousands of yuan to support a new and improved project to launch my friend in business; a letter from the Vice-minister of Shanghai requesting the American consulate grant him a visa, and so on. My friend had successfully collected and deployed all three of the assets of urban life: authority, money and face.67

5. In the Market (gushishang)

The stock market is one avenue for advancement among many now available to urban residents68. What were its particularities? Who were the

67 An interesting incident occurred at the airport where my friend insisted on accompanying me, as is polite Chinese custom, when I departed from the field. He confessed that he had gotten as high as he needed to go in Shanghai, that he had relations with just about everybody he needed to make a brilliant career in the Municipality. However, he had decided to go back to school and earn a graduate degree. He realized that if he wished to make the next step to Beijing, he would have to have educational credentials. Whether this is a story about the modernizing effects of the reforms or about the unbridled ambitions of my acquaintance, I am not sure.

68 Shanghai's largest stock brokerages were allowed to set up branch offices in the countryside of Shanghai municipality, and even in neighboring cities in mid 1992. In late 1992, a large number of stock brokerages from other cities in China
people likely to venture down this path? And, what did they imagine they were
doing in doing so?

It may be useful to start with those people who did not invest, for the
reasons they gave for not investing were varied and perceptive. Many
Shanghainese, and not only those who had not purchased shares, were highly
skeptical of this new government gadget. Some of my acquaintances told me that
the stock market was the latest trick the Communist Party had thought up to
make money off of ordinary people (laobaixing). Others insisted that its main
function was that of showpiece for Western investors. Many "intellectuals" found it a frivolous and/or immoral way of using one's money. In addition to
these important variations in personal interpretation, non-investors generally
lacked the money, knowledge or connections they felt necessary for investing. In
what follows, we review these attributes one by one, to see where they fit in the
moving mosaic of urban systems described above.

As mentioned above, the stock market was not untouched by the
bureaucratic system of control and rationing. Work units acted on the market
place in three principal ways. The first of these concerned those state and
collective enterprises which had issued shares to their own employees, as bonuses

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were allowed to rent chairs on the Shanghai Exchange. Thus, the Shanghai stock
market was an opportunity available to a far greater and more varied clientele
than I had the opportunity to study.

69 An "intellectual" is formally defined in Chinese discourse as anyone with any
tertiary education.
or as part of employee incentive programs. Many of these shares should not be called shares at all, for they did not represent a fraction of ownership in the enterprise, but rather a sort of time deposit, redeemable upon retirement but not transferable. Furthermore, the vast majority of enterprises that have issued "internal shares" (zhigong neibu gupiao) are not currently and may not ever be listed on an official exchange.

A second form of share-ownership directed by the work unit consists in "legal person shares" (farengu). "Legal person shares" are that percentage of shares in a given company which are designated by state regulators to be sold to other enterprises, principally other state-owned enterprises. They thus represent a form of "public ownership of the means of production", and play a crucial role in maintaining the ideological coherence of a "socialist capital market". In theory, these state-controlled investors are expected to act like companies in a Western economy, investing in other companies which they feel are profitable, participating as shareholders in the governance of these

70 As opposed to those shares held in the name of the State by the State Assets Management Bureau (called "state shares" (guojiagu)), and those sold to individuals (called "individual shares" (gerengu). These distinctions will become important again in Chapter V. For the time being, it is important only to remember that individual investors trade in "individual shares", which generally represent a minority (10-30%) of total shares in the company. "State shares" and "legal person shares" cannot, in principle and for the time being, be traded on the Shanghai Exchange.

71 Currently, "legal person shares" represent about 30% of the cumulative ownership structure of all of the companies listed on the Shanghai Securities Exchange (Shanghai Zhengquan Nianjian 1993).
enterprises, and increasing, thereby, the incentives for managerial performance.\textsuperscript{72}

In fact, "legal person shares" represent a forum for the circumvention of state policy in two directions. The first is through the creation of what are called "collective legal person shares" (\textit{jiti farengu}). These shares are purchased by the enterprise, which then sells them to its employees. In effect, employees possess a share in a kind of mutual fund; they are not free to buy and sell when and what they please, but rather participate passively in the investment decisions of the enterprise. As the policy on the sale of legal person shares is far from settled, it is not clear when or even whether employees will be able to recoup on this investment. However, "collective legal person shares" represent a way in which work units tried to give their employees access to a market they might otherwise not be able to enter.

A second use of legal person shares takes the form of "social legal person shares" (\textit{shehui farengu}), colloquially called "leader" or "head" shares (\textit{lingdaogu} or

\textsuperscript{72}In fact, as I have said, these shares cannot be freely traded. If an enterprise wishes to sell the shares it has purchased in another enterprise, it must address itself to the regulatory authority (principally the local branch of the Bank of China) which may try to find a buyer. It will be noted, of course, that this represents a purely administrative solution, equivalent, in effect, to the transfer of assets between state enterprises.

An alternative market in "legal person shares", the STAQ system (Securities Trading Automatic Quotations system) exists in Beijing, managed by the Stock Exchange Executive Council. This fully computerized exchange had listed only four companies by the end of 1992, none of which is concurrently listed on other exchanges in China. It is difficult to predict the future of this alternative market. Its managers are ambitious and well-connected in Beijing politics, and they see STAQ as an equivalent to NASDAQ in the United States. The attitude of central regulators is much more difficult to ascertain.
These shares are purchased at issuing prices by the leaders of enterprises with enterprise money, and then sold, through connections, at market prices, the leader pocketing the difference. This practice, a classic example of guandao as discussed above, was strictly illegal, but in the confusion surrounding the actual nature of "legal person shares", it was very difficult to prosecute offending cadres.

These uses of the bureaucratic system for personal or collective enrichment, while a great problem for the credibility and equitable functioning of the market, do not concern us directly here as they cannot be said to represent forms of individual "investment". For single individuals who decided to buy shares on the market, the most obvious prerequisite for investing in the stock market was money. Surprisingly, perhaps, this was also the most easily satisfied. China has one of the world's highest individual savings rates (World Bank 1988:12-33), and it was estimated in spring of 1992 that Shanghai citizens possessed thirty-seven billion yuan in untapped savings (SHZQ 1992a). One source of money available for investment was savings from state salaries. Here, Chinese display their incredible talent for economizing, for while state salaries are not high, most families still manage to put away some portion of this salary every month for future use (the wedding of one's children has again become a significant expense

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73Because share issuance is governed by non-market mechanisms (to be discussed in detail in Chapter V), the difference between prices on the primary and secondary markets is enormous. It was not at all uncommon that shares purchased by an authorized legal person for 60 yuan could be sold a month later on the secondary market for 400.
for which most parents spend some portion of their lives preparing). Other sources of savings can only be imagined, for while money is not a taboo subject in China, many of the ways in which it is made are. I list here only those sources of savings beyond everyday economizing which I encountered most frequently.

A first category, one particular relevant for Shanghai, is remittances from overseas relatives. A significant proportion of the Shanghai population has overseas relatives now living in Taiwan, Hong Kong, or North America. Many of these people send regular sums to their poor relatives in Shanghai. Savings may also come from relatives, mainly children, who have recently gone abroad to work on a temporary basis. From Shanghai, most of these people go to Japan, but I knew people with sons or daughters in Australia, Singapore, Africa, Vietnam, and the United States. These children were expected either to send regular sums to their parents in Shanghai, or to bring back a considerable savings upon their return. However, the money earned by children was not always pooled for family use. Children, particularly sons, frequently considered the money they made abroad their own, and used it for investments as they saw fit. This was the case of a number of my stock investor acquaintances

Money sent or earned by relatives abroad is money earned outside the complicated urban economic dynamics described above (although the connections necessary to arrange for one's child to go abroad are not). But, by far the greater

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74The art of economizing is described with great care, if some derision, in Smith (1894), and appears to figure high on his list of "Chinese characteristics".
proportion of family savings came from some combination of individual enterprise, "business" conducted through connections, part-time work on the side, black marketeering, and previous investments. This is the area where actual wealth is most difficult to track, for it quickly loses direct connection both with one's official salary, and with one's class/status.

This is not to say that everyone in Shanghai had money to spare. Nor does all of this savings represent wealth in any absolute sense. Much of it is necessitated by the lack of a serious social welfare infrastructure for all those people not linked to a state-sector job, by the reluctance of Chinese citizens to buy insurance (only recently available, it should be added), and by the interdiction against buying on credit. However, it does indicate that the range of individuals and families who could contemplate investing in the stock market was spread across a wider social spectrum than one might expect.

A second, and not unrelated, prerequisite for entering the stock market was connections (guanxi). Many of my investor friends, particularly the wealthier ones, told me that it would be sheer folly to buy stock without adequate connections. These connections were mainly necessary for gathering adequate and accurate information about government policy and regulations. They were also helpful for speeding the processing of trade orders, for gaining access to particular stocks in times of high demand, and, if one had kept one's job in the state-sector, for facilitating one's long and repeated absences from one's post. All of these forms of guanxi will be discussed in more detail in Chapters III, IV and V.
However, a contrary discourse on the stock market also existed, one frequently expounded with much energy. The stock market, it was argued by some "large" but mainly "small" investors, was one of the few, perhaps the only, truly egalitarian forum for making money in Shanghai society. Buying primary issues was open to all (through a lottery system), and buying on the secondary market as well, even if big investors received slightly better treatment. The important point was that skillful predicting and "manipulating" (caozuo) of one's investments did not depend merely on connections but also on knowledge of how the market worked, and this knowledge was available to anyone willing to make the effort to gain it.

This egalitarian interpretation of the stock market will be of primary importance to the thesis I will develop in my concluding remarks. Perhaps not surprisingly, this line was generally expounded by that generation of investors, now in their late '30s and '40s, who had grown up in the bubbling, sometimes boiling, egalitarian atmosphere of the Cultural Revolution. Indeed, my most interesting friends and acquaintances were all from this generation. For them, more than for those in their 20s who had lived most of their adult life under the atmosphere of the reforms, the stock market was something which needed explaining, both in ideological and in historical terms. Its implications for Party power, national development and socialism were frequent topics of discussion. For many of them, the stock market was much more than a way to make a fast buck. It meant participating in a historical moment, a moment which one friend called, a "second
Cultural Revolution".

Why was the stock market revolutionary in the eyes of these investors? What were the forces at work behind its movements? To answer these questions we must dive headlong into the hermetic world of the market itself.
Chapter III: The Big Players (*Dahu*)

At the noodle stand where I often ate lunch, Song Laoban (Boss Song) is radiating a combination of excitement and uneasiness.¹ "I have something to tell you", she mutters, rushing past me with two steaming bowls of noodles. These confidences are gifts; I prepare to execute my obligation to receive. Having finished my own steaming bowl of noodles, I wait for the noon crush of customers to thin out.

"Li Laoban’s daughter-in-law is having an affair with a *dahu*. Li’s very upset. They’ve chased her out of the house."

Song and Li are old friends. They met at a work unit both were assigned to in the early '80s. Soon thereafter, Li quit his job in the state sector to open his own restaurant. On a number of occasions, Song told me how much she admired his courage, for in the mid '80s the policy on private business was not yet stable, and as a party member Li ran particular risks. Fortunately for Li, everything went smoothly, and he soon earned enough money to send his children to work in Japan. Without his children to help at the restaurant, Li was obliged to change his line of work. He opened a souvenir shop, well situated in the tourist district, and again business boomed. In addition, his daughter returned from Japan bringing her savings with her. This rather beautiful young woman had managed to

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¹In this anecdote, names and details have been altered to protect the innocent.

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save up a startling sum working as a cocktail waitress in a Tokyo night club; indeed, Song once wondered out loud to me what exactly this "waitressing" had consisted of. Be that as it may, the Lis now had enough money to support the entire family quite comfortably for the rest of their lives, providing that inflation stayed within reasonable limits.

Following Li's example, Song also set herself up in business. With a smaller store front and fewer people to help her, she opened a noodle stand which was doing rather well. Song also wanted to send her son to Japan to work for a couple of years, but by this time, the cost of a sponsor was much higher and she had to save up a considerable sum. With the hopes of better returns on their investments, both she and Li had taken some of their savings and invested in the stock market. It is in this way that I got to know them, and I spent many friendly but somewhat tedious evenings with them, drinking tea and eating sunflower seeds while they talked about the price of stock, the price of real estate, the price of black market visas, the value of land as versus other forms of investment, the time it would take Song's son to earn back the money spent on arranging his stay in Japan and then to become profitable, etc.

Li Laoban had a lovely daughter-in-law, wife to his eldest son, still in Japan, and mother of his only grandchild to date, a boy on whom the entire family doted. Relations between the daughter-in-law and her parents-in-law were excellent, and so it must have come as a nasty shock when Li's neighbor approached him one day to tell him that he had seen her having morning tea with
a stranger. Wanting to verify this rumor before confronting her, Li had her followed. Sure enough, she was spotted "dancing with him in the evenings, and having tea with him in the mornings". "He's very rich, he's a business man from Wenzhou, they're all rich down there", said Song, and added a couple of distinctive features for my edification: "He wears gold rings and necklaces, and carries a portable phone."

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1. The Dahu: Larger Than Life

Over the past few years, Shanghai society has been disrupted and enlivened by the advent of a new phenomenon: the dahu. A dahu -- translated in the Western press as "big player" -- is a category of person, a social stereotype, an ideal type. The word "dahu" poses insoluble problems of translation. The literal meaning of "hu" is door, more precisely, the tall wooden doors which marked the entrance to the houses (of the not-too-poor) in traditional China. By extension, "hu" came to mean family, a dahu being a large (da), rich or influential family, and a xiaohu being a small (xiao) or poor family, lacking in social connections.

As we shall see, hu today has lost its relation with the notion of family. Bilingual Chinese and foreign newspapers are thus not wrong in translating hu as "player". However, the notion of "player" -- which conjures up images of the lone black-jacker tempting his luck -- gives us only half the picture. For hu maintains a certain implicit connotation -- implicit also in the very structure of traditional and contemporary Chinese society -- of a group of backers behind the individual operating as their "front". Dahu and xiaohu are entwined within webs of connections, large and powerful for the former, small and weak for the latter. For this reason, I would be tempted to translate "dahu" and "xiaohu" as "big front" and "little front".

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being to give expression to the discomfort surrounding the dramatic new possibilities for making money in contemporary Shanghai. However, unlike the Yuppie, the dahu is an ambivalent character, both despised and admired. While few young urban professionals in America today voluntarily describe themselves as Yuppies, many Shanghainese strive to accede to the status of a dahu.³

But, what is the status of a dahu? A dahu is, first and foremost, a person (ideally a man; we return to this in a moment) with a lot of money. At its origins, this term designates a "rich or influential family". However, as discussed in Chapter II, the relation between wealth and influence is of the utmost subtlety. Dahu today are clearly rich, but it is unclear what kind of influence they wield. While there is a strong if somewhat dangerous aura of prestige surrounding wealth, the actual power of dahu is, as we shall see, somewhat circumscribed. Furthermore, given the history of Communist economic policy, dahu money has almost certainly been earned in the last few years. Thus, much of the ambivalence surrounding the figure of the dahu stems from the fact that the cultural schemes for categorizing these people are in rapid flux, if not total disarray, in contemporary urban China. The over-nightness of dahu wealth is clearly one of its most disturbing and intriguing aspects; this phenomenon is best explored

³Perhaps I should rephrase this analogy. Many young urban professional in America today strive to accede to the status of Yuppie; what they do not want is to be labeled a Yuppie. Chinese generally, and dahu in particular, have a different relation to distinguishing themselves from the group, and hence do not object to having categories applied to them, as long as they agree with the content.
through the related term of "baofahu".

A baofahu is explicitly a person who has suddenly become very rich or important, an "upstart", in the words of the Commercial Press's Chinese-English Dictionary. Morphologically, it is made up of the verb "break out" or "burst forth" and the same suffix "hu" found in dahu and meaning "a person who..."; it could thus be translated as a "burster". Unlike dahu, baofahu is a term with no positive connotations. It is loaded with moral opprobrium (few people would describe themselves as a baofahu) and connotes violence. The sudden "bursting" of the baofahu further suggests an ugly lack of control (over oneself, one's surroundings). As we shall see, the connotations of dahu are otherwise.

As I have said, to qualify as a dahu, one must be wealthy -- with one telling exception: people who became rich playing the stock market and then lost all of their money in the great slump of the second half of 1992 (and this was no small number) did not lose their status as dahu. This is our first of many indications that, in the case of dahu, wealth acts primarily as a cultural not an economic category. Further evidence is to be found in the fact that not everyone who is wealthy is a dahu. As discussed in Chapter II, wealth has many origins in contemporary Shanghai. Some families are currently wealthy because property which they owned before the Cultural Revolution has been returned to them;

4Semantically, however, the term is somewhat ambiguous, for it is unclear who is doing the bursting forth -- the hu himself or something around him (his business, the stock market, etc.). Baofa has a homophone in baofa, "to explode", adding to the violence of this image.
others are wealthy because they have even wealthier relatives overseas who have sent them regular remittances. None of these wealthy families properly qualify as *dahu*, although they may produce *dahu*. Still other families may have become rich by profiting from their position in the Party-state bureaucracy. These families are not only not *dahu*, they cannot even produce them, for the sons and daughters of high cadres are reserved a special term, *gaoganzidi* (literally, "the sons of high cadres"), with its own set of ambivalent connotations linked to the system of *guanxi* economics discussed in Chapter II.

As opposed to these families, a *dahu* in contemporary urban China is a single individual. Indeed, in his manifestation as an ideal type, the *dahu*, like the cowboy, has no family. The *dahu* earns his prestige by earning his money without support from the two basic institutions of Chinese society: the state and the family. Thus, quite apart from the practical difficulty of becoming rich working at a job in the state sector, one cannot become a *dahu* at such a job because one would lack the proper independence. Likewise, a high level cadre who becomes rich through influence peddling does not fit the image of the *dahu*, nor would he want to; he is a system’s man, and his power and prestige come from working within, not outside, the structures of the state.5

By a similar logic, one cannot become a *dahu* through family wealth held

5From a brief field excursion to Shenzhen, and conversations with businessmen there, I suspect that the dichotomies +/- *dahu*: /-+/ state structure are much blurrier there. However, in Shanghai, this distinction is maintained at least at the cultural level.
jointly: while two brothers may both be dahu, each must demonstrate his own economic prowess independent of the other. This was the case of two of my acquaintances on the stock market, who made all of their trading decisions separately and scoffed at me when I asked whether they ever pooled their money. Clearly, this was not always the case. An informant active in the Shanghai stock market before Liberation confirmed that in the 1930s, "dahu" referred to the rich man in the context of his whole family, but that today the reference to family is entirely absent.

However, to fit the stereotype of the dahu, it is not sufficient that one become rich "on one's own", as it were. My friends Li and Song might technically have qualified as dahu -- although even here, Song had received help from her father, who lived in Canada and sent her a small amount of money every month, and Li had received the help of his whole family for both the restaurant and the shop he ran. More importantly, however, Li and Song would not be described as dahu because they did not "act like dahu". In particular, though they were relatively free in their sources of income, they were constrained in the ways in which they spent this money, as their spending behavior was heavily weighed towards fulfilling family obligations. Song was "investing" in a couple of years in Japan for her son, with the clear idea that he and she would be able to recoup on this investment in the future. The Li family money was intermingled, with no efforts made to track individual ownership over each member's contribution; rather major spending decisions passed through the father, who, because he
perceived of the family wealth as joint, virtually always agreed to his wife and children's requests.

We find here an answer to the question left open above as to why women do not fit the image of the dahu. As a general rule, women are thought to subordinate their needs to those of their families; in particular, this means that women are held to spend the money they earn on food, household items, and gifts for their children, rather than on themselves or their projects. As is so often the case, this stereotype, which is thought to follow and justify social practice, actually precedes and dictates it. For, despite the commonly held belief that women control money in Shanghai families, in a number of families I knew, it was expected that the woman spend her salary on purchases for the household, while the man held onto at least a portion of his earnings for personal use. Thus while a fair number of women may be economically independent when it comes to income, they rarely display the freedom from social constraint in their consumer behavior necessary to qualify as a dahu. A woman -- and they do exist -- who earned her own money, went out to restaurants, and bought herself expensive consumer goods would be considered a perfectly adequate dahu, though she would probably not be considered a very good woman.

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6 The notion that Shanghai women are "fierce" (lihai), and Shanghai men henpecked (the phrase used is "suffer from tracheitis" (qiguanyan), a pun on qi (wife), guan (manages), yan (strictly)) is commonly held by Shanghainese and non-Shanghainese alike. The manner in which this commonplace was volunteered to me by friends and acquaintances as crucial data in coming to an understanding of this city suggests that it functions as a distinctive feature in the symbolic structure of Shanghai's relations to the rest of the country.
One important consequence follows from the fact that the *dahu*, as an ideal type, works outside organized institutional channels, and this is the lingering atmosphere of illegality surrounding his wealth. The common perception is that *dahu* have earned their money on the various black markets which have sprung up throughout China, primarily since the post-Mao economic policies. These markets ranged from illegal trade in foreign exchange, to ticket scalping, to postage stamp speculation, to the grey market sale of goods (rice, oil, etc.), which were rationed until recently. While I would argue that this perception is motivated as much by symbolic structures surrounding wealth and power as by social reality, the fact remains that before large-scale urban reforms in the mid '80s, illegal activity was the only way of earning money in the cities outside a state or collective sector job.

As urban policy changes began to take on an appearance of stability in the late '80s, the possibilities for becoming a *dahu* expanded to touch categories of people in the state sector and at its margins, and many of these have proved profitable. While these businesses are legal, and often actively encouraged by local government, they have been haunted by an aura if not of illegality, at least of immorality, as many students of urban China have remarked (Bruun 1993, Gold 1991). The numerous small stores which line the streets of Shanghai and function, for the Western tourist, as cheery indications of the hardworking entrepreneurial Chinese spirit, are greeted with very mixed feelings by local residents. Peasants selling produce, middlemen selling jeans and t-shirts, even restaurant owners and hairdressers are viewed with a mistrust which more than five years of experience
has done little to diminish, for, as one businessman put it: "all business is cheating; if you don’t cheat, how are you going to make any money."

Thus, the essence of the dahu as an ideal type seems to revolve around a certain freedom from constraint and ability to control one’s destiny outside institutional channels. The ambivalent stereotyping surrounding this character reflects the mixture of fear and excitement which this freedom calls up. Dahu symbolically disrupt the social landscape; in Maussian terms, they respect neither the obligation to receive nor to give. If dahu have an obligation, it is to earn and to spend their money "freely", that is, without regard to the dense network of relations which characterizes economic and social exchange in Shanghai generally. This manifests itself in the story with which this chapter began: crudely displaying his wealth, far from his own family and with utter disregard for the family ties of Li’s daughter-in-law, our Wenzhou dahu frittered away his time dancing at night and drinking tea in the morning -- the ordering of night before morning suggesting further improprieties in between.

An element of sexual license is frequently associated with the image of the dahu. However, it must be emphasized that the immorality dogging the dahu image has its foundations in the particular relationship which dahu entertain with

7And not just with the image. On my first visit to a group of dahu at a stock brokerage, I was greeted with the following patter from a young man whom others were quick to qualify as a "hooligan" (liumang): "Are you married? Doesn’t matter. There’s always divorce. Don’t marry him, he’s old, he’s no good anymore (ta buxing). But me, I’m xiao (young/small) but I’m not bad/I still can (wo hai keyi)."

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money, and not in some general hedonism. The best illustration of this is to be
found in the numerous and often very rich prostitutes working the large hotels in
Shanghai. These women do not qualify as *dahu*, for while their earning and
spending behavior fit with the image developed thus far, the fact of sexual
impropriety (particularly, I would guess, its perceived passivity) overwhelms the
"entrepreneurial" element, even in the revised moral world of the *dahu.*

_Dahu_ "freedom" is manifest in their identifying markers: motorcycles,
which allow for a great degree of geographic mobility; portable phones and
beepers, which allow one to contact people without visiting them -- the next most
efficient method given the poor communications system now in place; even gold,
which, besides being a clear-cut display of wealth, is popular in China because it
allows for a relative freedom from the pressures of inflation. Likewise, dinner out
with a beautiful young woman (another stereotypical _dahu_ act) is not only a
display of sexual license and prestige but also an expression of freedom from the
social constraints usually present at expensive meals: in contrast to the self-
interested wining and dining which accompanies the _guanxi_ system, and which
might be conceptualized as "investing" in social relations, a candle-light dinner
represents an act of pure "consumption" for the woman is not presumed to be of

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8Of course, a clear-cut sexual double standard is in operation here as
well. Male _dahu_ may take sexual license where female _dahu_ cannot.

9I have heard the term "investment in feelings" (_gangqing touzi_) used in the
related context of employers taking their employees out to dinner.
any "use" to the *dahu* in future social relations.\textsuperscript{10} And, it now becomes clearer why losing all one’s money on the stock market does not diminish one’s status as a *dahu*: quite the contrary, it may be the ultimate expression of *dahu* freedom that he may squander his money in this way.

I have been discussing the general stereotype of the *dahu*. It is important to note, however, that the stock market provides a particularly pure example of the kind of context in which *dahu* can flourish, and the image of the *dahu* sits close by the image of the stock market in the popular imagination. A couple of my acquaintances insisted that the term *dahu* actually started in the stock market, where it was first heard in late 1991, and spread from there to other areas of activity. Whether this term re-entered popular vocabulary through the state-run *dahushi* ("*dahu* rooms") to be discussed below, is a most interesting question which I cannot yet answer. As we have already seen, the word *dahu* existed in its general sense even before 1949, and seems to have applied to the stock market then as well, with different connotations.

However, whatever its precise linguistic history may be, stock *dahu* (*gupiao dahu*) clearly represent an important manifestation of the cluster of symbols we have found associated with the general term. Much as in the West, investing in the stock market is treated as a form of play, the contrast with "work" captured in

\textsuperscript{10} The double standard referred to above extends to consumer behavior as well. A female *dahu* would not be expected to ask a handsome man out on a date of this sort, nor would she pay for such a meal, no matter how much more money she might have than her companion.
the commonly used term "to play" with stocks (wan gupiao). In Shanghai, the notion of "play" has particular resonance, for it accords with the image of pre-Revolutionary Shanghai as "an adventurer's playground" (maoxianjia de leyuan), and with term used to refer to the famous gang-leader/business men of the time, Du Yuesheng, Huang Jinrong and Zhang Xiaolin, who were called, in Shanghainese dialect, the "three play-people" (sege baxiangning). The notion of "play", of course, fits well with the frivolous image of the dahu.

Furthermore, earning one's living on the stock market is one of the "career tracks" -- for being a gupiao dahu, while not a job is a career -- now open in contemporary urban China which requires the least possible institutional involvement. True, a stock market is an institution run by the state (we shall return to this later). But to work it, one needn't be hired, and it is in no way a work unit. Nor need one go through the nerve-wracking, time-consuming and expensive procedures of obtaining the necessary licenses for opening a private

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11 This parallel between Chinese and English metaphors further justifies the translation of "dahu" as the somewhat vulgar "big player".

12 I am tempted to speculate that Shanghai has a special relation to the notion of "play" in part because the Shanghainese dialect has a special word for play (baxiang) which has no Mandarin equivalent and hence cannot be written without orthographic improvisation. In my experience, baxiang is one of the first words Shanghainese teach non-Shanghainese speakers interested in their dialect.

13 This statement may ring oddly to Western ears. It should be noted that most dahu spend virtually all of their time "working" on their investments, as will be discussed below. Incidentally, the work-like nature of playing the stock market in Shanghai dampens the contrast, common in Chinese Marxist analysis, between labor and capital, and hence diminishes the ideological "contradictions" which investors feel: in Shanghai, one must labor to make one's capital fructify.
business. One needn't cultivate one's official connections, which inevitably means treating well placed individuals to cigarettes, expensive dinners, even video cassette players. Indeed, for the moment, one need not even pay taxes on one's earnings. All one needs to become rich, in the words of one friend, "is a small bag for one's pencil and notebook ... and a brain."¹⁴

2. **Gupiao Dahu Live**

I have been examining the ways in which the *dahu*, and particularly the *gupiao dahu*, are conceptualized as a cultural category by society at large. We turn now to the social reality of big players on the stock market. The principal social locus for *gupiao dahu*, and the place where I collected most of my field data on the subject, are the *dahushi* ("dahu rooms", officially translated as "V.I.P. Rooms") established by stock broking companies throughout the city in 1991. For a fee (which varied between 200 and 800 *renminbi* over the course of my stay in Shanghai), investors with a minimum amount of money placed in accounts at that company (this amount also varied with the market, from 200,000 to 1,000,000 *renminbi*) were issued a card which gave them access to special rooms in which

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¹⁴It is talk such as this which I have qualified as "egalitarian" in my discussion of attitudes towards the stock market in Chapter II. Again, this point will be further developed in my concluding chapter.

¹⁵Note that this phrasing of wealth in terms of status is hardly unique to China. One need not be an "executive" to receive "executive portfolio management" at a New York investment house: one need only have lots of money.
they could watch market movements on computer terminals directly linked with the exchange, and place their buy and sell orders with brokers directly. By way of contrast, small investors had to stand in crowded main service lobbies straining to read prices off a single, distance computer screen or electronic board; they also had to wait hours, sometimes days, to place their orders, and these were often not processed for some time, at least not before all dahu orders were processed.\textsuperscript{16}

The dahushi was a social place, in which dahu could find each other every day, and in which friendships were made and opinions were formed. In the dahushi I spent most of my time in, the atmosphere was particularly relaxed (some would say "low class"): there were generally a number of card games going on (with bets) at tables around the room, people were reading newspapers, sleeping, eating sunflower seeds, and, of course, drinking tea and smoking. However, not everyone wished to be associated with these activities, and there were a fair number of people who spent the entire day watching the computer screens, exchanging words with only a small number of friends. While I was able to interact with a broad spectrum of people simultaneously, I was frequently being warned by various dahu not to spend too much time with one person or another, as they were untrustworthy in some way, or too uneducated to be speaking with a Ph.D candidate. For the first part of my stay, I attempted to maintain a cordial

\textsuperscript{16}An intermediary category of "mid-sized players" (zhonghu) came into usage in about June of 1992. The coining of this term reflects the fact that "big" and "small" did not cover the size of the investments of everybody in the market. However, zhonghu do not have a clear-cut social profile or cultural significance.
distance from everyone so as not to be perceived as anyone's special confidant. However, over time I became more interested in a core of somewhat uneducated, free-spoken men who fit the dahu image rather better than others. I believe the insights this favoritism allowed me to gain were well worth the risk I took that I would alienate other members of the dahushi.

It should be stressed at the outset, however, that the actual people sitting around these dahushi did not in their majority resemble the stereotyped image of dahu discussed above. This stereotype creates the impression that the market is overrun by parvenu toughs. In fact, nothing like a single subculture characterized actual dahu, although, as we shall see below, they were unified by a straightforward desire to make money, by common understandings of how the market worked and by a small number of shared investment strategies. In the dahushi I frequented, the oldest in Shanghai by most accounts, there was a great diversity of background, educational level, age and attitude. This point deserves emphasis, for in many ways there exists greater socio-cultural diversity among these investors than one would find in the States.

The broad sociological portrait which follows is not based on systematic survey work. For a variety of reasons, such a survey would have been difficult if not impossible. Many of the more than one hundred investors in the dahu room where I conducted participant observation never exchanged more than formal greetings with me in the five months I was there. Some dahu did not talk to me through lack of interest; others because they feared possible complications from
talking with a foreigner stemming from what I published or said, or simply from the fact of being seen with me. I did conduct an entirely voluntary questionnaire survey, with a return rate of approximately 50%. If we combine the results of my informal survey with estimates by a particularly well informed dahu who served as a key informant (he himself was interested in the question of sociological background), we obtain the following picture.

In terms of education, we estimated that about one sixth of the people in the room had higher than highschool educations; another sixth had less than three years of schooling (this category included a spectrum of individuals: two older women whose children had sent them money from abroad and a young peasant from a rich family in a neighboring province who had been entrusted family money, etc.). The rest fell somewhere in between. Virtually everyone between the ages of 30 and 45 had had their schooling disrupted in some way by Mao's anti-educational policies during the Cultural Revolution. In terms of age, over half of the total investors were in this last age group, between 30 and 45 years of age; of the remaining half, 50% were below 30 and the other 50% above 45. Approximately 10% of dahu were women.

The most difficult category to trace is occupation. As discussed in Chapter II, in contemporary urban China, the category a person volunteers as his or her "occupation" tells one very little about how this person actually spends his or her time. Most of the people in the dahu room were there from 8:30 to 11:30 and 1:30 to 4:00 Monday through Friday. However, we estimated that at least half of
these investors had maintained formal ties with a state-run work unit, from which they had been granted one of a number of possible "leaves" (see Davis 1992a). The nature of their previous or current work at this danwei varied considerably: about one sixth of the dahu in the room I visited were currently or had been employed as professionals of one sort or another, corresponding to the sixth with some form of higher education (I knew of one doctor, a number of engineers, a factory manager, etc.); the rest of those who still had a danwei might be workers, clerks, salespeople, even researchers at the Social Science Academy with which I was associated, who had managed, through connections with doctors or functionaries in their units, to obtain paid or unpaid leaves of absence.

This leaves another half of our dahu with no formal links to a danwei. Some of these people had officially quit work at their assigned job for one reason or another. A not very large but culturally significant group of investors were people who, like Li's daughter, had quit their state job to go abroad (usually to Japan) for a couple of years, saved up money and were now returning to play the market. Still others had never been assigned a state job and were "waiting for work" (daiye), during which time they had generally employed themselves in various forms of business, legal and illegal (see Jefferson and Rawski 1992); still others had quit their state jobs to open their own businesses, many of which they were running simultaneously by hiring people to look after the shop while they played the market. Finally, as in the stereotype, there were those dahu who had lost their state jobs after being convicted of crimes or misdemeanors; these people
had generally supported themselves on Shanghai's various black markets before turning to stocks.

Needless-to-say, with this variety in backgrounds, no single set of stereotyped behaviors characterized these investors. Many did not identify as, or did not want to be identified as, *dahu*. This was particularly true for those people who, through their degree of eduction, qualified as intellectuals. Investors with professional training or a college education exhibited the modesty in discussing questions of money which is considered typical, even required, of the true intellectual. Others, like the two older women mentioned above, would call themselves *dahu* only jokingly, tacitly acknowledging that they did not fit the stereotype. And among those who did (even proudly) identify as *dahu*, an effort was always made to distinguish real *dahu* from the "hooligans" (*liumang*), thereby attempting to distance themselves from the negative imagery associated with the *dahu* stereotype while retaining its positive aspects. This effort at distinction was motivated by a number of factors: a sense that being a *dahu* had a kind of dignity which deserved respect; the desire to improve the status image of *dahu* generally; and the fear that flaunting one's wealth invited government reprisals. Many of the older *dahu* pointed out to me that they never wore expensive suits or gold because their experience with the government told them that this would be rash; the younger *dahu* who generally displayed their wealth more freely dismissed their older colleagues as overly "conservative".

Nor were *dahu* unified in the moral evaluation they had of the stock
market and its benefits. Some viewed the stock market as a temporary step in their careers, a place to accumulate the capital necessary to start a "real", that is productive, business which they viewed as both more honorable and more secure. Others condemned the stock market (often with every intention of continuing to play it) because it represented, in their view, a kind of zero-sum game\textsuperscript{17} in which the dollar one earned was a dollar someone else had lost. Still others defended the stock market in terms very much like the official line; they reasoned that since the stock market was important to China's overall development policy, those pioneers who donated their capital to this cause had every reason to be remunerated.

Each of these visions of the morality of the stock market, and the many variants on these themes which float about the city of Shanghai, merits analysis in its own right. For our purposes here, however, I wish only to emphasize the futility of coming to any quick synopsis of the "economic culture" of this class of investors. \textit{Dahu} cannot be clearly distinguished from the population at large in terms of a stereotyped "capitalist" mentality, just as the non-investing public cannot be said to reject the stock market for anything resembling Marxist reasons. If we remain at the level of what sociologists call "attitudes" --the statements, often self-serving, which people in a given culture provide as descriptions of their

\textsuperscript{17}This closed circle of exchange was generally conceived of in terms of\textit{ dahu} earning money off\textit{ sanhu}, as will be discussed in detail in Chapter IV. What is interesting here are the echoes of Foster's (1965) notion of "the limited good" in this distinctly non-peasant setting.
beliefs, generally prompted by the questions of an inquisitive social scientist -- we find a great variety of individual responses\textsuperscript{18}. To begin to unearth the cultural deep structure of \textit{dahu} "attitudes", we must begin with indigenous categories of moral evaluation. These categories operate in the context of actual \textit{dahu} investment practice. And for this analysis to make sense, we must first outline the technical aspects of the market as viewed from the \textit{dahu} point of view.

3. The Market from the \textit{Dahu} Point of View

While \textit{dahu} generally invest in a number of different stocks (and also bonds) for different periods of time and with different calculi in mind, in principle (and as we shall see, almost as a matter of principle) \textit{dahu} investment is short-term. \textit{Dahu} do not content themselves with a slow, steady increase in the value of their investments over years, sometimes decades, as do many individual investors in the West. As mentioned above, most \textit{dahu} spend all of their time observing, noting and predicting price movements, buying and selling on very short notice with the hope of beating general market trends. A year, even a six-month, investment is considered long-term; generally, the only reason \textit{dahu} would leave

\begin{flushright}
\textsuperscript{18}One of the many surprises of my fieldwork was a dinner with some "Western" stock-brokers working in Hong Kong in which they spent most of the meal condemning the moral and economic barrenness of financial markets: one wanted to move into direct investment in production, calling the market "fluff"; another (a Malay-Chinese woman educated in England) launched into a full-scale critique of capitalism, based on the fact that women did 70\% of all labor and owned 1\% of the world's total wealth. Naively, I had expected of the Western financial world the same uniformity of attitude which others expect to find in China.
\end{flushright}

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money tied up in a particular stock for such a period of time is because it has suddenly dropped to a price below that at which they bought it, and rather than cut their losses (gerou, literally "cut flesh"), they have decided to remain "caught" (taozhu, as in a lasso or noose) -- but then this is no longer investing. Average "investment" times run from two days to two weeks, and it is not at all unusual for a dahu to buy stock in the morning which he sells during the afternoon of the same day. The commonly employed term for this speculative activity, in the stock market and out, is chao.

Chao literally means "to stir fry". It is used in the stock context -- but also in the stamp, real estate, antique, goldfish, foreign currency and other markets -- to refer to buying and selling within a very short time period, profit being earned through price differentials (chajia), rather than "real" increase in value. My informants always appeared mildly amused by the term, suggesting that its literal meaning remains close to the surface. When explaining the analogy, informants pointed to the rapidity of this cooking technique, that is, to the fact that the contents of the wok are transformed from raw into cooked in a very short time. At a second level, the reference to food highlights the fact that one earns one's living (and hence one's eating) through this activity: someone who chao's gupiao for a living, eats as a result of what he stir fries. Finally, stir frying involves a quick flip given to the contents of the wok; this flip has its analogy in the gentou (somersault) which stocks make when they double in price, and, paradigmatically, it is this quick somersault, as opposed to the steady climb of long-term
investments, on which the *dahu* nourishes himself.

The apparent simplicity of this imagery masks a complicated practice. It is all very well to follow the proverbial stock market advice "buy low and sell high"; the trick, of course, is knowing when a given stock is "low" and when it will become "high". *Dahu*, like all investors large and small, looked to a variety of indicators in predicting market movements. These will be mentioned below, and discussed in greater detail in Chapter IV. These techniques, while of great importance, are essentially passive.

Beyond the passive relation to the market which prediction involves, *dahu* often worked together to force the market to move in one direction or another by buying to raise prices or selling to make them crash. In the following section I describe these cornering and cartelizing devices, keeping in mind that levels of cooperation and independent decision making varied continuously among *dahu*. At no time did there emerge cooperative groups to which individual *dahu* subordinated their investment decisions in any long-term way.\(^{19}\) Likewise, what I will call "active" investment strategies were always accompanied by "passive", that is predictive, investment techniques. Indeed, at times the two blended to the point of being indistinguishable.

Predicting price movements involves following three indicators, the relative

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\(^{19}\)This can be seen in the way in which disputes between *dahu* were resolved. From what I gathered, these were handled through mediation by a third party, but rarely did money damages change hands. Rather, the reputation code, to be discussed below, was used as the primary mechanism of control.
importance of which varied over the course of my fieldwork. The first was
government policy (zhengci). As will be discussed in detail in Chapter V, local
government regulations concerning the stock market changed frequently, and
could have significant effects on price (indeed, this was often the regulators’
express intent). During the first three months of my stay, various forms of price
controls (ceilings, minimum trading amounts) were in place to keep price
movements within what were thought to be reasonable bounds. Different
regulations were made public almost every week, and it was crucial to be among
the first to know of these new policies. In late May when price control measures
were lifted, another form of government policy became important: this consisted
in decisions about when new stocks were going to come on the market, and in
what quantity. Those who learned of these changes late in the day found
themselves behind the wave’s crest, unable to buy when prices were rising, and
unable to sell when prices were falling. Thus, to learn of policy changes as quickly
as possible was a necessity for all investors, and much time after "work" -- during
evenings and weekends, and over lunch -- was spent reading and analyzing news
reports, and collecting and sharing gossip about future possible policy decisions.

The second element to good market predicting was being able to read the
popular mood (renqi, literally "human energy"). Renqi manifests itself in sudden
spurts of interest or disinterest in a given stock or in the market in general -- what
we would place under the label of mass psychology. Investors attempted to
second-guess the renqi in two ways: first, by circulating among various groups of
investors (on the streets, at stock salons, etc. -- these will be discussed in detail in Chapter IV); second, by trying to discern buying and selling patterns from the record of market activities reported on computer screens in the dahu rooms.

The third element -- and one which became increasingly important over the course of my stay -- was "the relation between supply and demand" (gongqiu guanxi). Looking at supply and demand involves attempting to look objectively at prices, the range of stocks which are available, and the amount of liquid capital in society to determine how prices will move independently of what government regulators may want or the mass of investors may be feeling. This involved constant observation, charting and analysis of buying and selling as reported on the computer screens that played so central a role in the dahu rooms.

Two types of information were commonly displayed on these screens. The basic screen provided a list of all stocks on the market (this number mushroomed over the course of my stay, from 8 to more than 50), total trading in each stock for that trading period, and the stock's highest offer, low sale price and closing price for the previous day. This screen was of general aid, and it was available for reference throughout trading hours. Most stock brokerages also had analytic software at their disposal, which would chart price movements of single stocks over time, against volume, with high-low-close averagings, etc, but these programs were generally used, if at all, only after trading hours.

The main action took place around a second display. This display reported each successful trade in the market, the time of trade, the price, and the amount.
Most importantly, as every brokerage house in the city was assigned a number -- and more importantly, every individual *dahushi* received a separate number as trading orders were placed by brokers directly servicing the *dahushi* -- *dahu* could read on this display who was buying and selling what at any moment.

But here is where the game becomes interesting. Alongside the anonymous operations of hundreds of thousands of small investors, here we have the possibility for individuation. Through the numbering system, a small group of *dahushi* gained individual reputations. Over the ten months of my stay in Shanghai, the number of these *dahushi* mushroomed, from about twenty in early February to more than 100 in December, and of course not every *dahushi* could sustain an identity. There were, however, a certain number that managed -- among which two of the *dahushi* I spent time in, and one other which I received reports on through one of its *dahu*. And, within these *dahushi*, while people would not generally be known by name, certain key personalities would gain city-wide reputations.

Reputation (*mingqi*) on the market worked as follows: *dahu* tracking trades on the computer screens would notice particularly "beautiful" (*piaoliang*) manoeuvre. The *dahu*’s relation to *piaoliang* is much like the logician’s relation to parsimony. A move is *piaoliang* when it brings in the maximum of money with the minimum of effort. A maximum of money is calculated along entirely neo-classical lines, in terms of marginal efficiency and opportunity costs. It is not a lot of
money, but rather the best possible return on one's investment at any given time. Money not earning money is losing money. In its extreme form, a piaoliang manoeuvre predicts the market so closely that it appears to make the market do its bidding.

Reputation is of central importance to virtually everyone who identifies as a dahu (leaving to one side, of course, those people "sitting" in dahushi who, while rich, do not consider themselves and are not considered "real" dahu). Reputation is a tricky commodity, for one of its components is modesty. Hence, one cannot be seen to want to have a good reputation; it must be granted by others without one's striving for it. People regularly introduce each other to new friends or among groups of investors, by flattering each other's reputations, acclaiming the other's skill as an investor and downplaying their own.

The many facets of reputation are best summed up in the commonly heard epithet of suzhi (literally "quality"). Individual dahu or whole dahushi are said to have or lack suzhi. What is meant by this is a complex mixture of material and moral characteristics? Like being a dahu, one cannot be a dahu of quality (suzhi) without being wealthy compared to other dahu. However, this is not because money in and of itself conveys suzhi (to the contrary, as we shall see) but rather because if one has the other qualities which make up suzhi, money cannot help but follow. These other qualities appear to cluster into two seemingly opposite

20This neo-classical perspective on efficiency is striking only because it is in stark contrast to the way in which companies are ranked in the state sector, the emphasis there being on size.
poles\textsuperscript{21}. On the one hand, quality (suzhi) involves intelligence, even williness, or at least better than average skill at out-smarting the market. On the other, it involves honesty and integrity, particularly in one’s public predictions about what the market will do. Somewhere in between come virtues such as "culture" (wenhua) (a concept which includes manners), education and some kind of "class" -- although how this "class" is defined depends greatly on where in the class/status system the speaker places himself. The tension in this definition of suzhi stems from the fact that, from the dahu point of view, the market is structured by two kinds of competition: competition among dahu, and competition by dahu as a group (at least conceptually) against sanhu and the state. As we shall see, these two types of competition are in constant interaction.

*Dahu* relations are structured by friendly (and sometimes not so friendly) competition among themselves. *Dahu* earn the respect and loyalty of their colleagues by performing particularly well on the market, and to this end they regularly exchange information about how much money they have, what they have recently earned and what they are buying and selling. Of course, this practice is of a highly delicate nature, and some *dahu* never exchange personal information with others, although they will certainly be marginalized as a consequences.

Openness about one's wealth is viewed as a virtue, the sign of a lack of selfishness, the assumption being that if one is openly wealthy, others are entitled to ask one

\textsuperscript{21}It is a most interesting question whether these poles are "opposite" in Western ideology or in Chinese. I will discuss this question further below.
for favors, favors which can easily become a financial burden. However, openness about one's wealth is also a purely self-serving act, as we have seen that it is crucial to the establishing of a reputation. Furthermore, exaggerated boasting about one's wealth is ill-viewed if very commonly practiced.

As reputations get built up around individual dahu, these people begin to accumulate a certain following (both of other dahu and smaller investors) who will tend to copy the investment decisions of their informal leader. Often, a critical mass of investors in a single dahushi can be seen investing together, and the reputation of the room forms around how these joint investment decisions pan out. Needless-to-say, a dahu of quality (suzhi) is never a follower and commonly a leader in these arrangements. We see, therefore, why lying about one's investment decisions becomes a critical infringement of the suzhi code. Just as one can use one's reputation and intelligence to guide lesser investors towards profitable decisions, one can also consciously deceive them, and stories of such deception make up a good part of dahu gossip.

But the problem of reputation is even more complicated than this, for as groups of investors following a single leader gain in size, they gain the capacity actually to affect market movements. As word gets out that such-and-such a dahu has bought such-and-such a stock, others will assume that the entire dahushi will follow him, driving the price of this stock upward. Not wanting to miss out on

\[Lending\text{ of stock and money between } dahu \text{ is quite common. Unfortunately, I did not collect systematic data on this practice.}\]
riding the wave, these observers may well begin to buy, and in the bootstrapping fashion typical of stock markets, price actually does rise. Of course, interest in when so-and-so dahu or dahushi sells such-and-such stock will be just as intense, and the effects precisely reversed. Unscrupulous dahu can work with these forces in the opposite way: spreading the news that they are planning to sell such-and-such stock, they precipitate a selling spree; once the price has dropped as far as it can go (needless-to-say, a great deal of skill goes into identifying this point), he begins secretly to buy, often through intermediaries so that his actions will not be observable on the computer display. To get in on this action at the proper moment is to earn a good living; to get caught in its wake can be disastrous.

4. **Dahu as a Collectivity**

We have seen that while dahu come from many backgrounds and have differing views of the market, a certain form of typical dahu activity can be discerned, centering around the notion of chao. Chaoing takes place in many markets: stamps, ticket scalping, real estate, goldfish, crickets, and antiques are other examples. By contrast, one cannot chao jeans, sweaters, bedspreads, bicycles -- in fact, all those objects, whether sold by private business people or the state, which one could just as well purchase in state stores. What characterizes chaoable markets is that, through the restricted or prestige nature of the good in question, "artificially" created demand may be whipped up to raise prices. When the price is judged high enough, a sudden sell-out brings the market crashing

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down, and the cycle begins again.

Successful *chaoing* thus depends on gaining control over a limited market. Here, socialist economics have proved very helpful, as state monopolies provide fertile ground for the kind of control over supply which makes for profitable *chaoing*. And, of course, scarcity of economic opportunities creates the conditions for an excited and manipulable public.

The cleanest example of this interaction between *dahu* cartels, state monopolies and crowds can be found in the speculative market for stamps. Since about 1986, a market of stamp speculators has arisen in urban China with links to similar markets in the Chinese diaspora: Taiwan, Singapore, Malaysia, etc. Stamps prices rise and fall, with cities specializing in a given stamp: Shanghai in the "little panda", Beijing in the "peony", etc. According to one well placed acquaintance, the market in stamps is controlled by four large stamp cartels located in Beijing, Chengdu, Shanghai and Guangzhou. Each of these cartels controls a certain territory. More to the point, each of these cartels controls -- that is, buys off -- those officials in their areas responsible for the release and distribution of stamps. In this way, cartels maintain complete control over the supply of stamps onto the market.  

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23 I have every reason to believe that this account is somewhat exaggerated. As the world observed with OPEC, cartels are difficult to maintain over long periods of time. Hence, it is unlikely that four cartels with clearly defined territories could maintain themselves. This in no way undermines the point I am trying to make here, which is that markets are conceived and practiced in terms of control over supply.
At the local level, these cartels make their money in the following manner. Setting up shop in a hotel near the main stamp trading centers, cartel leaders send their employees into the market to begin buying up a certain stamp. Let us say that they have in their possession 10,000 sheets of this stamp which they purchased at a face value (plus the costs of kick-backs) of 20 yuan a sheet (initial investment = 200,000 yuan). Buyers on the market soon perceive that there is a run on this stamp, and want to get in on the action. Slowly, the cartel releases its supply of this stamp by sending its agents to sell some portion (let us say half) of this supply, bidding the price higher and higher. When it is estimated to have reached its upper limit (let us say 40 yuan a sheet) (2,500 sold at 20 + 2,500 sold at 40 = 50,000 plus 100,000 = 150,000), it then floods the market with its remaining 5,000 sheets, gradually bringing the price back down to 20 yuan/sheet. Those who have purchased at higher than 20 yuan will now be in a hurry to sell, accepting even 25 yuan as higher than the market norm. The cartel agents proceed to buy back their 5,000 stamps at 25 yuan (125,000). The cartel has made 25,000 yuan in a couple of days and still has its initial investment for use in future bubbles.

In the stock market, *chaoing* can never have the purity of form which we find in the stamp market. *Dahu* cannot control the source of stock in the same way they can control the postmaster of the regional post office. If they want a

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24 In the speculative market, the smallest unit one can purchase is a sheet (*ban*), and traders usually deal in tens or hundreds of these sheets.
position of market dominance in a given stock (*kongguquan*, literally "the power to control a stock"), they must purchase this stock on the market like everyone else. Barring certain forms of corruption to be discussed in Chapter V, it is impossible to buy large quantities of stock at "face value" directly from the issuer. Likewise, stocks are never issued from one source, but rather from a number of brokers throughout the city. Thus, one cannot buy up the majority of shares on the market in one move. However, on the other side of the coin, stock markets also provide richer terrain for the spreading of rumors and mass manipulation, as stocks, unlike stamps, have "real" value, that is, they are related to the actual productive economy in indirect ways, and these relations can and do fuel price changes. It is difficult to measure how much cornering actually goes on among *dahu* and even more difficult to know how much of this cornering actually works. However, cornering -- that is to say, gaining control over the market in a given stock -- represents the ideal form of *dahu* participation in the market.

In general, the money earned by such cornering devices is conceived of as coming from the pockets of the less fortunate "dispersed players" (*sanhu*); *sanhu* are the sheep which are herded into the corral for slaughter, and while this is viewed as a necessary evil, because the dice are loaded in the *dahu*’s favor no honor accrues from "winning" against the *sanhu*. By the same logic, "winning" against the stronger party, in this case the state, is unambivalently good.

We see now why virtually all of my *dahu* informants told me, generally during our very first interviews, that one could not study economics in China
without studying politics. For money is made not through appealing to the public with the quality of one's goods but through market power. And, as we have seen, the line between the economic and political connotations of market power is porous. In China, *dahu* cartels mirror, and through corruption, often build on state monopolies. Furthermore, money is earned through the intentional creation of shortages and the manipulation of demand, and these concepts thus take on political rather than "natural" economic connotations.

It might be objected that none of these investment techniques is unique to Shanghai. The Western equivalent of *chaoing* is, quite simply, "cornering" a market. During the financial boom of the 1980s, many investment houses became very rich by inventing new financial instruments (junk bonds, mortgage bonds, etc.) the market for which they then cornered, at least for the time it took competitors to figure out how to enter. The acute journalistic portrayal of a New York brokerage in *Liar's Poker* (M. Lewis 1989) describes the ways in which brokers sold mortgage bonds back and forth to each other, forcing prices to rise. The logic of *chaoing* appears to have universal appeal.

There are at least two responses to this objection. The first is that these practices might still be worth studying in their commonality. If my discussion here can shed light on some fundamental structures of stock markets cross-culturally, so much the better. What becomes interesting, of course, is the fact that the Western financial world manages to maintain its image of openness, honesty and integrity despite the activities of *dahu* such as can be found in *Liar's Poker*. In
China, popular faith in financial magnates does not extend this far.

However, I would like to insist that chaosoing in China and cornering in the West differ in intensity because the discourses and institutions surrounding them differ. In China, the presumption up until very recently was that all markets are and should be controlled. If the state is not controlling them, then someone else is. Innumerable articles in stock magazines and newspapers were devoted to analyzing just this question: who (big players, dispersed players or State) is controlling market movements. Furthermore, in actual practice, the State often wittingly or unwittingly maintains the conditions which allow the "corner" to continue, by restricting competition in various ways. Thus, beyond the "natural" tendency to cartelize, found in both East and West, institutional and cultural structures determine the significance of this behavior for society as a whole.
Chapter IV: The Dispersed Players (Sanhu)

The opposite of a dahu is a "small player" (xiaohu) or, more commonly, a "dispersed player" (sanhu). It is worth lingering for a moment over this appellation, for it suggests that a "small" investor is not merely small; he or she lacks coherence, lacks togetherness, lacks a group. If the dahu is stereotypically a lone hero/anti-hero, the cowboy of the Shanghai stock market, a sanhu is a crowd manqué.

Compensating for this lack of togetherness is the primary activity of the "dispersed player". Few investors in this category operate in a context which one could call individual. Rather, these dispersed individuals draw upon all of the forms of networking, group formation and collusive action which urban Chinese have at their disposal. It is the analysis of these group formations which will occupy us in this chapter.

Of course, all investors, large or dispersed, may avail themselves of what we in the West would consider normal sources of information on the stock market.  

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1"San" literally means loose, scattered, random or unorganized. It features in a famous aphorism coined by Sun Yat-sen to describe "the Chinese people": "yi pian san sha" ("a sheet of loose sand").

2At the outset, the connotations of the notion of "information" in China should be noted. Perhaps the most neutral word for information is "xinxí", used in the compound "information science" (xinxíxué). Investors will sometimes use this word to denote what it is they collect in order to make investment decisions. Xínxí would include information read in the newspaper (also called "news" (xinwen)) and

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Indeed, an avalanche of information crashes down around them. The single most important of these sources, for all Shanghai investors, is the official Shanghai Securities News (Shanghai Zhengquan) published by the Shanghai Securities Exchange.3 This weekly newspaper4 contains graphs of high, low and closing prices for all stocks and bonds on the market (29 companies and 37 types of bond at the time of my departure (SHZQ 1993a, 1992c)5, publishes explanations and editorials about new regulatory policy, is the official locus for announcements of new share and bond offerings, and runs "society" pieces, in which the "psychology" (xinli) of "stock people" (gumin) is discussed and analyzed.

Beyond this specialized paper, Shanghai's principal newspapers (The Liberation Daily (Jiefang Ribao), the Cultural News (Wenhuibao), and the New People's Evening News (Xinmin Wanbao)) carry frequent if irregular reports of information gathered by word of mouth. However, the more common word for information is xiaoxi, which refers to information gathered by word of mouth, and not to "official" information.

The term xiaoxi shares a character with the word xiaofei, meaning "to consume". Xiao alone means to disappear, to eliminate or to pass time is a leisurely way. Both information gathering and consumerism -- "strolling the streets" (guangguang jie) in the Chinese expression -- thus connote a kind of dissipation, a concern with unproductive, public things to the expense of production for the family unit. The roots of this etymology merit further attention.

3At the time of my arrival, it had a circulation of 20,000-40,000. In December of 1993, its circulation had reached 250,000-300,000.

4In early 1993, the Shanghai Securities News became a biweekly paper. In autumn of 1993, it increased its publication rate to six days a week.

5As of this writing there are 106 companies with shares listed on the market and 44 different types of government (central and municipal) and enterprises bonds (SHZQ 1993a, 1993b).
closing prices, as do the local radio and television stations. Furthermore, a number of specialized journals and newsletters were widely available and read: the CVIC Market Watch Weekly (Yizhou Touzi) published by China Venturetech Investment Corporation (Zhongguo Xinjishu Chuangye Touzi Gongsi) in Shanghai, and the Securities Market Weekly (Zhengquan Shichang Zhoukan), published by the Stock Exchange Executive Council (Zhongguo Zhengquan Shichang Yanjiu Sheji Zhongxin) in Beijing, were the two with the widest circulation. New books, ranging from sophisticated discussions of Western techniques of market analysis to cartoon warnings about the do’s and don’ts of smart investing, flooded the bookstores. The Shanghai Municipal Library registered 200 new titles having to do with the securities market in 1992.

The information gleaned from these various sources was necessary, but it was hardly sufficient in the eyes of the Shanghai investing public. It is on the basis of this "news" (xinxi), that the real activity of informing oneself began. For, it is generally believed that official information, unsupplemented by unofficial verification and interpretation, is not only insufficient but potentially misleading. Equally dangerous, however, are rumor (yaoyan) and gossip (xiaodao xiaoxi), to be

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6 The Far Eastern Economic Review reported that Beijing’s Xinhua bookstore’s best-selling title was Stock and Bond Trading Common Sense (FEER 1991d).

7 For an excellent discussion of the circulation of and access to information before the reforms, see Whyte & Parish 1984:290-295, 300). While there has been an enormous increase in the number and variety of permissible publications since then, the main thrust of their description remains valid in the area of stock information.
distinguished from xiaoxi. Neither rumor nor gossip can be counted on as "information" (xinxi). The great difficulty, of course, comes in trying to distinguish the former from the latter. For this, more xiaoxi is needed, in an endless pursuit of reliability. This is what makes information the single most important element in playing the Shanghai stock market. To this end are formed the groups of various sizes, memberships and functions to be examined below. Five principal types of group should be distinguished.

1. Crowd Clusters

The tight circles of people talking about the stock market which gather night and day in front of the major stock brokerages throughout Shanghai are one of the most remarkable aspects of "stock fever", as discussed in Chapter I. In this chapter, I focus not so much on the externally "feverish" appearance of these groupings, but on their internal dynamics. These circles are governed by very particular rules of conduct, rules which are in most ways diametrically opposed to the rules governing the other groupings to be examined below. Following Elias

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8 It was my impression that these circles of people fascinated Shanghainese residents as much as they fascinated this anthropologist. However, I also suspect that these public manifestations of interest were less new to the Shanghainese than the more private groupings to be discussed below. Circles of people gather on Chinese streets frequently: to observe an accident or an argument, to follow a game of cards or chess being played on the sidewalk, or, in the good old days, to stare at a foreign guest. Sanhu clusters share some qualities with these other moments of encircling, but take a more elaborate form.
Canetti, I will call them "crowd clusters".\textsuperscript{9}

Sanhu crowd clusters are open to anyone, without introduction. They are formed by groups of people, between five and fifty\textsuperscript{10}, who gather in front of most brokerage houses in the city throughout the day. The clusters grow in size when the Exchange closes at 3:30, thin out at dinner time, and then thicken again at around 8:00 at night, lasting sometimes until 2:00 or 3:00 in the morning.

Clusters are amoeba-like, attracting greater or lesser numbers of people depending on the charisma of the principal holders-forth, and on the random ebb and flow of passers-by. However, often a changing core of people remained in essentially one place on the street for hours, and during days of heavy activity, one could find die-hard crowds at 2:00 in the morning, standing approximately where one had left them at 3:00 that afternoon.

As Canetti has noted, the first characteristic of a crowd is that it is a place

\textsuperscript{9}Canetti uses the term "crowd crystals" to designate the core of hierarchically ordered devotees who form the nucleus for the creation of a "crowd" -- a spontaneous massing of people who free themselves from their individuality in the crowd (Canetti 1984:15-75).

I have avoided using the term "crystal" in Canetti's sense as its connotations lead us in directions we cannot yet go. Likewise, I chose not to use the word "circle" (quanzi) as its connotations in Chinese cut against the grain of the point I wish to make. Quanzi is frequently used to denote a closed group of like-minded people (friends, artists, politicians). By contrast, these clusters are eminently open, and presuppose no shared opinions or status.

\textsuperscript{10}Here the ratio of ten men for one woman which I found for other groupings connected with the stock market did not apply. I estimated that only one in twenty persons in these crowd clusters was a woman. I suspect this is because women cannot legitimately pass their time hanging around curbsides. Perhaps this says something about the gender of "the public" in Chinese culture.
in which unknown people come into physical contact -- often to a degree which would be considered prohibitively intimate for all but romantic partners -- without this contact registering as unpleasant or out-of-place (Canetti 1984:15-16). *Sanhu* crowd clusters are a case in point. Because attention is centered on those at the core of the cluster, the audience listening at the outer rings of the cluster presses itself insistently but unaggressively against the bodies of those in the center. Individuals on the outside of the circle who wish to talk either work their way slowly towards the center or begin to talk where they are, creating the core for another cluster. Sometimes these clusters exist in parallel for a while, linked by a band of peripheral listeners now dangerously near the center of the action, but generally the circle either reforms to absorb one center into another or splits into two distinct crowd clusters.

The principal rule of these small groups is that no one knows anybody else, and this is the first reason why crowd clusters belong to the category of "the public". When it happens that two or more people do in fact know each other from another setting, they rarely manifest this as long as they are still within the group. All talking that is not going on in the center takes place at a discrete distance from the crowd. I attended many of these clusters, often with a Shanghainese friend who would help me to follow the various and rapid dialects being spoken.11 Whenever my friend found it necessary to explain something to

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11It went without saying that all such discussions took place in Shanghainese. As such they were clearly one or two notches more "popular" than the other forms of gathering which I will be discussing in this chapter. This is not to say that the
me, he always took me aside, turning his back to the circle to indicate separation.

The "public" nature of these clusters extends beyond their anonymity. In the crowd cluster, one of the most common courtesies of Chinese society is not observed: one smokes one's own cigarettes without offering cigarettes to anyone else. It is this which marks these circles of discussants off as a "the public" and not a "group". Only in gatherings in which the element of mass participation are present -- at the cinema, at sports matches -- does one find Chinese smoking their own cigarettes. In virtually all other situations, one offers cigarettes to all others present as a gesture of inclusion. Strangers in a railway station waiting room will offer each other cigarettes, even hurling them vast distances across the Stalinist chambers towards others waiting with them. At a restaurant, one offers one's cigarettes to each and every person at the table, and this enthusiasm sometimes spills over onto neighboring tables as well.

Sanhu crowd clusters are further characterized by a kind of mass democratic spirit. There is no a priori ranking of participants. Those who wish to speak are free to. The only criterion for active participation is that the speaker continue to hold the attention of his audience. Thus, in addition to providing a context in which information can be exchanged and interpretations elaborated, crowd clusters are a form of oratorical contest, in which these small "big men" people in crowd clusters could not have spoken Mandarin if they had wanted to. But, several characteristic features of these gatherings -- their democratic format, their performance aspects, and their "counter-cultural" tenor -- mandated that discussion take place in dialect.
attempt to convince the crowd of the virtues of their predictions, gossip, and analysis. Attention is held and respect is won for humor, displays of cynicism towards the government, well-documented rumoring and opinions which cut against the grain. On the other hand, many are there as moderating influences, repeating general opinions about the virtues of this stock or that policy, the probability that this central government leader is currently visiting Shanghai, or that this "big players room" is currently cornering such-and-such stock.  

Finally, crowd clusters were the only place in the more than three years which I have spent living in China where the fact of my being foreign went unnoticed. For reasons which I do not entirely understand, I was not once, during the many afternoons and evenings I spent trying to follow rumors, ever asked to explain what I was doing. I can only speculate that this represented an extension of the openness and all-inclusiveness of "the public", gathered in the crowd cluster. Just as anyone was free to enter and leave the on-going discussions at whatever moment they pleased, often hopping from one circle to another until he found one

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12 A list of the topics of conversation within a single crowd cluster over the course of half an hour's observation follows: (1) discussion of fact that the government has lost control over the market; (2) observation that the government must find a way to drive B share (shares for foreigners) prices up or it will lose face; (3) argument over how to interpret the fact that the Shanghai Securities News did not print anything about when new shares will come on the market; (4) speculation over what will happen to the market when Deng dies; (5) discussion of fact that the SSN is spreading the rumor that prices will start rising shortly; (6) complaint that the government-set issuing price for shares is too high; (7) discussion of natural rule that stock market cannot fall without rising again; (8) theoretical discussion of the fact that many factors influence stock movements, never just one. In my experience, this series of topics is typical of crowd cluster discussions.
which suited his interests, so even a foreigner was free to listen in if she pleased.¹³

That I should talk, however, was utterly out of the question. Here again, this situation contrasts with many others in which foreigners of all stripes find themselves. The simple fact of being a foreigner at a gathering of any importance in China frequently means that one should say a few words. If one knows no Chinese, then one speaks in one’s native tongue, and if there is no translator available, then one speaks a few words that few in the audience understand, but this in no way alters the fact that one is duty bound to speak. Here, however I was not duty bound. Furthermore, I would never have dared speak had I been asked. For, what I realized, with a pounding heart as I contemplated the possibility that I would be asked to give my "expert opinion" during the first evening of observation, was that "face" was at stake in these performances, and that I had neither the courage nor the skill to risk mine.

It is worth pausing for a moment to contemplate just what kind of "face" this is. If, as we have said, "face" divides into a public form of reputability (mianzi) and a private form of respectability (lian) (see Jankowiak 1993:62, Yang

¹³In my view, this also has something to do with the particular way in which Shanghainese define themselves in relation to foreigners. Shanghai's internationalism is very much part of its image. The presence of foreigners is thus felt as part of what makes Shanghai Shanghai, not as an alien element, and foreigners are not the target of gawking on the streets. By contrast, though Beijing residents have been exposed to many more foreigners and for a longer time than Shanghainese, many are still capable of staring at a foreigner as at a martian.
1945), this was public face at its most public. This was, if I may coin the term, "mass face", the face that comes from "speaking reason" (jiangde you daoli), from appealing to public standards of persuasiveness and meeting them. This aspect of face deserves attention because it is so easily overlooked in the general hustle and bustle of urban China.\textsuperscript{14}

Urban public space in China is frequently characterized as harsh, aggressive and alienating, and there is much about negotiating daily life in a Chinese city which resonates with this characterization (Chen 1993). Nancy Chen cites a Chinese short-story writer discussing the anger, boredom and anomie felt on a Chinese bus (Liu 1990), and one can experience gratuitous rudeness and petty aggressivity in any state-run department store or restaurant in the city. Shanghai streets are frequently blocked by heated and abusive arguments between strangers,

\textsuperscript{14}See Jankowiak's excellent discussion of public disputes and "civic consciousness" in Huhhot (Jankowiak 1993:125-164). Jankowiak finds a shared public duty to resolve disputes which contradicts survey conclusions that "the Chinese character is integrated predominately within the domain of familial bonds that have expanded into 'instrumental exchange networks' (Hwang 1987)" to the expense of public welfare (Jankowiak 1992:163).

Unfortunately, I did not have time to do systematic fieldwork on public disputes in Shanghai, though I took notes on all disputes I witnessed. From these initial observations, I would suggest that Jankowiak's conclusions cannot be applied directly to Shanghai. Disputes in Shanghai always attract attention, but mediators rarely step forward. (Indeed, on three occasions I was so disturbed by the fact that no one had volunteered to mediate that I stepped into the dispute myself, much to the embarrassment of the disputants and the amusement of the bystanders). It was my sense that Shanghainese are more afraid than Huhhottans to get involved with strangers. Many people spoke about this as a new development, a sign that Shanghai was becoming dangerous and dog-eat-dog with the reforms. Needless to say, more should be done with this important topic.
sometimes degenerating into fistfights and worse.\footnote{15}

As part of this cultural complex of public and private, the general thrust of Chinese urban society is to attempt to transform "public" groupings into "private" ones, giving them the intimacy, politeness and loyalty of the private sphere. Dispersed player (\textit{sanhu}) crowd clusters stand out as an exception to this rule.\footnote{16} Unlike many anonymous urban encounters, there is no pent-up aggression apparent in the tone or content of discussions. On the other hand, lacking also are all ritualized formulae of politeness and flattery which accompany more "social" groupings, as we shall see below. Disagreement and agreement are equally open, and those disagreed with do not then spend their time defending their honor, but rather move on to another topic or another group.\footnote{17}

\footnote{15}{The content of these arguments is frequently reduced to exchanges of the insult: "You have a defect/you are not normal" ("Ni you maobing", or in Shanghainese, "Nong a yoe mawbing"). For an exploration of the importance of normality in Chinese culture, see Chen 1994.}

\footnote{16}{Clearly, the notion of the "public" has been much elaborated by Communist morality (Jankowiak 1993, Pieke 1992:291-440), with the appeal to "the public" reaching its numeric and demagogic heights under Mao. However, the notion of a "public", in the sense of an audience, predates Communist teaching in Shanghai, and is part of the "cosmopolitanism" which Bergere has identified with the "Golden Age of the Chinese Bourgeoisie" (1986) It is precisely this question of a pre-Communist stock "public" which I will explore in the historical research I plan to do next.}

\footnote{17}{Pieke observed a similar, though far more charged, transformation of "the people" into a supportive, egalitarian, reasoning mass during what he calls "The People's Movement" of spring 1989, in Beijing (Pieke 1992).}
2. Informal Groups

Of a quite different order of sociability -- perhaps even diametrically opposite -- are the informal groups of dispersed players (sanhu) which have come together in the stock market's wake. What I am calling "informal groups", are groups of friends, all of whom know each other, who get together to discuss the stock market or invest together. I participated in a number of gatherings of this sort.

These groups draw on the immensely powerful body of tradition regulating relations between friends in Chinese society. Friendship represents a particular configuration of the qualities of loyalty and closeness in Chinese culture, one which merits a brief discussion. Friendship is governed by an ideology of intimacy which contrast both with the "public" gathering discussed above and with what could be called the "social" gatherings to be discussed below; we could call this the "private" sphere, as its codes of behavior regulate relations between members of the same family, husband and wife, and friends.

Friendship implies duties of particular loyalty and allegiance which go beyond the formal civility which makes up the "social" norm. Friends may and

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18 Friendship is one of the five "basic relations" in Confucian philosophy, the only one which is egalitarian in structure.

19 Again, we should not think of these "spheres" as entirely distinct entities. Much of the dynamics of the "social" sphere come about through appropriation of the rhetoric of the "private" sphere for instrumental use. The "public" and the "social" spheres are likewise constantly shading back and forth into each other, as with the stock shalong to be discussed below.
must dispense with all displays of politeness, for politeness signals distance. However, the direct and informal nature of exchange between friends is based on a very different set of premises from the negotiation of "mass face" which govern crowd clusters. In a sense, no room for "face" is left in the private sphere, the assumption being that everybody knows everybody else so well that nothing is left to hide behind.20 Finally, in contrast to "public" relations, friends are required to share -- money, time, information and opinions.21

These general rules govern the exchange of information, the pooling of money and the discussion of investment strategy in informal investor groups. These groups generally gather over a meal in a fully private place (at somebody's house), a meal for which no one will thank the host, although they may help in the kitchen. All forms of formality are dropped, no one feels obliged to pay deference to anyone else for reasons of "face", and opinions are freely

20Thus, friends will, as statements of fact and without malice, make comments to each other which we in the West would consider openly insulting: "you're not as smart as so-and-so", "you're not very pretty", "you're too fat", "you're a fool". Similarly, it is considered odd, even somewhat hostile, to thank a close friend, a spouse or a child for a service rendered, or to say "please" when asking for a favor. The service is demanded and accepted without any of the padding which softens the blow of these acts of aid and subservience in the West.

21But not necessarily "feelings". What we in the West identify as the "sentiments" of intimacy, are, in China, perceived in behavioral terms. Intimacy is that series of acts which are loyal and which represent the pooling of one's destinies. Intimacy is not the sharing of "personal" information per se, although such information may be shared along the way. See Potter & Potter (1990:180-195) for an excellent discussion of "the cultural construction of emotion" in Chinese peasant society. Many of their observations apply equally well to the urban setting.
A friend who is suspected of withholding information, analysis or opinions for himself will be directly confronted. Furthermore, each person will feel free to tell his friends just how stupid he finds their investment behavior and analyses. Generally, a hierarchy of competence is openly acknowledged within the group, in which certain individuals are recognized as better investors than others. This inequality in status is compensated by an inequality in "returns" on the gathering. Less talented investors may feel a loss of confidence, but they

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22 A gathering of friends which I observed touched on the following subjects over the course of a two hours (12 course) meal: (1) the "sacrificial object" (xishengpin) that was one member of the group who had just lost 20,000 yuan, and how the government did not do enough propaganda on the risks of bear markets; (2) the fact that stock broking companies are illegally selling short their clients shares and making a bundle; (3) the incompetence of city leaders administering the stock market; (4) the general corruption on the market; (5) an article in that week's Shanghai Securities News which misleadingly suggests that this is a good moment for long- and middle-term investing; (6) last Fridays rise, the "correctness" of which is demonstrated through technical analysis; (7) the poor technical analysis performed by the Shandong dahushi (number 111) which cost them 79,000,000 yuan; (8) the five stages through which a young stock market must go in order to "mature"; (9) how government "interference" (ganyu) is bringing the market down; (10) the grave problems of social unrest which the government will have if the Shanghai index drops below 400; (11) the basic flaws in the stock lottery system; (12) recent gossip about a pronouncement by the Chairman of the Shanghai Securities Exchange (the "connection" providing this piece of gossip is cited to convince others); (13) fact that three principal papers in Shanghai have stopped printing market news, the reason (gathered through gossip channels) being that each had been coopted by one of the big government brokerages which was using the paper for its own purposes, forcing the Municipality to intervene; (14) recent visit of Chairman of U.S. SEC to Shanghai, and how the Shanghai Mayor had asked him a question which showed that he didn't understand anything about stock markets.

23 The only groups of this sort which I witnessed were groups of men. However, I do not feel confident saying that this is a uniquely male form of social gathering, as groups of men and women friends are common among Shanghai youth. More investigation is needed on this topic.
acknowledge the benefits of learning from their smarter peers.

3. Informal Clubs

Slightly more formal but no more official are the numerous "clubs, meetings or associations" (julebu, hui, or xiehui) which have sprung up throughout the city. Unlike groups of friends, these clubs gather people who would not otherwise have come together, although there are numerous relations of friendship or collegiality which link many of the participants outside the context of the club. While "stock clubs" are new to the Shanghai scene, they are based on a model of social interaction which is hardly new in urban Chinese society. Clubs of amateur lovers of all manner of things exist throughout Shanghai, and most Chinese cities: Beijing opera clubs, bird-raising clubs, taich'i clubs, literary and artistic clubs, calligraphy clubs, etc. Like the other gatherings examined here, these clubs are governed by distinct rules of conduct.

I sat in on the meetings of two such groups, which had the following form. Between fifteen and thirty people were present, and membership was selective (by introduction through one member of the group). The groups met in a semi-public space, one in an empty schoolroom on Saturday afternoons, the other in a tea house on Monday mornings, and this regular meeting time was set and respected. While attendance was not mandatory, a repeated absence was noticed, and the offending member would be asked whether he or she was still interested in participating. Sometimes these groups engage in a certain amount of
paraphernalia-creation: membership cards, xeroxed charts, etc., but generally they are meant to be informal discussion groups in which each member shares his or her view on recent market developments.

The rules for individual participation in these groups are different from those of crowd clusters. Here, many of the forms of what I am calling "the social sphere" are observed, like, for example, the mandatory flattery of older members, richer or more educated members which opens each presentation. The speaker then makes self-deprecatory remarks about how he or she has not prepared anything to say, is not an expert, is new to the group, etc. In public

24Here, women are again present in the 10% proportions noted as a general rule.

25One two-hour afternoon meeting which I observed ran as follows. I was introduced to the group as an "American expert on the stock market". Then the agenda was announced by the principal organizer: (a) exchange of information; (b) market research results of participants; (c) the situation in Shenzhen; (d) other. This agenda was promptly ignored. Each member of the club was invited to give a presentation. In public

26This praise may be genuine, in the case of individuals recognized as being particularly well educated and/or as using that education in an intelligent way, or it may be hypocritical, in the case of individuals who are flattered because they think very highly of themselves, and lack of public admiration would cause friction in the group. In the terms of Jankowiak, in one case one is giving "admiration", in the other "respect" (Jankowiak 1992:61-63).
speaking, the same rules as those for crowd clusters, the rules of persuasiveness and oratory, apply, sometimes even with applause for a particularly good speaker. However, in this setting, food and cigarettes are shared. Tea is always poured for those around one before oneself, cigarettes are distributed within a large radius before the distributor lights up, etc.

The interest of these clubs lies in the way in which they navigate between the codes of "mass face" described for crowd clusters, and the codes of sharing and loyalty described for informal groups. For, behind the sharing of tea and cigarettes lies an underlying tension: will each individual share with the others his or her real opinion and full sources of information, or will she or he keep some portion of this precious analysis for herself? The tacit understanding when one becomes a member of such a group is that one is joining one's fortunes with it. While the group does not act in concert, and members are expected to come to their own individual decisions about what and when to buy and sell, these different decisions are taken on the basis of what is presumed to be a shared basis in fact. Participants' small speeches are littered with rhetorical gestures such as "frankly speaking" (tanshuai de shuo), or "to tell the truth" (shuo shihua). Whereas with crowd cluster, the understanding is that anyone may take from the discussion without giving back to it, in informal groups, one is held to a responsibility to give and to give honestly and fully. Thus, while the ideology of quality (suzhi) formulated by the big players is not articulated as such, a tacit adhesion to this honor code is expected.
Likewise, one is held to a responsibility to express one's disagreements with others' opinions openly. These disagreements are couched in flattering and appeasing rhetoric, suggesting that the speaker runs the risk of being disagreeable as well as disagreeing. He will turn towards the person he disagrees with and say "I don't want you to get angry" (ni buyao shengqi), in what is designed to be a demonstration of fear which, because of its publicness, obliges the other to behave magnanimously in return. In these exchanges, the "face" stakes run rather high, as the club must try to benefit from the maximum of frankness in the expression of competing views, without allowing personal enmities or competition to disrupt the smooth functioning of the group. Whether or not the atmosphere remains good depends on the diplomatic skills of its organizers.

4. Adult-Education Classes

For those not lucky enough to have a group of friends or a club to belong to, another kind of group formed around the stock market was the after-hours classes offered throughout the city, at night and on weekends. These classes were offered in public buildings, and necessarily had a sponsor with some degree of officiality. I was a sporadic attendant at one such course organized by Industry University (Gongye Daxue) which met weekly over a period of months. Another

27Here the "he" form is more appropriate, as it is mainly open differences of opinion among men which run the risk of degenerating into conflict. Women may disagree openly, or be disagreed with, among themselves or with men, without all of the verbal padding necessary to assuage the ruffled feathers of two male speakers.
which I attended a number of times was organized by a number of professors at the Shanghai Academy of Social Sciences. These courses tended to be announced in the newspapers or through wall posters. Entrance ranged between five and fifteen yuan a session, and no beverages were provided.

The lecturers at these courses varied tremendously in quality and background. Some were university professors of economics or finance, eager to earn a little money to supplement what many felt to be miserable wages. Others were executives of companies on the market or cadres in state-run brokerage houses, who took this occasion to do some public relations work. Finally, particularly successful dahu were often invited to give talks on their techniques for analyzing the market, thereby enhancing their reputation among other dahu.

28 A university professor at the time of my stay in Shanghai earned the city average of approximately 300 yuan/month, with bonus and subsidies.

29 In the words of one member of this audience who had attended many such courses, lecturers could be divided into 3 schools: the "market school" (shichangpai), the "academic school" (xueyuanpai), and the "company school" (gongsipai). I give two samples from these courses to demonstrate their great variety in style.

In one case, the lecturer was a senior researcher in economics. His lecture was part of a five part series, in which he was responsible for discussing the Shenzhen market. He reviewed the history of the market, touching on key policy interventions and large price movements. He outlined the structure of the Shenzhen Exchange, which is slightly different from Shanghai (more regulations, a more "mature" investing public) and analyzed some of the major problems in the Shenzhen market (corruption, black marketeering, insider trading). Finally, he gave his predictions on future developments.

By contrast, the following subjects made up a dahu's presentation in a course I attended at Industry University: (1) the tone of the Shanghai Securities Exchange suggests that the government does not think an Index of 400 is too low;
These gatherings were, as could be expected, rather more academic in nature than the previous two. Basic principles of stock ownership were explained, the workings of new regulations were discussed, and techniques for analysis and "manipulation" (caozuo) were outlined. Not infrequently, however, specific companies were named, bits of gossip were exchanged, explanations were ventured for the market's movements, and so forth. Furthermore, while these classes frequently began in Mandarin, responding to the notion that public education should take place in "ordinary language" (putong hua), half an hour into the presentation, the speaker was generally speaking Shanghainese without realizing it, and by the end all discussion was taking place in Shanghainese.

These courses were attended by people of principally "worker" or low-level "cadre" background, as well as by students. Many people came alone or with a friend or two, and while casual conversations were struck, there was no presumption that interests were shared. The audience participated by asking questions, most often written on slips of paper to avoid the pressures of public speaking. These questions often pressed the speaker for more concrete

(2) prediction that the bear market would last 6 months, but will decline is small steps, not steady fall; (3) therefore, short-term investing is the only possibility these days; (4) anecdote about careless neighbor who did not pay close enough attention and lost his shirt; (5) recommendation that investors make the mental preparation (sixiang zhunbei) to skip work if necessary; (6) prediction that the government is going to intervene continually in the market in the next few weeks as they prepare for the 14th Party Congress; (7) that is why the newspapers are pretending that things are looking better; (8) as a general rule, if the Exchange itself suggests that it's time to buy, don't buy.
predictions, even instructions on how to proceed, and were the butts of much laughter from the audience who recognized in the naivety of the question, even if it was their own, a fundamental clumsiness, a violation of the rules of a game which they were just beginning to learn.

5. Stock Salons (**Gupiao Shalong**)

Somewhere in between the informal group and the class was the **shalong**, a Chinese word borrowed from the French "salon". Salons are a common feature of contemporary urban life in China. This form of gathering came into being in the mid-1980s, and was originally equivalent to the informal clubs discussed above. The first salons were mainly artistic and political in focus: new forms of painting, literature and film, newly translated Western theorists, and recent political events were discussed in an atmosphere of energetic openness, indeed, with the kind of energy which only exists in societies where the opportunity for open discussions cannot be taken for granted.

In Shanghai today, stock salons (**gupiao shalong**) have taken on a distinctly commercial character. Organized by stock broking companies or semi-governmental associations, shalong take place in tea houses or public halls throughout the city. They attract an attendance of between 40 and 150 people, and are scheduled for a two to three hours period, usually in the evenings or on

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30Such as, for example, the *Shanghai Gufenzhi Qiye (Gongsi) Xiehui* (The Shanghai Joint-stock Enterprise (Company) Association) established, with government backing, by an association of professors and enterprise managers.
Sunday afternoons. An admission of up to 15 yuan is charged, and tea is
served.\textsuperscript{31}

In \textit{shalong}, a variety of speakers take the floor, usually four or more in one
session. Generally a guest speaker is featured -- a successful \textit{dahu}, an employee
at a stock-broking office, an officer of one of the joint-stock company on the
market, or an agent responsible for processing buy and sell orders on the floor of
the exchange (called, "red jackets" (\textit{hongmajia}) for the red vest they wear as a
uniform).\textsuperscript{32} After the guest speaker or speakers, other organizing members of
the \textit{shalong} or personalities take the floor. The audience, made up principally of
regulars, asks questions, frequently in writing. Some people attend numerous
\textit{shalong} throughout the city, but there is a tendency against \textit{shalong}-hopping, as

\textsuperscript{31}When I left Shanghai there were seven well-know \textit{shalong}: at the Workers
Club, at a restaurant in the Changning district, at the Yuanmingyuan restaurant, at
the Lantian Hotel, at the Bailemen tea house, at the Peace Hotel, and at the
Shipping Association offices, but new \textit{shalong} were being created constantly. I got
my first indication that I had finally reached a sort of proficiency in stock market
discourse when, during an interview with a pioneer \textit{dahu}, I listed all of these
\textit{shalong}, and received an admiring you're-one-of-us response. \textit{Shalong} thus
represent a kind of insider institution for big and small investors alike.

\textsuperscript{32}As an example, a tea-house \textit{shalong} which I attended featured as a typical
afternoon's program a "red jacket" from one of the larger brokerages. His talk
started out rather "official", but then degenerated into the spreading of rumors
about particular stock and predictions about future policy moves by the
government. Questions from the floor read as follows: (1) Can legal persons buy
"individual" shares? (2) How long will \textit{Xingye} shares continue to fall? (3) What's
happening with a Shenzhen share, \textit{Yuanye}, which has recently been suspended
from the market? (4) What of the rumor that such-and-such company's bonds will
be converted into stock? Then the speaker asks the audience what their
"psychological price" (\textit{xinlijia}) for Shanghai Vacuum is, and what shares they think
will be hot (\textit{redian}) in the next few weeks.
one of the attractions of the *shalong* is the chance to meet and develop friendships and information sources, and this requires a certain regularity of attendance.

Needless-to-say, with 50-100 people in the average audience, many people in *shalong* are strangers to each other. However, *shalong* do not take the anonymous form of crowd clusters or evening classes. Generally everyone in the audience knows a number of others through friends. Furthermore, *shalong* are in some sense the "highest class" of stock group, and attract well known figures on the market. A number of *dahu* had reputations large enough to be known by a good number of *sanhu*. Certain officials, professors and company managers became familiar faces as well, and there followed the building of reputation which goes with familiarity. As a general rule, a regular participant would know how to locate socially most everyone in the room, even if he had never spoken with the majority of them.

These *shalong* are also the place where the *dahu* and *sanhu* communities come into contact. "Friendships" may be struck between disciple *sanhu* and a master *dahu*.\(^{33}\) The implications of such friendship, of being "good with" such-and-such a *dahu* (*he ta hen hao*) extend beyond the fact of a friendly relation between the two individuals. The presumption is that these two individuals may begin to look out for each other's interests and to act concertedly against the interests of others, for the anonymity of *sanhu* is a valuable asset to *dahu*, just as

\(^{33}\)The phrase "to honor someone as a master" (*bai ta wei shi*) is used to describe this relationship.
the expertise and connections of the *dahu* can come in handy for a *sanhu*. As we have seen with our examination of *dahu*, this special relationship can and frequently does lead to cartelizing and cornering behavior.

The relation between a *dahu* and his or her *sanhu* is not one of equals competing for reputation, but rather one of domination. The *sanhu* becomes the *dahu*’s "helper" (*zhushou* or *xiashou*). Helpers act for their "boss" (*tou*) by appearing in public and taking actions which he or she directs, thus shielding him from public appearance. These special relations may be kept secret, so as better to protect the *dahu* from public scrutiny. Furthermore, it is also frequent for helpers to cheat on their bosses, for there is no reason an ambitious man would chose to remain a helper for very long. This gives rise to another form of speculation among *sanhu*, for they must be alert to the possibility that such-and-such a *sanhu* may be acting as the agent for a *dahu*, may be pretending to act as his agent in order to borrow this power, or may be acting behind the back of his boss.

6. The Market from the *Sanhu* Point of View

So far, I have examined the rules of sociability governing each of the groupings occasioned by the stock market. I turn now to the content of these meetings, the kinds of questions discussed and the way in which they are discussed. Not surprisingly, all groupings concentrate their efforts on "market analysis" (*shichang fenxi*). However, as the brief examples included in the footnotes
indicate, this "analysis" tends to consist in the sharing of political information, gossip and predictions.

Westerners, I was repeatedly informed by my stock-market acquaintances, perform three sorts of analysis in order to predict market movements: fundamental analysis (jiben fenxi)\textsuperscript{34}, technical analysis (jishu fenxi)\textsuperscript{35}, and political analysis (zhengzhi fenxi). In the West, I was further told, fundamental and technical analysis are the most important, followed by political analysis. In China things are otherwise, they continued. Most important is "something you don't even have in the West", and that is "policy analysis" (zhengce fenxi), after which, in descending order, is political analysis, technical analysis and fundamental analysis.\textsuperscript{36}

\textsuperscript{34}Fundamental analysis" is defined in an American text on "stock picking" as an "investment strategy focusing on the intrinsic value of the company as evidenced by a review of the balance sheet, income statement, cashflow, operating performance, etc." (Maturi 1993:201). In China, this analysis is made very difficult by the paucity of published sources which report such information in a reliable and regular way.

\textsuperscript{35}Technical analysis" is defined by the same text as an "investment strategy that focuses on market and stock price patterns" (Maturi 1993:204). It is technical analysis which produces the impressive graphs, bar charts, and computer regressions of market analysts. There is, in the West, an on-going debate over the relative merits of fundamentals versus technical analysis.

\textsuperscript{36}Absent from this list, of course, are all those methods of market analysis considered non-rational, in China as in the West. However, in China, as in the West, many people employ both methods simultaneously. In the West, market predictions can be based on astrological readings, magnetic field theories, tarot cards, presidential elections, Super Bowl results, hemlines, the Fibonacci series and sunspots (see Maturi 1993:179-193). In China, many investors combine the methods discussed here with bagua and yijing readings, or with readings of one’s hands or face to determine one’s fate. Religion is also solicited, in the West as in the East. It is interesting to note that Western analysis tends to focus on the market per se, while Chinese analysis tends to link market movements to the
Whether or not this description of the state of the art of investment in the West was accurate is beyond the scope of this thesis. It is, however, a good indication of both the nature of discussions in stock-market groups in China, and of the way in which these discussions were perceived as "particularly Chinese" *(you zhongguo tese)* by their participants. With the exception of adult-education classes, which generally tried to convey a certain amount of expert knowledge of Western varieties, crowd clusters, friends, informal groups and *shalong* divided their time equally between political or policy analysis and information-sharing, and technical analysis. Very little time was spent on fundamentals.

The distinction between political analysis and policy analysis needs elucidation. Political analyses are the discussions -- which Chinese have developed into a high art, particularly in Beijing -- of what direction central and municipal leaders are leaning, as individuals and as cliques, and of the jockeying for power patterns of individual "fate" *(mingyun)* discussed in Chapter I.

Unfortunately, I did not have time to explore this important phenomenon further. However, interviews in Shanghai, Shenzhen and Hong Kong suggest that para-scientific investment techniques are exceedingly popular in Hong Kong and Shenzhen, far less so in Shanghai. The "superstitious" nature of southern Chinese is a commonplace in the anthropological literature on China. In Shanghai, as we shall see, "superstition" is less present because state fetishism is more powerful. The superstitious southerners may simply be further from the centers of state power, and their symbolic systems freer of state influence.

*37* Although these too degenerated frequently into discussions of politics and policy, or featured officers from companies on the market doing free advertising on the merits of their company's economic future.
currently taking place among these leaders. Key events in the state's calendar are noted (the coming of meetings of the National People's Congress, of the Communist Party's Central Committee), and the media are combed for signs of coming political winds.

In a sense, this political analysis is much like those analyses which take place in the West before major political events: before the 1992 elections, it was predicted that a Clinton victory would cause a decline in the New York Stock Exchange, as investors were thought to be generally unfavorable to his economic leanings. Likewise in China, changes in the Central Committee of the Communist

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In Beijing, where a majority of the population knows the political profiles of important central leaders, extreme attention is paid to hints in newspapers and photographs which shed light on power plays among these figures. In Shanghai, fewer central authorities are known by name, and minute-by-minute changes of favor are followed less attentively. Central leaders will be more likely to be referred to as a group (zhongyang lingdao) motivated by a single decision-making center, than as competing political forces. However, leaders from Shanghai (Jiang Zemin, Zhu Rongji, Chen Yun) will be individuated.

These differences in "political culture" between North and South were apparent in one discussion I had with four guests at the Guest House where I was staying. I asked each of them their interpretation of the central government's attitude towards Mao fever. The guest from Hangzhou found the whole subject "backwards", and declined an interpretation. Two guests from Hubei offered directly contradictory interpretations, one suggesting that central leaders supported Mao fever as a way of giving ordinary people a sense of security and an object to believe in, the other suggesting that they opposed it because it exalted Mao over Deng. The guest from Beijing proposed a factional interpretation: the entire fever was being tacitly supported by the "conservative clique" against Deng and the "reformist clique", and depending on the results of power shifts after the 14th Party Congress in October 1992, we would see the Mao images either suppressed or openly promoted. As it turned out, though the Dengist clique "won" the 14th Party Congress, the images did not disappear, suggesting that this Beijingese suffered from an exaggerated vision of the power of central leaders to enforce their will on the People.
Party are presumed to have a potential effect on the stock market, and one could expect investors to react in consequences. However, an important distinction should be noted at once. If the New York Stock Market reacts to Clinton’s election, it is because investors, particularly large institutional investors, make judgments about the future of the American and world economy, and react in consequence. If the Shanghai stock market reacts to the 14th Party Congress, it is because investors know that a change in leadership could lead to direct and immediate intervention -- unmediated by law -- in the workings of the market itself.

Moving to the second important factor in Chinese stock analysis, we find "policy analysis", a "Chinese characteristic". Policy analysis involves discussing and attempting to interpret the numerous small and large changes in policy which the Shanghai Securities Exchange, the People’s Bank of China (Shanghai Branch), the Municipal Securities Commission, one vice-mayor or another, or the Central People’s Bank of China announces at a regular rate of one per week. These "policy" changes varied from limits on the number of shares a single individual can buy, to prohibitions on trade-backs between two brokerage houses in the same day, to the lifting or placing of price-movement ceilings, to the declaration that no new shares will be issued for a certain period, or, to the contrary, that eight new companies have been approved for the Exchange.

The content, motives, and complex dynamics set in motion by these various policy shifts will be the subject of Chapter V. Here, I wish only to note that this
type of "analysis" is in fact not analysis at all, but rather the sharing and interpreting of information which generally occurs in the public media the day on which the policy is to take effect, but which has been leaked to members of the public days, sometimes weeks, in advance. This information is interpreted in part for its long-term implications for the future of the stock market itself. However, more pressing is the question of how this policy will effect the various actors in the marketplace.

"Technical analysis" (jishu fenxi) occupied the third place in the list of topics of discussion among sanhu. Technical analysis included a wide range of approaches, some rather intuitive, others highly sophisticated. The most basic element of technical analysis was to follow the day or week's market movements closely, to know which stocks were actively traded, which rose and which fell. Most dahu charted these movements everyday as part of their nightly homework. A certain number of sanhu did as well, and many people memorized the high, low and closing prices for all stocks on the market for the day, or even for the week. A fair number of sanhu had also read up on Western techniques for charting stock movements. High-low charts (HILOtu) and K-waves (K-xiantu) were included in some specialized magazines on share-holding. Other theories which were mentioned to me included average fluctuations charts, Elliot waves, and the CANSLIM theory39.

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39The CANSLIM theory is actually a meunomic device for remembering a series of "fundamental" and "technical" factors one must examine for each stock: "C" = current quarterly earnings per share; "A" = annual percentage increase; "N".
Fundamental analysis (jiben fenxi) by dahu and sanhu generally involved an analysis of a company's short range development plans, and of its links (guanxi) with the municipal bureaucratic system. Dividend announcements and stock splits also formed part of the information exchanged under the rubric of fundamental analysis.

7. **Sanhu as a Collectivity**

As should be clear, sanhu represent an even larger slice of the Shanghai population than dahu and are unified by fewer shared norms of behavior and belief. The form of social organization by which sanhu participate in the market varies enormously, and each of these forms creates a slightly different relation to what the market is all about.

If I treat sanhu as a collectivity, it is only because the dominant discourse did so. Sanhu were routinely referred to as a sort of collective actor, agent or victim of the manipulations of the two other collective players on the marketplace, dahu and the State. Furthermore, sanhu were distinguishable by the unequal treatment which they received as a group in comparison to dahu.

Sanhu were not unaware of this unequal treatment, and if the rumors are

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= new products, new management new stock highs; "S" = shares of common stock outstanding; "L" = leader or laggard; "I" = institutional sponsorship; "M" = market direction. Most people who read up on these theories were perfectly aware that they could not be applied to the Shanghai market directly, and sometimes could not be applied at all. Nevertheless, many were fascinated by what they took to be Western expertise in market predicting.
correct, many have even called upon the Municipal government to protest. Perhaps as a result of this, perhaps out of a sense of fairness, the City moved, in May of 1992, to set up a trading point where sanhu could buy and sell without waiting in lines and without having their orders seconded by dahu orders emanating from the same brokerage. This trading point was the "Cultural Palace" (Wenhua Guangchang), a large amphitheater which had figured prominently in Cultural Revolution mass denunciation activities, and which was now used for various cultural activities. This enormous hangar was quickly equipped with desks and telephones for each of the cities brokerage houses. Thousands of sanhu could gather there without crowding; market prices were announced over the loudspeaker every fifteen minutes; lines were short; and orders were processed promptly.

It was with the creation of the Cultural Palace trading point that sanhu took on a genuinely collective force of their own. With thousands of individual investors spending their entire day following the market, rumor ing, and panic buying and selling began to take on astounding proportions. Of course, both the government and dahu tried to tap into this source of energy by spreading rumors which they believed advantageous to their particular positions. However, the Cultural Palace took on a mass dynamic of its own, which set in motion the 500% drop which the market was to experience in the second half of 1992. To understand these dynamics, we must turn now to the third actor in this drama, the largest hu of them all, the State.
Chapter V: The State (Guojia)

In the previous two chapters, I have tried to show how two categories of "player" on the stock market go about the business of investing. They size up the market, they size each other up, but must importantly, they try to size up the movements of player number three, the biggest player of them all, the State.¹ If the stock market is frequently conceived of as a zero-sum game, then the primary winner to be feared, the actor capable of determining the winnings of all investors, is this "super player" (chaoji dahu).

In this chapter I address the question of who or what, more precisely, is the guojia in the context of the stock market. This requires first a long detour through

¹I have translated "guojia" simply as "State". However, the connotations of the Chinese use of the term "guojia" merit a study in its own right. "Guojia" -- literally "the national family" -- has a standard translation in "country, state, nation" (The Commercial Press, A Chinese-English Dictionary). In the discourse surrounding the stock market, however, guojia refers to the Party/State and its leaders, or at least all of those leaders in Beijing or Shanghai with authority to make policy decisions. Thus, the "imagined community" of guojia is in no sense "the nation" -- the collection of people within a given territory sharing a common culture and language -- but rather the organs of government ruling this collection of people. The notion of representation inherent in the Western concept of "nation" is absent; indeed, the entire thrust of this chapter should demonstrate that guojia is conceived of as external to, even opposed to, "the People" in popular discourse. A thorough study of this problem would require tracing the uses of this term in official ideological pronouncements, newspapers and discourse to find out whether this tension with popular discourse is resolved, and if so how.
the structure of the primary market in shares (section 1). Secondly, it requires a description of the institutions formally charged with regulating the secondary market (section 2), supplemented by an ethnographic account of institutional practice (section 3). In section 4, I illustrate the dynamics of regulation with an account of the principal moments in the speculative cycle which I witnessed from February through December of 1992. The dynamics of government regulation and market movements which were played out in this cycle were obvious to all investors in the market, and indeed, served as a kind of object lesson on the relative strength of governments and markets. I examine this object lesson in section 5.

1. Regulating the Primary Market

Proposals for the use of a share-holding system in industrial restructuring

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2The "primary market" and "secondary market" are defined by Martin Mayer as follows:

**Primary Market.** The first market into which an issue of securities is sold by the underwriter, before trading begins. All subsequent buying and selling of securities occurs in a **Secondary Market.** In general, securities are very difficult to sell to their initial buyer unless he has good reason to believe there will be a secondary market into which he can resell if he needs the money (1988:289).

Thus, all of the money a company raises on a share issue comes from the transfer of these shares to the initial buyers -- virtually always securities and investment houses -- on the primary market. After this sale, the company is no longer directly affected by the price of these shares, which trade freely on the secondary market, though the strength of its shares on this market affected the strength of its company image, and will be a factor in determining demand for future issues.
have been in the air in China since as early as 1980 (Bowles and White 1992:578).³ In the mid-1980s, as the Party began to assess the consequences of reforms undertaken thus far, this debate took on a new urgency. After various attempts to "accomplish the key link" in structural economic reform (through profit retention, profit contracting, the factory director responsibility system, enterprise leasing, etc.), share-holding reform was conceived as a further and more thorough-going effort, even the last hope, toward the "enlivening of enterprise" (gaohuo qiye, Wu 1988:60).

More concretely, through transformation to the share-holding system (gufenhua), a number of objectives were thought attainable: further reducing government intervention in enterprise management and rationalizing managerial incentives; "activating worker enthusiasm" (diaodong gongren de jijixing) by allowing workers to invest in their own enterprise; providing investment funds where few were available from over-burdened state coffers; rerouting personal savings from consumption to investment, thereby lessening inflationary pressures; and, finally, providing a means for valuing and transferring ownership in enterprises which would in turn facilitate efficient restructuring of industries and industry sectors.


through firm mergers and acquisitions.\textsuperscript{5}

As Bowles and White have pointed out (1992:576-77), given the political-economic context in which share-holding operates, some of these goals are inconsistent with others. Furthermore, not all proponents of the share-holding system advocate all of these goals. Hesitations were principally focused on the charged question of the role of "ownership by the whole people" in a socialist economy (see Hu 1993).\textsuperscript{6}

These conflicts and hesitations are reflected in the history of share-holding in Shanghai.

As mentioned in Chapter II, the vast majority of "shares" in China today are actually a kind of bond or even a Chinese version of individual retirement accounts: these shares, issued frequently in lieu of regular bonuses, amount to certificates guaranteeing workers in the "joint-stock company" an unspecified percentage of enterprise profits, generally upon retirement. Shanghai was a


\textsuperscript{6}\textsuperscript{}Hu pins the entire future of share-holding reforms on the ideological debate between "reformist" and "conservatives" over this issue. In my review of his book, I take issue with what I think is an over-simplified vision of share-holding reforms (Hertz 1994).

The ideological problems surrounding the link between state ownership, or "ownership by the whole people", and socialism should be distinguished from the related but eminently political problem of maintaining government control over property while creating an efficient industrial structure. It should be noted, however, that in the "whatever-cat-catches-the-mouse" Dengist spirit, share-holding reforms have moved ahead without resolving either of these problems.
forerunner in this reform experiment; in 1980, the Shanghai No. 17 Textile Mill issued shares to its workers. However, it was forced to withdraw these shares after strong government criticism (Bowles & White 1992:591). This event no doubt accounts for the small percentage of "internal shares" in Shanghai today.\(^7\)

In 1986, Shanghai's first enterprises issued shares to the general public. Four collective enterprises were encouraged to apply to the public for funds rather than obtain budgetary appropriations from the local government or loans from the newly restructured banking system. Feile Yinxiang (Xiao Feile), Yanzhong Shiye and Aishi Dianzi, and Shenhua Diangong (later renamed Shenhua Shiye) were approved for transformation to the share-holding system (gufenhua) in 1984, 1985 and 1987, respectively, issuing seven million yuan worth of shares to the public.

It is worth lingering for a moment over the initial motives for gufenhua. In contrast to the many and complex theoretical justifications for experimenting with the share-holding system being debated in numerous publications at the time, the goal of these first experiments was simple: to tap the enormous savings reserves of Shanghai citizens. Not surprisingly the valuation and "stockification" (gufenhua)

\(^7\)The Shanghai Zhengquan Nianjian 1992 (Shanghai Securities Year Book 1992) reports that "enterprise internal shares" (qiye neibu gupiao) account for a mere 1.63% of all "valued securities" (youjia zhengquan) issued in Shanghai, as opposed to 5.55% of "enterprise shares" (qiye gupiao). This ratio of approximately 1:4 can be compared to Guangzhou (24:1), Wuhan (12:1), or Beijing (8:1). The only other regional People's Banks which have approved fewer "enterprise internal shares" than "internal shares" are Shenzhen (1:9), Hebei (1:1.5), Jiangsu (1:20), and Anhui (4:1) (Jin, Xiao & Xu 1991:65).

Incidentally, even these cryptic figures should be enough to demonstrate that enormous regional differences exist in the application of the share-holding reforms. This is why I have been obliged to limit my study to Shanghai.
of these collectives was performed in a rather ad hoc manner. The value of the enterprise was assessed on the basis of book value. If the collective had accumulated assets over the years, these were counted as its own shares in the new company. However, in at least two of the four cases above, the enterprise was considering transformation to the share-holding system (*gufenhua*) because, in the words of their vice-directors, they were on the verge of bankruptcy. Some attempt was made to estimate the value of all loans which the local government and other affiliated enterprises had extended to the collective, and this sum was converted into shares in the enterprise. Once the debts of the enterprise had thus been wiped from the accounts, these new companies were in a position to offer shares to the public, with minimal information available to investors.\(^8\)

Experiments were extended to state-owned enterprises in 1987 with the approval of *Feile Gufen* (*Da Feile*) and *Shanghai Dianzi Zhenkong Gongsi* (*Dianzhenkong*, or Shanghai Vacuum), but there were signs already that the central government was hesitant to proceed without a more careful examination of the implications of share-holding generally.\(^9\) For the next two years, no state-

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*\(^8\)Companies were held to no disclosure requirements under the 1984 Temporary Measures. In 1987, new Temporary Measures were issued, requiring that: "Any company which has issued stock must submit quarterly financial statements to the approving agency, and make its financial situation public to its stock-holders" (Article 15, *Shanghaishi Gupiao Guanli Zhanxing Banfa* (Temporary Measures of the Shanghai Municipality for the Administration of Shares), reprinted in *Shanghai Zhengquan Nianjian 1992*). This article mandates some disclosure, but apparently not at the time of share issuance.*

*\(^9\)In March of 1987, the State Council issued its "Notice on Enhancing the Administration of Stocks and Bonds", stating that:*
owned enterprises issued stock to the public in Shanghai.\(^{10}\) This gave central and local authorities time to put in place an administrative system for governing share-holding reforms, the centerpiece of which is "the new system of state assets management" (Jiang, Li and Li 1991).

In 1988, the State Council created the National Administrative Bureau of State-Owned Property (Guojia Guoyou Zichan Guanliju, or Guoziju), with local bureaus attached to the bureaus of finance at the provincial and municipal levels.

The responsibilities of this system are two:

first, to safeguard the rights and interests of the owner [the state], that is to ensure that state assets maintain their value and increase in value, to improve the efficient management of state assets, and to make greater contributions to the increase of social wealth and state revenue; furthermore, to work hard to make the state sector full of vitality and vigor, to rationalize its structure and to improve its quality incrementally so as better to bring into play its overall beneficial results and main purpose and to stimulate the entire national economy towards a healthy development (Li and Li 1991:25).

The creation of an agency with institutional responsibility for looking after the state’s interests allowed reformers to move forward with "stockification" (gufenhua) Enterprises owned by the whole people may not issue stock to the public. Local governments are responsible for investigating the small number of large- and medium-sized enterprises owned by the whole people which have already been approved as experiment sites. The local branches of the People’s bank must rigorously re-examine these enterprises to determine whether they need continue with the issuing process (Article 2, Guowuyuan guanyu Jiaqiang Gupiao Zhaiquan Guanli de Tongzhi, March 28, 2987, reprinted in Shanghai Zhengquan Nianjian 1992).

\(^{10}\)Of course, the "conservative" attempts in 1988-1990 to cool down the overheated economy also slowed down the share-holding experiments.
in enterprises owned by the whole people. In Shanghai, three state enterprises were approved for *gufenhua* in 1991, with many more under consideration. However, it was not until Deng's "Southern Tour" had clarified the direction of future reforms that *gufenhua* really took off. Twenty-nine enterprises owned by the whole people were approved in 1992, with a total market capitalization of 4.5 billion yuan (SHZQ 1993a).^{11}

The process by which state-owned enterprises are transformed into joint-stock companies is both more complicated and less improvised than that for the collectives examined above. In 1991, the central *Guoziju* issued the "Measures on the Administration of State Assets Assessment", which lays out the general framework (Jiang, Li and Li 1991). Enterprises apply to their local *Guoziju* for permission to undergo appraisal (*zichan pinggu*). If this permission is granted, the enterprise chooses a certified public assessor or accountant. It is the job of this office to calculate the value of the enterprise in shares (*zhejia rugu*).^{12} This is done with a combination of procedural rigidity and substantive flexibility which is quite astonishing.^{13}

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^{11}This momentum has carried over into 1993. Seventy-seven new enterprises were listed on the Shanghai Exchange in 1993 with a total market capitalization of 26 billion yuan (SHZQ 1993a).

^{12}Assessment for "stockification" (*gufenhua*) purposes is meant to determine the net value of the enterprise, that is, the value of total productive and non-productive assets minus long- and short-term debt.

^{13}The material for this description comes from interviews with the national *Guoziju* in Beijing, the Shanghai *Guoziju*, and the Shanghai Number One Certified Public Accountants Office.
The main difficulty in this process is that there is no market for enterprises in China which could serve as an indicator of the value of the firm. Instead, the firm is broken down into its component parts, each of these is assessed separately, and a total is compiled. Of course, even at the level of component parts, there are often no markets by which to set price. Thus, both the "market method" (shichangfa) and the "estimated rate of return method" (shouyifa), most frequently used in the West according to my Chinese interviewees, must be supplemented by a third method which estimates the cost of replacing individual components of the enterprise (chongzhi chengbenfa).\footnote{These replacement costs are then devalued (bianzhi) in proportion to the state of repair and up-to-dateness of the components under assessment.}

On this basis, the certified public accountant or assessor estimates a net value for the company which is qualified as an "objective" determination. This value, however, is only a reference point for the Guoziju. Final value is determined by a discretionary analysis of the "health" of the company and its industry sector, and of the interests of the state. This value is then divided into "state shares" or guojiagu, which represent investment made by the state (at both the central and local levels) in the creation or improvement of the enterprise up to the moment of "stockification" (gufenhua).\footnote{Investment made by non- or quasi-state agencies (e.g. trust and investment companies, holding companies or groups (jituan)) prior to gufenhua is labeled "initial investor shares" (faqirengu) and is counted with state investment, to distinguish it from post-gufenhua institutional investment.}

Once the value of past state investment has thus been "stockified", the
company is in the position to issue new shares to the public. The value of these new shares is determined by the local branch of the People’s Bank of China in a manner which itself deserves special consideration. In the West, the price of a new share issuing is determined by a complex negotiation between the issuing company, the lead underwriter, and a generally substantial number of other investment houses interested in buying this issue; in other words, a primary share market is available to determine a price which generally approximates the price at which the general public is willing to trade these new shares when they come onto the secondary market.

In China, no primary market as such exists. Rather, the Shanghai Branch of the People’s Bank makes a decision about what shares should be worth based on its estimate of the future earnings of the new joint-stock company. This sum is then divided by the number of shares to produce a price-earnings ratio \( (shiyingle) \) which generally matches international standards. Thus, the price-

\[ \text{16} \]

In appearance, the primary market functions much as in the West. A new joint-stock company may select its lead underwriter from among the numerous brokerage houses in the city. However, this underwriter is itself a state-owned agency, subject, at the very least, to the supervision of its parent organization and of the People’s Bank, Shanghai Branch. Every brokerage has institutional links either with one of China’s specialized banks, or with a large investment and trust company, all of which are government or quasi-government agencies. Thus, to name only the largest in Shanghai, Haitong Securities Company (Haitong Zhengquan Gongsi) is "under" the Bank of Communications, Shenyin Securities Company (Shenyin Zhengquan Gongsi) is "under" the Industrial and Commercial Bank, and Caizheng Securities Company (Caizheng Zhengquan Gongsi) is under the Ministry of Finance. Even International Securities Company (Wanguo Zhengquan Gongsi), which has itself been converted into a joint-stock company, has as its principal share-holder the quasi-government Shanghai Investment and Trust Company.
earnings ratio -- which should serve as an indicator of the value of a given share on the market -- is used proactively to determine this value.¹⁷ In Shanghai, this has resulted in issuing prices for legal persons and individuals as high as five to nine times the "price" of shares held by the state (called "face value" or mianjia), and many investors complain, therefore that these shares are overpriced. Western analysts felt, at least in 1992, that these shares are vastly underpriced, as they tend to double, sometimes even quadruple, in price the moment they hit the secondary market.

The distribution of these new shares is also only vaguely determined by market forces. The Shanghai Branch of the People's Bank designates what percentage of shares will be offered to other enterprises as "legal person shares" (farengu) and what percentage will be offered to the general public as "individual shares" (gerengu). A certain number of Shanghai enterprises have, in addition, been granted permission to issue "special renminbi stock" (renminbi tezhong gupiao, or B gu), that is, shares valued in Chinese yuan but denominated in U.S. dollars and sold internationally to foreign individuals and institutions.¹⁸

¹⁷Actually, the process of determining the issuing price (called "premium rate" (yijia)) is even more complex, and includes a re-evaluation of the originally value of the company set by the certified public accountant to check for "intangible property" (wuxing zichan) and other sources of value which may have been overlooked in the initial assessment.

¹⁸This is perhaps the place to note that the regulation of the "B share" is far more "legalized" than that of the domestic market: government "interference" (ganshe) in price movements, if it exists, is performed with great discretion; and issuing companies are held to international standards of accounting and disclosure. Thus, the entire drama which I will describe in the following pages does not apply
While the three (sometimes four) kinds of stock which result from "stockification" (gufenhua) are nominally similar, the reader will have noticed importance differences between them. The first of these is a difference in relation to the notion of investment as between state shares on the one hand, and legal person and individual shares on the other. The former represent past investment in the creation or maintenance of the enterprise, the latter, investment in its future. This difference has a corollary in the "price" of the two kinds of shares. For the complete regulations concerning B shares, see the appendices in Y. Hu (1993).

Perhaps the most important difference, for our purposes, is that which has already been mentioned in Chapter II: neither state shares (guojiagu) nor legal-person shares (farengu) can, in principle, be sold on the Shanghai Securities Exchange. This means that the percentages of ownership set forth in Table A below are, for the moment, fixed. However, a number of well positioned informants told me that both central and local authorities now think that a controlling minority of state shares is sufficient to protect the state's interests. Whether this means that a higher percentage of individual ownership in enterprise will be allowed, or whether the middle route of increased "legal person" ownership will be favored, is an open question. Those interested in increasing the efficiency of enterprise will insist on a higher percentage of individual participation in management. Those worried about the growth of a powerful, genuinely private sector will prefer working through legal persons.

Changing the proportion of state to legal person and individual shares for enterprises not yet "stockified" is simple: the People's Bank has only to authorize the issuing of a higher percentage of shares to the public. Selling off state shares in enterprises which already have their shares listed on the secondary market is more delicate. In April of 1992, rumor had it that the state had plans to sell state shares on the Shanghai Exchange. However, this experiment was postponed when these rumors caused a sharp drop in the market. Until the Exchange has enough volume to absorb largish quantities of new shares without serious effects on price, it is unlikely that any portion of state-owned shares for the fifty companies listed below will be sold. Furthermore, the ideological question of whether the state has the right to reap the windfall profits created by "stock fever" has not been resolved.
shares. The state is not buying shares but simply having the value of its past
investments translated into share form. Thus, the "face value" of state shares is
simply an accounting baseline. By contrast, the "premium value" of shares issued
to the public is a real price: it represents the amount of money which new
investors must pay to buy a share of the enterprise. This difference is not
generally understood or taken into account by Shanghai citizens, however, and it is
a source of constant irritation that the state appears to be able to buy its shares at
a "discount".20

When we turn from investment to ownership, another cut becomes
relevant, that between state shares and legal-person shares, on the one hand, and
individual shares, on the other. In state ideological terms, the former qualify as
forms of public ownership of the means of production (gongyouzhi). That state
ownership is public ownership, because the state represents the interests of the
whole people, is a tenet of Chinese socialism and Western capitalism alike. That
ownership by legal persons also represents public ownership is based on the fact
that enterprises given the opportunity to invest in joint-stock companies are
virtually always themselves state-owned.21

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20This complaint can be found in the topics of discussion listed in Chapter IV.

21In fact, the "public" status of "legal person shares" is even more confusing
that this already confusing account would have it. At the simplest level, farengu
represent public ownerhips because they cannot be purchased by individuals, nor
even by small clearly private enterprises. However, shares offered to legal persons
and individuals on the market are called "public" issuances (gongkai faxing). Thus,
another notion of the public -- that associated with the open market -- seems to
justify classifying legal persons as public ownership.
The following table summarizes the date of issuance, industry sector and ownership structure of the fifty companies on or about to come onto the Shanghai market as of December 31, 1992.\textsuperscript{22}

Further complicating this picture is the fact that government agencies as such are not legal persons. So, for example, the Ministry of Heavy Industry cannot purchase shares directly in China Textile Machinery (\textit{Zhongfangji}). However, most ministries and agencies have subsidiary legal person arms or related holding companies or groups which are either directly under their influence or tied to them by the kind of \textit{guanxi} network examined in Chapter II. These legal person shares are thus owned by the State in another guise. Furthermore, not only does the distribution of \textit{farengu} ensure state ownership, it often reproduces the precise institutional linkages which existed between government and enterprise prior to "stockification" (\textit{gufenhua}). This is because joint-stock companies who have discretion over whom they sell shares to would rather sell shares to an agency with which they have prior connections, and which might still be able to help it with administrative matters, than to an unknown enterprise.

Finally, there are the legal person shares owned by work units (\textit{danwei}) in mutual fund-like arrangements for their workers, as discussed in Chapter II.

\textsuperscript{22}This table was compiled on the basis of figures in Guan \& Wu (1992), Jin, Xiao \& Xu (1991), and \textit{Zhengquan Shichang} (Securities Market Weekly), a magazine published by the Stock Exchange Executive Council in Beijing.
Table A
Ownership Structure of Shanghai Joint-stock Companies

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Year Apprv’d</th>
<th>Product or Service</th>
<th>% of Shares Owned by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>guojie</td>
</tr>
<tr>
<td>Feile Xinxiang (xiao)</td>
<td>1984</td>
<td>stereo equip manu</td>
<td>--</td>
</tr>
<tr>
<td>Yanzhong</td>
<td>1985</td>
<td>office equip manu</td>
<td>--</td>
</tr>
<tr>
<td>Aishi</td>
<td>1985</td>
<td>electronic manu</td>
<td>--</td>
</tr>
<tr>
<td>Shenhua</td>
<td>1987</td>
<td>transp’t, invest’t</td>
<td>--</td>
</tr>
<tr>
<td>Feile Gufen (da)</td>
<td>1987</td>
<td>stereo equip manu</td>
<td>65</td>
</tr>
<tr>
<td>Diamzenkong (Vacuum)</td>
<td>1987</td>
<td>vacuum tubes manu</td>
<td>50</td>
</tr>
<tr>
<td>Penghuang (Zhejiang)</td>
<td>1989</td>
<td>chemical prdct manu</td>
<td>79</td>
</tr>
<tr>
<td>Xingye</td>
<td>1991</td>
<td>real estate invest’t</td>
<td>--</td>
</tr>
<tr>
<td>Erfangji (ETM)</td>
<td>1991</td>
<td>textile mchnry manu</td>
<td>46</td>
</tr>
<tr>
<td>Lianhe Fangzhi (UT)</td>
<td>1991</td>
<td>textile industry promo</td>
<td>--</td>
</tr>
<tr>
<td>Qinggong Jijie</td>
<td>1991</td>
<td>light industry machine</td>
<td>94</td>
</tr>
<tr>
<td>Yixing Ganguan</td>
<td>1991</td>
<td>pipe manufacturing</td>
<td>65</td>
</tr>
<tr>
<td>Jiafeng</td>
<td>1992</td>
<td>textile manufacturing</td>
<td>84</td>
</tr>
<tr>
<td>Yuyuan (Shangcheng)</td>
<td>1992</td>
<td>tourist industry</td>
<td>14</td>
</tr>
<tr>
<td>Jiaoda (Rubber Belt)</td>
<td>1992</td>
<td>industrial belt manu</td>
<td>50</td>
</tr>
<tr>
<td>Fenghua</td>
<td>1992</td>
<td>pen manufacturing</td>
<td>68</td>
</tr>
<tr>
<td>Yongsheng (Wingsun)</td>
<td>1992</td>
<td>pen manufacturing</td>
<td>54</td>
</tr>
<tr>
<td>Zhongfangji (China)</td>
<td>1992</td>
<td>textile mchnry manu</td>
<td>53</td>
</tr>
<tr>
<td>Dtyi Qianbi (CFP)</td>
<td>1992</td>
<td>pencil manufacturing</td>
<td>45</td>
</tr>
<tr>
<td>Bazhong (DZ Taxi)</td>
<td>1992</td>
<td>taxi service</td>
<td>59</td>
</tr>
<tr>
<td>Jiabo</td>
<td>1992</td>
<td>lighting prdct manu</td>
<td>--</td>
</tr>
<tr>
<td>Shuixian</td>
<td>1992</td>
<td>electronic manu</td>
<td>71</td>
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<tr>
<td>Longcui</td>
<td>1992</td>
<td>textile manufacturing</td>
<td>74</td>
</tr>
<tr>
<td>Shihai Yiyan</td>
<td>1992</td>
<td>retail sale</td>
<td>56</td>
</tr>
<tr>
<td>Dongfang Mingzhu</td>
<td>1992</td>
<td>broadcasting invest’t</td>
<td>--</td>
</tr>
<tr>
<td>Luntai (T &amp; R)</td>
<td>1992</td>
<td>tire &amp; rubber manu</td>
<td>69</td>
</tr>
<tr>
<td>Xin Shijie</td>
<td>1992</td>
<td>retail sale</td>
<td>55</td>
</tr>
<tr>
<td>Lujiatui Kaifa</td>
<td>1992</td>
<td>Pudong promotion</td>
<td>94</td>
</tr>
<tr>
<td>Nuolian Shangxia</td>
<td>1992</td>
<td>retail sales</td>
<td>45</td>
</tr>
<tr>
<td>Lianghua</td>
<td>1992</td>
<td>wholesaling staples</td>
<td>--</td>
</tr>
<tr>
<td>Jinling</td>
<td>1992</td>
<td>electronics manu</td>
<td>--</td>
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<tr>
<td>SH Electric</td>
<td>1992</td>
<td>electronics manu</td>
<td>89</td>
</tr>
<tr>
<td>Waigaqiao (WDC)</td>
<td>1992</td>
<td>Pudong promotion</td>
<td>75</td>
</tr>
<tr>
<td>Dtyi Shipin</td>
<td>1992</td>
<td>retail sales</td>
<td>34</td>
</tr>
<tr>
<td>Shangye Wandgian</td>
<td>1992</td>
<td>real estate invest’t</td>
<td>--</td>
</tr>
<tr>
<td>Liannong</td>
<td>1992</td>
<td>wholesaling, ag.prdts</td>
<td>32</td>
</tr>
<tr>
<td>Bingxiang (Comp’sor)</td>
<td>1992</td>
<td>compressor manu</td>
<td>47</td>
</tr>
<tr>
<td>Liujiang Chloro-Alkali</td>
<td>1992</td>
<td>chemical processing</td>
<td>61</td>
</tr>
<tr>
<td>Nainiao</td>
<td>1992</td>
<td>electronics manu</td>
<td>--</td>
</tr>
<tr>
<td>Lingtiao</td>
<td>1992</td>
<td>drinking water supply</td>
<td>66</td>
</tr>
<tr>
<td>Jingqiao (JDC)</td>
<td>1992</td>
<td>Pudong promotion</td>
<td>59</td>
</tr>
<tr>
<td>Lianghua Heqian</td>
<td>1992</td>
<td>textile manu</td>
<td>73</td>
</tr>
<tr>
<td>Fuhua</td>
<td>1992</td>
<td>high-tech r &amp; d</td>
<td>10</td>
</tr>
<tr>
<td>Shenda</td>
<td>1992</td>
<td>textile manu</td>
<td>74</td>
</tr>
<tr>
<td>Langguang</td>
<td>1992</td>
<td>optical equip manu</td>
<td>56</td>
</tr>
<tr>
<td>Xinya</td>
<td>1992</td>
<td>fast food manu/sales</td>
<td>59</td>
</tr>
<tr>
<td>Pudong Qiangsheng</td>
<td>1992</td>
<td>taxi service</td>
<td>57</td>
</tr>
<tr>
<td>Zhongcheng</td>
<td>1992</td>
<td>real estate invest’t</td>
<td>84</td>
</tr>
<tr>
<td>Xin Jinjiang (XJJ)</td>
<td>1992</td>
<td>hotel services</td>
<td>32</td>
</tr>
<tr>
<td>Shuanglu</td>
<td>1992</td>
<td>refrigerator manu</td>
<td>--</td>
</tr>
</tbody>
</table>
It should be more than apparent from this Table that "stockification", or transformation to the share-holding system, is in no sense equivalent to "privatization", a word which is frequently heard in the press, and which makes up part of the assumptions examined under the rubric of "capitalism", discussed in Chapter I. As can be seen, genuinely private ownership occupies a minor, sometimes minuscule, place in the share structure of previously state-owned enterprises.

Turning from ownership formally defined to control, it becomes even clearer that these new joint-stock companies are still, for the most part, state-run. The previous manager (changzhang) and party secretary (dang zhibu shuji) are most commonly reappointed as the company's new chief executive officer (zong jingli) and chairman of the board (dongshizhang), respectively. Untrained in management techniques and unfamiliar with the enterprise, the State Assets Management Administration does not attempt to exercise its rights as majority share-holder, except to survey the initial transformation of the enterprise into the share-holding form. The real functions of the board of directors are delegated to share-holders (or "honorary" members of the board) more familiar with the

23Beyond frequent journalist references, the word "privatization" is used in the promotional literature of a large Swiss bank involved in underwriting China's international offerings. This bank is one of the best informed foreign presences participating in gufenhua in Shanghai. Their use of this term thus reflectss ideology or marketing strategy (fraud?), not ignorance. Hu's China's Capital Markets (1993) is also (intentionally?) vague on the structure of ownership on China's stock markets. Both the Chinese and foreign brokers banking on the China market (one of whom employs Hu) have an interest in maintaining this confusion.
enterprise in question, that is, to the same ministries and parent companies which administered the enterprise prior to transformation to share-holding (gufenhua).24

This detour through share-holding reforms on the primary market is crucial to our understanding of the role of the state in regulating the secondary market. Unlike in the West, where these two markets remain, in theory, quite distinct, in Shanghai they interact constantly, as some of the same state agencies implicated in regulating the former also regulate the latter. We turn now to the description of state agencies responsible for the Shanghai Securities Exchange, the only secondary market in shares in Shanghai.

2. Regulating the Secondary Market

Like all provinces and provincial-level municipalities in China, the Shanghai administration is formally under the direct control of central authorities. Each arm of the municipal government has its equivalent arm in Beijing (as with the local and central bureaus of the State Assets Management Administration, examined above), and receives directives from its parent agency. In practice, however, the relations between central and local authorities are far more complex

24Individual investors participate in management to an even lesser degree than the percentages listed in Table A would indicate. Most company charters include provisions that individual shareholders must possess a minimum (usually rather high) number of shares before they may participate in shareholders' meetings. Groups of individual investors who combine their shares to meet this minimum may delegate a representative, but these representatives, unfamiliar with the procedures for shareholder democracy and cynical about the real possibilities for exercising their vote, do not usually participate actively. As of December of 1992, no companies provided for share-holder vote by written proxy.
than this simple centralized picture indicates; indeed, central-local relations are
one of the most delicate and dynamic areas of change in reform China. This is
not the place to enter into a theoretical discussion of this problem. Rather, I will
illustrate this dynamic as it works itself out in the area of the stock market.\footnote{25}

When I began my fieldwork in February, the principal agency responsible
for the Shanghai stock market was the Shanghai Branch of the People's Bank of
China, more specifically, its Finance Administration and Regulation Office (Jinrong
Xingzheng Guanli Chu, or Jinguanchu).\footnote{26} It was this Office which had authorized
initial experiments with transformation to the share-holding system in mid-1986.

\footnote{25}Shanghai has earned a reputation as a relatively well-behaved locality, in
contrast to Guangzhou and Shenzhen, but also to other importance cities such as
Wuhan, Shenyang and Tianjin. Whether this reputation is based on a particularly
Shanghainese way of relating to Beijing (as Lucien Pye suggests (1981), or reflects
the fact that Beijing has consistently kept a tighter hold on Shanghai, merits
investigation.

\footnote{26}Just after I left the field, the State Council created a new Securities
Commission (Guowuyuan Zhengquan Weiyuanhui, or Guozhengwei) to oversee the
general development of the securities market nationally by drafting laws and
setting the pace of securities reforms. Under this Commission is a specialized
agency, the China Securities Supervisory and Regulatory Commission (Zhongguo
Zhengquan Jiandu Guanli Weiyuanhui, or Zhengjianwei) which is meant to act as a
watchdog agency, much like the U.S. Securities and Exchange Commission. The
Zhengjianwei was to have authority over local regulatory bodies, in the case of
Shanghai, the Shanghai Securities Regulatory Commission (Shanghai Zhengquan
Guanli Weiyuanhui, or Zhengguanwei), to be discussed below. As of March 1994,
it appeared that this central control merely nominal (pers. comm. and FEER
1994b). However, the latest report in the Far Eastern Economic Review suggests
that this is an area where the center is not about to relinquish the battle (FEER
1994a). Meanwhile, the central People's Bank has been formally excluded from
the stock market regulatory business. In Shanghai, the heads of the Finance
Administration and Regulatory Office have been transferred to the new Shanghai
Regulatory Commission (pers. comm.).
which had approved the "stockification" and listing of all companies on the market, and which had issued initial and subsequent written regulations governing the primary and secondary markets in Shanghai. The Jinguanchu's formal mandate was to set down the basic goals (jiben yitu) for stock market regulation. Mere administrative and technical problems, such as the ins-and-outs of the computerized trading system, or the practicalities of establishing customer accounts and services, were to be handled by the Shanghai Securities Exchange and the securities companies. Even from my brief interviews with members of this office, it was clear that they were fierce defenders of their independence from both central and other municipal government agencies.

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27 See the regulations collected in *Shanghai Zhengquan Nianjian 1992* (Shanghai Securities Year Book 1992). In addition, this office was preparing basic laws on joint-stock companies, financial accounting standards, and internal shares at the time of my fieldwork.

28 For example, when asked whether central authorities helped to formulate the conceptual framework for the market, one interviewee said flatly, "No. If the locality thinks it can handle it, then it goes ahead" ("Difang renwei keyi gao, jiu gaoqilai"). When asked whether the laws being drafted would require central approval, his response was that the center would have a look at them but would not make any public statement (buchumian). However, when asked whether this Office identified as a central or local agency -- after an initial and important difficulty translating the notion "identify as" -- his response was: "We must remain consistent with the Central Bank" (gen zhonghang baochi yizhi). As for competing local agencies, this interviewee stated that: "All concrete decisions are taken by this Office, even if they are publicized in the newspaper as if they were taken by the Exchange".

Even in this brief exchange, it was evident that competition for authority, power and prestige between these different agencies was a very real but strictly tacit part of regulatory practice. There is also every reason to doubt the accuracy of this interviewee's claims to power. Other well-placed acquaintances told me that all major decisions are discussed and negotiated with both the city government and central authorities.
From my interviews, I was of the opinion that the administrators in charge of the stock market at the Shanghai Branch were highly competent and responsible officials. Most had received graduate training in economics, law and finance, mainly in Chinese universities, and many had been abroad for long enough to understand how stock markets work in the West and Japan, and to measure the kinds and dimensions of the "problems" in the Shanghai market. Indeed, the rhetoric of top officials in this Office was -- during my interviews with them -- entirely Western. No even pro forma references to socialism or "Chinese characteristics" were to be heard. Rather, the problems they appeared worried about were precisely those problems which Western observers tend to point to: an inadequate legal framework governing such issues as disclosure and insider-trading, or "abnormal" (buguifan) accounting standards detracting from the reliability and comparability of company financial statements. When pressed, these officials also talked in very Western ways about the necessity of getting the government out of the business of day-to-day regulation. These tendencies to "intervene" (canyu) in the normal functioning of the market were always laid at the door of another agency, either the Shanghai Securities Exchange itself or the Shanghai Securities Regulatory Commission.29

However, interviews with other agencies and with employees lower down on the bureaucratic ladder suggest that the People's Bank conducted its fair share

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29One of my interviewees was openly contemptuous of these other agencies, stating frankly that the people in charge "don't understand what a market is" (budong shichang).
of "intervening" in the market. This intervening could take many forms, all of which will be discussed below. What is important here are the justifications for intervention. In the words of my interviewee, the stock market was now in a period of adjustment (tiaozheng jieduan). Stock people's psychological ability to take losses was very poor (gumin de xinli chengshou nengli tai cha). It was their Office's job to diminish as much as possible the shock to society (jinliang jianshao dui shehui de zhengdang) and avoid social unrest (bimian shehui gaoluan) by exercising control over the market.

I retranscribe the details of this official line because I was never again to hear these justifications offered directly by any agency involved in regulating the stock market. Perhaps, this line was increasingly perceived as "abnormal" (buguifan), that is, as a mode of discourse which did not match international standards. Perhaps, this silence simply reflected the standard government silence surrounding motives (to be discussed below). However, the unanimous consensus among interviewees outside the government was that this set of concerns was extremely important to all regulators, and often determined the direction of specific policy decisions. The primary place where these concerns were acted

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30 I conducted interviews with employees lower on the echelon in March and April, and put off those with the leaders of this Office until November and December. The difference in rhetoric between these two sets of interviews may also reflect the fact that a Western line on how to regulate stock markets was learned over the course of 1992.

31 Frequently, these concerns were expressed as a worry that some one would commit suicide by throwing himself from a building because the prices of his holdings had dropped (tiaolou -- notice the mimetic potential of this image in both
on was the Shanghai Securities Regulatory Commission (Shanghai Zhengguanwei).

I repeatedly asked and was never given interviews with members of this Commission, which leads me to think that it was the most powerful agency operating in Shanghai. It was made up of the Vice-Mayor of Shanghai in charge of the stock market, and top officials from all related municipal bureaus and agencies. These ranged from the Bureau of Finance and Taxation to the Commissions for Economic Reforms and Commerce, to, more surprisingly, the Bureau of Public Security. It also included representatives from the major brokerages in Shanghai and, of course, from the Exchange itself.

The Commission met regularly (at least once a week). It appeared to be more concerned with the secondary market than with the primary market, that is, it was concerned with those aspects of the stock market which touched on the masses. Members from city government were generally not trained in any Western discipline. Rather, they were reform-minded Chinese bureaucrats, concerned with the governance of their city, not the rules of supply and demand. The Commission rarely issued directives or regulations in its own name. Rather, it worked through the Shanghai Securities Exchange, over which it had a great deal

English and Chinese). During the early part of my fieldwork, I was assured that if anyone were to commit suicide, it would put the whole stock market project in jeopardy, for suicide was a possibility only in the context of an exploitative capitalist stock market. However, over the course of 1992, an indeterminate number of people did commit stock-related suicide (seven cases were publicized, but rumor had it that more than twenty people had died), and a hault was not called to these reforms. I attribute this to the powerful fantasy of popular discontent which works on Chinese leaders at all levels, as discussed in Chapter I.
of influence (though no formal authority).

The Shanghai Securities Exchange is the third-most importance institution in the regulatory framework. The official structure of the Exchange is that of a fully independent, "not-for-profit membership organization" (feiyingle de huíyuánzhī). Members rent chairs on the Exchange, for which they pay a yearly fee which depends on their size. The Exchange is governed by a board of directors which meets annually, and which is comprised of many of the principal banks, brokerages, and investment and trust companies in Shanghai. This board of directors may be important for the connections they bring to the Exchange. However, within the organization itself, it appears that important decisions taken by the Exchange must be approved by the Shanghai Branch, its "head" (tóu), and the Municipal government through the Shanghai Securities Regulatory Commission.

The fourth set of institutions with the capacity to "intervene" in the market are the brokerage houses, called collectively the securities organizations (zhengquan jīgōu). As already mentioned, these companies are linked to major government agencies via their parent companies (banks, ministries, and investment and trust companies) and through their representatives on the Shanghai Securities Regulatory Commission. These companies are frequently the only agencies in the position to execute decisions taken by the government to "intervene" in the market, for it is these companies which are authorized to buy and sell shares on their own accounts. As we shall see, an important part of government regulation
consists in ordering these companies to buy up or sell out large quantities of a
given stock or stocks in order to influence market price and direction.

Finally, it appears that Shanghai was frequently subject to suggestions or
pressure from central authorities who wished to see the market acting in one way
or another. These pressures were never made public, although the visits of all
central leaders to the Exchange made front page news in the *Shanghai Securities
Weekly*. One of the most frequent topics of rumoring as discussed in Chapter IV
were the trips which then-Chairman of the Exchange, Wei Wenyuan, took to
Beijing. Generally, on the Monday after such a trip, a version of what the center
(*zhongyang*) wanted the stock market to look like circulated around the city,
causing a certain number of price flurries. When the market entered its period of
prolonged decline, in the fall of 1992, it was even said that Vice-Premier Zhu
Rongji had personally come to Shanghai to tell the securities organizations how to
behave. "And, do they respect him?", I asked. "They don't respect him", was the
immediate reply. "They're afraid of him".

3. An Ethnography of Administrative Function

I have outlined the principal agencies with authority over and responsibility
for the primary and secondary market in shares. However, it should already be
apparent that the task of determining how the market is regulated involves far
more than a routine accounting of institutional design.

Ascertaining which of the various agencies with regulatory authority over the stock
market was behind which policy decision turned out to be one of the more
difficult tasks I set myself during my fieldwork.

In China, decisions are regularly made by an agency other than the one
issuing the public announcement of the decision. This secrecy is a crucial element
of administrative functioning, and was one of my principal sources of trauma
during my fieldwork. For, the attempt to discover exactly who is behind a given
policy position is viewed with suspicion and trepidation, suspicion on the part of
those whom one is asking, trepidation on the part of one's assistant or advisor.
Revelations are made in a tone of hushed intimacy which is both thrilling and
disconcerting. It seems to matter little that the content of the decision has
already been made fully public, or that it is innocuous in its design and its effects.
The Chinese government reserves the right to operate incognito.32

For the most party, Chinese investors do not even attempt to follow
through on government decisions. Rather, and this was most surprising, the
degree of sophistication which goes into interpreting the actions and motives of

32 Throughout my fieldwork and even as I write, I found this principal of
Chinese governmentality difficult to contemplate with that matter-of-factness
which should characterize the anthropological perspective. Clearly, transparency
in government is a principle I hold dear, or if not dear, at least deep.
I became particularly infuriated when I heard Chinese officials complain
about the "immaturity" (buchengshu) of Shanghainese investors, and the difficulties
this created for constructing a truly "normalized" (guifanhua), international stock
market. Trembling with conviction, I would suggest that lack of transparency in
government was a far greater problem in foreign eyes than investor eagerness.
These bursts of temper met with varying responses. From those who felt safely
out of the line of fire, there was hearty agreement. From those who felt
implicated, I received bland statements about how everything is published but
perhaps, as a foreigner, I simply did not know how to find the sources.
"the state" (guojia) as discussed in previous chapters is not matched by a sophistication about who this state really is. I frequently asked investors which arm of the state they thought was the author of a given policy change or declaration. Rarely did even well-informed investors know the answer, nor did they seem concerned to know.

The foregoing is all by way of a large caveat. While I tried repeatedly to figure out the source of each decision so as to chart differing institutional "cultures", I can say that I only succeeded in a very few cases in coming up with what I can take to be reliable information. This is because I did not want to over-tax the patience of those people in a position to help me, for every such demand was a demand of some importance. Furthermore, officials themselves were in no small degree of confusion about who should be doing what -- confusion which was frequently attributed to the "youth" of the stock market regulatory apparatus. To give credit where credit is due, many of the administrative structures put in place to regulate the stock market were indeed new, and undergoing rapid evolution.

The most basic form of regulations were those issued by the Shanghai Securities Exchange to govern the technical aspects of the Exchange. These included decisions to fix the minimum price difference which counts as a "bid" (I

\[33\] Of course, confusion has its tactical advantages. It promotes greater caution and greater secrecy, goals generally approved by all concerned. It also provides a way for central authorities to reprimand subordinate agencies for making mistakes, while taking credit for all positive achievements. Confusion is and has always been a principal element in Chinese "strategy" (von Senger 1991).
believe this is called a "tick" on the New York Stock Exchange) to 5 fen or 5/100ths of a yuan, or decisions about how the opening price for the day will be fixed. These regulations were called "administrative regulations" (xingzheng guanli), were published regularly in the Shanghai Securities Weekly, and occasioned little interest from investors.

The next important set of regulations, also published regularly in the Shanghai Securities Weekly, were all those measures taken during the first half of 1992 to fix ceilings and floors for maximum price movements. During the second half of the year, these measures also included decisions about when to release onto the market the 29 newly approved joint-stock companies for 1992. These decisions were routinely issued in the name of the Exchange. However, it is unlikely that they were taken without prior consultation with the Jinguanchu of the Shanghai People's Bank, and city officials on the Shanghai Securities Regulatory Commission.

Needless-to-say, these regulations occasioned far more popular interest, as they generally had immediate effect on price. Like all news of any importance in the stock market, all well informed investors new of these decisions hours if not days before they were made public. Indeed, some people speculated that officials had an incentive to issue as many of this type of regulation as possible, as they could then profit from their insider knowledge by buying and selling on their own
A third form of regulation were those public pronouncements by city officials connected with the stock market which commented on the propriety of various prices, or the problems they perceived in the market. These pronouncements were not decisions as such, but they were taken to mean -- and most people would say intended to be taken to mean -- that some as yet unforeseeable government action was imminent. Because the consequences of such action were left intentionally vague, these pronouncements generally had an even stronger effect on market prices than the official regulations mentioned above.

A fourth form of regulation, often called "adjustment" (tiaokong) by the government and "manipulation" (caozong) by the investing public, were orders given to stock-broking companies to intervene in the market in one way or another. In the fall of 1992, when this action was most visible, this involved ordering the securities organization to "prop up the market" (tuoshi) by buying in large quantities of shares on their own accounts. These measures, while meant to be secret, were visible to all dahu through the computer terminals in the dahushi which reported each trade with the number of the purchasing agent.

I managed to trace one such "regulation" -- designed to slow the selling

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34 Officials with any connection with the stock market were strictly forbidden to buy or sell stocks. However, it was the opinion of everyone I talked with, including rather high-placed officials and academics, that 99% of all city officials were indeed engaging in various forms of insider trading through friends and relatives. It is, of course, impossible to prove that this is the case.
spree which was infesting the autumn market -- to its real source, the Shanghai Securities Regulatory Commission. This regulation, which was not publicized, took the form of an order given to all "organizations" on the market forbidding them to sell shares until seven days after they had bought them. It was this measure which had caused one official of the Shanghai People's Bank to sputter that city officials "don't understand how markets work" (budong shichang). And indeed, the measure had precisely the opposite effect from that desired, as brokerage houses rushed to rid themselves of unwanted shares at any price as soon as the seven day limit was up.

Finally, city officials and perhaps even the Shanghai People's Bank sometimes chose to "regulate" the market through the judicious spreading of rumors. In one case I witnessed, this took the form of a securities company leaking advanced policy information to its dahu in order to encourage them to buy into the sinking market. It was up to dahu to decide how to interpret this information, as it was it was offered as a form of manipulation through rumor, and other times in the spirit of cautious collegiality which reigned between brokerages and "their" dahu. In other cases, plants were sent out to spread rumors among the dispersed players gathered in the Cultural Palace.

Whatever form government regulation or manipulation of the market took, it was generally summed up by investors in a single word: "interference" (ganshe). Most investors believed that the long declining market of the second half of 1992 was largely the fault of this "interference". After all, they pointed out, China's
economic indices were excellent, and she was reaching world records in economic growth rates, so there were no objective reasons for the stock market to be down. In fact, as we shall see below, there were reasons specific to the structure of the Shanghai market in shares which would have caused a decline regardless of government attempts to manipulate price. However, what is important for our purposes here is the general perception -- shared by both government officials and investors -- that political forces could determine the direction of market movements. It was this belief -- which we may call a form of state fetishism -- which was to be slowly and almost imperceptibly challenged over the course of the speculative cycle of 1992. It is to that cycle which we now turn.

4. An Interventionist Cycle

As I have said, 1992 began as a slow and listless year for the Shanghai stock market. Unsure of the direction of "political winds", tight controls were set on price movements and no new shares came onto the market. Dahu entertained themselves by buying and selling shares amongst themselves to reach the turnover limitations and kick the price of small shares up 1% a day, and stock officials responded with menacing statements about the need to fight against dahu manipulation.

351% movement/day on those shares which recorded a turnover for that same day of 3/1000th of total shares issued. Needless-to-say, under these conditions the prices of shares in most state-run companies and in companies with a very large share-base simply did not move.
However, with Deng's Southern Tour and the political opportunities it created, Shanghai officials became bolder. Price movements on two shares on the market were freed on February 18th, and five new shares came onto the market on March 23. *Dahu* were also given more room to maneuver, and they honed their cornering and cartelizing skills, much to the consternation of officials who again issued menacing pronouncements on March 16th that all share-holders would be required to register officially with the city government before trading. The results of these three months of government regulation and popular interest are depicted in Graph A below.
The second three months of 1992 were taken up with the progressive "liberalization" of price ceilings. On March 27th the price ceilings for five new shares which had just come onto the market were eliminated. Then on April 13th, three "old shares" (laogu) were allowed to fluctuate within a 5% rather than a 1% margin. On May 11, all shares not fluctuating freely were shifted to a 5% margin, and finally, on May 21, the prices of all shares on the Shanghai market were freed.

Just as officials feared, there followed an immediate and enormous jump in the Shanghai Stock Index, bringing it to its historical high-water mark of 1953. Frightened by this extreme reaction -- and jealous, many said, of the new wealth it was creating -- the Vice-mayor of Shanghai responsible for the stock market issued a public pronouncement on June 2, in which he intimated that dahu were chaoing the prices of the "four little dragons" (si xiao long) too high. As can be seen from Graph B below,

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36 This brief period in which three different regimes governed stock price movements was jokingly called "one country, three systems", after the slogan used to describe Hong Kong's 1997 transfer to Chinese sovereignty, "one country, two systems" (yiguo, liangzhi).

37 This appellation is an ironic reference to the "Four Dragons" (si xiao long), the four Asian countries (Hong Kong, Singapore, Taiwan and South Korea) which have registered spectacular growth rates in recent times. The "four little dragons" on the Shanghai market were the four collectives first transformed into joint-stock companies. Because they had no state-owned shares, dahu could corner controlling majorities in these companies.
the reaction to this declaration was immediate. The Shanghai Stock Index dropped more than 900 points to 1102 in two days.

This event marks what most investors consider the turning point in the 1992 market. For the next three months, share prices declined steadily for over 400 points. This decline is generally blamed on the clumsiness of the Vice-mayor's "interference". "From that point on", said one friend, "stock people became pessimistic about the market (gumin kanhuai le). However, there were other reasons accounting for this drop as well, the principal being the release of sixteen new shares on the market.\footnote{Seven of these new shares were B shares, sold and traded only among foreigners. These shares do not affect prices on the domestic A share market, as they do not draw on the same sources of capital.}

The summer months were marked by two incidents of great concern to stock market officials. The first, which took place in Shanghai on July 7th, is called the "Seven-Seven Incident\footnote{This is a joking reference to the famous "Seven-Seven Incident" (qi-qi shibian) during the War of Resistance against Japan. As we can see, stock market discourse displays a marked tendency to assimilate the stock market to great moments in Chinese and world history.}\. As rumor has it, the head of the Industrial and Commercial Bank in Shanghai made public pronouncements about the lottery system being used to distribute shares on the primary market to individual investors, suggesting that it was going to be discontinued. This lottery system formed the basis for an active black market in lottery tickets, which was accounting for a good portion of the wealth surrounding the stock market.
Infuriated, one hundred or so of the scalpers (huangniu) who made lottery tickets their business surrounded the car of the bank head, and threatened his life. This official was hurriedly escorted out of town under police protection, but Shanghai leaders were greatly shaken.

Not long after this event, the infamous Shenzhen share riots broke out on August 10th. Hundreds of thousands of Shenzhen investors, angered by rumors that Shenzhen share-purchasing coupons were being sold to the friends and relatives of officials instead of the public, rioted for more than 24 hours under the eyes of foreign journalists. The central government took immediate and severe action against Shenzhen officials allegedly involved in this corruption. Needless-to-say, a generally cautious wind floated through Shanghai at this time. The results of overall investor pessimism, the release of large quantities of new shares, and "social disturbances" can be read in Graph C below.

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During the fourth trimester of 1992, the Shanghai stock market bottomed out and began its route to a slow recovery. The principal incident of importance in this period was undoubtedly the 14th Party Congress in early October in Beijing. Even in September, rumors were flying that central authorities wanted to see a healthy stock market in Shanghai to mark this solemn occasion. Dahu could witness numerous examples of brokerage houses throughout the city buying in, attempting to push up share prices and start a wave of investor enthusiasm. Paralleling and undermining this effort, however, was the fact that eleven new shares were already approved for release onto the market, putting further downward pressure on prices. And indeed, prices continued to sink until well into November, when, finally, a massive buying spree by Caizheng Securities Company (under the central and local ministries of finance) brought the necessary energy to turn the market around. For the next month, first organizations, then dahu and then finally sanhu began buying in again at rising prices, and the market had completed its first speculative cycle, as depicted in Graph D below.
5. "Papa Deng came out for twenty minutes ..."

The lesson of the 14th Party Congress was a difficult one for "the state" to swallow. It is impossible to estimate the amount of money which the government threw away over the course of September and October in its efforts to prop up the market, but it certainly runs into the billions of yuan. Perhaps most disturbing of all was the terrible publicness of the entire event. Investors throughout Shanghai had watched while the government repeatedly failed to manipulate the market to suit its needs.

For Shanghai investors, particularly dahu who made the market their career, this was a moment of triumph. Not that they had not suffered terribly with the market collapse of the second half of the year. Many had been reduced to honorary dahu, their entire fortunes eaten up in the fall. But the demonstration of state weakness worked as a kind of revelation which offset much of their feelings of despondance.

A sardonic comment which circulated around Shanghai at the time of the 14th Party Congress does much to elucidate this new consciousness. All over the city, one could witness investors, tickled pink by the formulation they were repeating to each other: "Papa Deng made a twenty minute appearance, and the stock market rose for twenty minutes" ("Deng baba chulai le ershifenzhong, gushi zhang le ershifenzhong"). This joke worked because it brought to the fore in parody form the previously unconscious fetishization of state power to manipulate the market. Suddenly it was clear: "the market has its own natural rules"

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("shichang you zishen de guilu"), and not even Deng Xiaoping can do much about them.

The shift from state fetishism to market fetishism meant a shift from domination by "political" forces to domination by "natural" forces. Furthermore, these "natural forces" were "democratic", that is, they were equally mysterious and equally regular for everyone who tried to penetrate them. The attempt to predict market movements was thus an activity in which everyone was placed on an equal footing. In the words of one triumphant dahu who had accurately predicted the market's continued collapse throughout the 14th Party Congress, "Deng Xiaoping lost to me" ("Deng Xiaoping shugei wo le")!
Conclusion: The Trading Crowd

In an essay entitled *Imagined Communities* (1983), Benedict Anderson asks the question what is it that has led to the emergence of nations and nationalism as, respectively, the most powerful organizational form and group sentiment operating in the modern world. Anderson traces the emergence of nationalism over four centuries, showing how pre-nationalist forms of community (principally religious, but also dynastic) were gradually replaced by administrative monarchical communities which in turn gave way to nations. A primary element in this evolution, according to Anderson, is the advent of vernacular mass print-capitalism. The production and widespread circulation -- beginning with Luther's writing in the early 16th century -- of a vernacular literature available to expanded segments of the population created "imagined communities", those groupings of people who, while they would never meet, shared common references, and more importantly, shared a sense of themselves as a community through the printed word.

It may seem odd to invoke Anderson's essay on four centuries of Western history in the context of this thesis, an ethnographic study of one particular (though multi-faceted) institution at a particular moment in the history of one Chinese city. However, as my research and particularly my writing progressed, it became clear to me that the kinds of questions Anderson asks diachronically, I am
asking synchronically: how is community "imagined", that is, culturally constructed, in complex mass societies; how do social institutions facilitate and shape this imagining; and what different forms can these communities take? In so doing, I am simply taking a back-door entrance into the maze of questions surrounding the existence and nature of civil society in modern China (see Modern China 1993).

While my study is delimited by a single institution -- that mass financial institution which is the stock market -- I found that a holistic look at the competing

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1Anderson correctly notes that the creation of fictive communities is not a problem unique to modern society:

[A]ll communities larger than primordial villages of face-to-face contact (and perhaps even these) are imagined. Communities are to be distinguished, not by their falsity/genuineness, but by the style in which they are imagined. Javanese villagers have always known that they are connected to people they have never seen, but these ties were once imagined particularistically -- as infinitely stretchable nets of kinship and clientship. Until quite recently, the Javanese language had no word meaning 'society' (Anderson 1983:15-16).

(See also Lu (1992) on 19th-century origins of Chinese word for society).

This caveat is crucial, for the word "community" carries with it a bundle of connotations -- stemming principally from 19th-century European sociology -- which we should take care to avoid; I am thinking of the ways in which Tonnies's and Durkheim's theories of society have been put to the service of a nostalgic distinction between (present-day) "false" and (good-old-day) "genuine" communities, and of the structural-functionalist presumption of the functional integration of communities. I therefore to prefer to borrow the term "crowd" from Elias Canetti's Crowds and Power (1960).

Canetti's essay is also an inquiry into the forces behind imaginary communes, an inquiry which encompasses tribal societies, ancient Judeo-Christian and Muslim history, and contemporary social formations. While it (perhaps intentionally) lacks the precision of a historical study, this essay presents the enormous advantage of avoiding entirely the terrible pitfalls of "the Great Divide" -- that imaginary line which lies at the foundations of anthropology itself, and which separates us, the moderns, from them, the primitives.
and dynamic forms of sociability in Shanghai society at large was necessary to understand what I was seeing. With this background in mind, I have looked at the particular groupings which make up the stock market. I have concluded that over the year of my fieldwork I was witness to the emergence of a new form of imagined community, a community which both builds on and subtly alters what Anderson has called "the style in which [communities] are imagined" (1983:15). I have called this new formation the trading crowd.  

In attempting to pinpoint the nature of the trading crowd, I began with the notion of "stock fever", for this is also where my Shanghainese friends and acquaintances began. I noted that stock fever and speculative bubbles of all sorts are and have been a standard feature of Western financial practice since the Holland tulip mania of 1634 (Braudel 1982:101). However, what we in the 20th

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The phrase "trading crowd" is used as a term of art in U.S. stock markets to designate that group of buyers and sellers who actually determine the price of a given share at any given moment through competitive offerings. The pun is intentional, for it acts as a reminder that the emergence of markets is linked with the emergence of particular kinds of crowds in the Western historical imagination as well, and it hints at the need for comparative work on stock markets and community, work I hope to carry out in the future.

It is interesting to note, however, that early on in the West the crowd-like nature of markets was thoroughly occulted through the remarkable trope of "the invisible hand"; indeed, it may be that the brilliance of Adam Smith's creation lies precisely in his reinterpretation of the random (and hence threatening) activities of a crowd of traders as a transcendent (and hence religious) order. This substitution is also apparent in an earlier and, at the time, equally influential work of political economy, Mandeville's The Fable of the Bees, in which the random and selfish operations of individual participants in a market is given a socially functional interpretation with the metaphor of the bee-hive. In Mandeville's metaphor, however, the element of community, or crowd, is still present, whereas in Smith's it has been erased.
century West tend to think of as an economic phenomenon, my Shanghainese acquaintances perceived first as social; the problem was not so much the economic rationality or irrationality of the rush on the stock market, but rather the social pressures of the group on the individual which created and fed this rush.

As I have said, "fevers" (re) of all sorts are a common feature of urban Chinese life. Some of these take forms familiar to mass consumer culture the world round; others are more particular to China (and perhaps, more generally, to Communist and ex-Communist regimes). In the later category are the circulation of rumors, anti-government jingles and, most spectacularly, the Mao cult. All of these re create visual and/or oral communities, communities which are evanescent (for held together by a single activity only) but which nonetheless have the effect of acting out, in ways which are discretely counter-hegemonic, the commonality of the "ordinary people" (laobaixing) as against official culture.

However, if re tend towards the counter-hegemonic, it is by building on one of the primary models for social and cultural hegemony practiced in and by the People’s Republic since its founding, the movement (yundong). As illustrated, re and yundong share a common structure: an entire segment of the population is unified for a moment by a single activity. As a model for the application of government policy, yundong are representational: policy is implemented through dramatization. Thus, yundong too create visual and oral communities, evanescent in their particular form but nonetheless powerful enactments of the political purpose unifying the Party/State with the People. The astounding creative and
destructive force of these imagined communities is what gives recent Chinese
history much of its power and poignance. Stock fever is both a re and a yundong,
both top-down and bottom-up, both hegemonic and counter-hegemonic. Indeed,
it is the struggle between these two poles which makes up the Shakespearean
subplot of the indigenous narrative which I trace in this thesis.

We have characterized stock fever as the creation of a "crowd" of
investors -- stock "people", "members", "folk" or "civilians" in the Chinese (gumin).
When we turned to a sociological depiction of these gumin, however, we found
that they could not be fit neatly into those categories which group and segregate
citizens in Western industrial society: age, gender, income level, educational
status, ethnic background, class, or political leaning. This led us to an examination
(Chapter II) of the progressive break-up and partial recombination of the building
blocks of Shanghai civil society over the past forty years.

The implications of this recent history for the imagined communities of
urban China are enormous. While certain fundamental (though competing) status
distinctions are still very much present in Shanghai today (city resident/peasant;
+- official; +- "intellectual"; and more recently +- wealth) these categories are
cross-cut by an infinite number of particularistic networks which dilute the sense in
which citizens "belong" to a given social group. Other moments of communality

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3I have perhaps not made it sufficiently clear that in the West, this sense of
"belonging" is created out of the interpenetration of four distinct social systems:
the commercial, the aesthetic, the educational and the class. The consumption of
objects (material and intellectual) appropriate to one's social status, and,
circularly, the definition of social status through patterns of consumption is the
are necessary for the imaginings of community to bear fruit.

The stock market has provided one of the most fertile terrains on which these imaginings may set to work. At the most general level, the stock market represents a unique configuration of the tension between particularistic networks and the general public -- two very different conceptions of community both of which are powerfully present in contemporary Chinese culture. Stock offerings are open to the public through a city-run lottery system which, at least in 1992, guaranteed a minimum quantity of stock to all interested buyers, without regard to danwei affiliation, social position or wealth. Furthermore, to the extent that playing the market activated the particularistic ties of urban living (gossip networks, groups who pool funds, and connection webs (guanxiwang)), it also worked to transform these ties into a vast public market in which the effects of an infinite number of private decisions are visible to all. Playing the market well means using one’s gossip and information networks to create an image of the community of players, to imagine them in enough detail that one’s individual choices precede and anticipate those of one’s fellow "stock people".

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As discussed in Chapter II, the danwei system and the other systems of power and wealth in Shanghai did distort the distributive flow of stock to the public somewhat. Nonetheless, unlike in Shenzhen, in Shanghai sufficient lottery tickets were sold in late 1991 that anyone interested at that time could purchase one, and virtually everyone who purchased a lottery ticket was given the right to purchase 30 shares (the choice of company was not open to the purchaser but was determined by random) over the course of 1992.

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As we have seen, popular and official discourse further distinguishes three large group actors within the stock market itself: the dahu, the sanhu, and the guojia. Each of these "players" has its own particular characteristics, which I have examined in detail in Chapters III-V. Dahu, sanhu, and the guojia rarely act in concert, each group being riven with internal tensions and divisions of its own. However, what distinguishes them as units of analysis, both in Shanghainese discourse and in my own, is the particular techniques, imaginary or real, which each "player" has at its disposal for acting upon the market. I will call these communities of intention, for their coherence as groups depends on the notion that they act and interact with the intention of bringing about certain results. These groups are imagined as supra-individual agents, who actively seek to mold society -- in this case, the society of investors -- in accordance with their will.

The dahu is a counter-hegemonic character, a sort of anti-hero who, in the general cultural stereotype, has the power to flaunt the official regime of production and consumption.\(^5\) While dahu may make their money in all manner

\(^5\)In Levi-Straussian terms, this is apparent in a symbolic reversal which dahu operate. The quintessential dahu activity, "stir frying" (chao), metaphorizes money-making through exchange as the act of putting raw food in a wok to bring out cooked. The centrality of cooking in Chinese culture can hardly be overemphasized (Watson 1987, see generally Levi-Strauss 1975), and that it should turn up here as metaphor is hardly surprising. What is surprising is that it should be equated with exchange on the market, as opposed to production and consumption for the family.

This point is perhaps best illustrated by way of contrast. In Carsten's (1989) study of Malay fisherman, money and cooking are symbolically intermingled but to precisely the opposite effect: fisherman, who sell their catch on the market, systematically transfer to their wives the profits of this exchange; their wives then "cook" this money: "Just as they cook fish, women transform money from a means
of activities, the stock market has been a particularly attractive playing ground for Shanghai's dahu. Originally, when the legality of these profits was still unclear, only a small number of pioneering dahu existed, and these "old veterans" (laozhanbei) all knew or at least knew of each other. Recently, however, the number of dahu in Shanghai has mushroomed to anywhere between one and five thousand, and dahu have become principally an anonymous community in which only a few remarkable players or dahu rooms managed to single themselves out.

On the stock market, dahu frequently act as everybody else: they "play" (wan) the market, attempting to predict the vagaries of supply and demand through wide networks for the collection of information and gossip. However, where the financial muscle is available, dahu manifest a tendency to engage in far more lucrative and entertaining activities which fall under the general heading of "manipulating" or "stir-frying" (chao); these take the form of short-term cartels and corners as discussed in Chapter III. As dahu are very much aware, "manipulating" the market is not an abstract technique; it means manipulating the crowds of smaller investors, whose losses are the dahu gains.

If dahu represent the unofficial, even counter-official, side of market exchange to a consumption good so that it ceases to threaten and actually sustains the household" (Carsten 1989:118).

Official Chinese culture had shared this conception of exchange as dangerous when compared with the positively valued activities of production for and reproduction of the basic unit of society, the family. As we have seen, dahu behavior flies in the face of this official stance; freed from the obligations and strictures imposed by family and state, dahu "feed" on short-term speculative exchange and "consume" selfishly and ostentatiously.
manipulation, the state (guojia) represents its official face. As discussed in Chapter V, the guojia has at its disposal a great variety of regulatory techniques for "interfering" (ganshe) in the market, ranging from those which it announces publicly to those which it promulgates in the name of other agencies to those which remained "secret". However, as I have shown, "the state" is internally divided, as the different agencies representing it are moved by different pressures from above and beyond: those agencies in contact with Western financial institutions tend to feel a pressure to talk, if not act, as if government intervention in the market were illegitimate; those who answer to internal pressures, either from the Shanghai Municipal authorities or from Beijing, justify government intervention with the need to avoid the social unrest which they fear will follow from dramatic price movements.

_Dahu_ manipulate the market for private gain, while the state intervenes for what it believes to be the public good. And yet, it is official manipulation which occasions the more vehement resentment on the part of Shanghai "stock people". In part, this may be because it is easier for smaller investors to intercept and interact with _dahu_ networks, thereby profiting, if to a lesser degree than _dahu_.

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6I am speaking here of state action which is taken in the name of the state, not of the myriad actions taken by state officials for their own personal gain.

7I am leaving to one side here the question of corruption on the market. While corruption clearly involves market manipulation for private gain, it does not give rise to special considerations in the area of the stock market. Rather it represents a way in which official discourse and action is discredited in all areas of Chinese politics.
themselves, from their "stir frying" activities. However, investors are also regularly informed of government regulatory activities through the dense gossip networks which lace the city, and indeed, riding the waves of government intervention can be far more profitable to the well-informed than working for or through a dahu. Rather, it is the fetished vision of the state as a quixotic but all-powerful actor on the market -- a power which dahu mimic but will never attain -- which induces fascination and resentment. The guojia is a kind of alienated community, an anti-community viewed from the point of view of "stock people".

Enter the sanhu. For over the course of 1992, as we have seen, it is the sanhu who actually "won" the imaginary battle for market control staged between dahu, sanhu, and state. Of course, this sanhu triumph took place at the level of ideology: what it amounted to in practice was a full-fledged market collapse, brought on by an excess of supply on the market and a skittishness among investors about the direction of government policy. It was a triumph, however, to the extent that it overpowered the government's repeated attempts to reverse the course of the market. The passive response of a vast conglomerate of individual investors proved impermeable to the effects of state will. State "interference" was no longer merely illegitimate in popular ideology; it had been shown up as ineffectual.

It is this realization -- which took the form of comments, jokes, and topics of conversation throughout the Shanghai investment community over the fall of 1992 -- which transformed the community of "dispersed players" (sanhu) into what
I have called "the trading crowd". The trading crowd is a community not of intention but of effects; it is passive, it is made up of individuals who do not act in concert, and yet, produce real social effects. It is what we in the West would call "the market". If I have avoided this term, it is simply to highlight the social and political, rather than "purely economic",\(^8\) implications of the appearance of market ideology at this moment in China's recent history.

The trading crowd produce its effects not through the mobilization of sameness, but through the realization of difference. It is differences in the evaluations of different shares which allows for a trade, and it is the cummulation of these differences which allow us to speak as if "the market" is moving in one direction or another. The trading crowd is thus a community which in, at least one respect, is radically different from the types of community we have been examining throughout this thesis. It is a community of difference.

This community of difference has the further and important effect of disrupting the primordial opposition between "the State" and "the People" which we have examined throughout this thesis. On the stock market, it turns out that "the People" are not an entity which can be acted upon by "the State", nor are its interests advanced by circumvening, resisting or coopting "the State". Rather, each individual must make her way by informing herself about "the market", that

\(^8\)I have put this term in quotes to emphasize the fact that the very possibility of a "purely economic" realm depends on the prior separation of the economic from the social and the political. Its purity can only be reconstructed ex post facto.
conglomerate of forces, both of the State and of the People, which combine to
determine whether she will make or lose money.

If the study of the Shanghai stock market has any relevance to the
important question of the existence and role of civil society in China, it is, in my
view, in this escape from a vision of society which pits "the State" against "the
People". Shanghai civil society will take its distinctly Chinese and modern form to
the extent that it manages not to oppose the will of the state but rather to ignore
it. The stock market has provided an occasion for moving contemporary urban
ideology beyond an oppositional conception of state-society relations.
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