

Reuß-Markus Krauß  
Guanxi as a Model of Social Integration

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of Social Integration

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# Contents

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## Introduction

In recent years, various scholars have paid attention to Chinese political, economic and social developments. China has always fascinated me and this is why I specialize in this outstanding country in my studies. From a sociological point of view, the main question is if China will become a modern country like the Western ones. It is generally known that modernization usually changes the pattern of social integration. Therefore, it is questionable whether modernization generates integration models similar to those found in the West (i.e. in the Western civil society). In my analysis of the existing scientific literature about Chinese society, I came across a term called *guanxi*, which was often stressed to be important for the current changes in China. My first findings show that *guanxi* means a relationship and a relation network for different social patterns. *Guanxi* helps people do business, it helps villagers overcome material shortage and thereby creates a social order (i.e. prestige order) with all the features typical of prohibition and principles of action. This idea encouraged me to analyze whether these personal networks in China – *guanxi* – could be considered a model of social integration.

Since Thomas Gold published the first article on *guanxi* networks in Taiwan in 1985, a great number of articles and books have followed. Especially in the end of the 1990s when China became more integrated in the global economy, several guidebooks stressed the meaning of *guanxi*-networks for doing business in China<sup>1</sup>. However, the major part of this literature deals with economic or organizational aspects of *guanxi*. At the beginning of 1990s, a number of books focusing on the practice of *guanxi* in Chinese rural areas were published (Yan 1996, Yang 1994).

In the sense of this trend, Doug Guthrie (2006, 2002, 1999) analyzes China's transition to a market economy, arguing that *guanxi* occurs throughout “weak institutional environment” (Guthrie 2002, 37). Guthrie noticed that the effort to overcome the economic shortage after the Great Proletarian Cultural Revolution led to the formation of *guanxi* networks (Gold et al. 2002, 15). Accordingly, the mean-

<sup>1</sup> See reference *Guanxi and Guanxi Practice and Popular Books about Guanxi*.

ing of guanxi-networks and guanxi practice should decline with the establishment of legal-rational-institutions because guanxi is closely connected with the practice of favor and gift exchange. In Guthrie's opinion the formation of functional institutional background will abandon this practice.

Other scholars, such as Mayfair Yang and Yanjie Bian interpret guanxi and guanxi practice as a particular social system of Chinese societies. They assume that guanxi is tightly linked to Chinese culture. Furthermore, these scholars presume that the Chinese personal network originates from Confucian concepts (Gold et al 2002, 12-3). I understand guanxi as i.) a unique relationship between two persons with expansion toward a network of this specific relation, and ii.) a dynamic process of interaction or transfer of favors and gifts which is characterized by particular attributes (i.e. mutual reciprocity, long-lasting character, asymmetry etc.). But this is only a simple definition. A more detailed classification of guanxi follows in the first chapter.

There are some social scientists who explore the origin of guanxi and guanxi practice. As suggested above, there are some opinions maintaining that guanxi originates from Confucianism (Gold et al. 2002, 13). In the case of validation of this thesis, such a long tradition of guanxi could be evidence of durability of the old social system in China. However, I do not want to focus on the origin of guanxi. I would rather dwell on the question which function guanxi can play or already plays in a modern society.

I keep using a term which is not well known in sociology. Therefore I have decided to describe guanxi in the first chapter. Firstly I will summarize research results regarding guanxi in social science (chapter I.A.). For a better understanding, a distinction between the practice of guanxi (chapter I.B.) and the structure of guanxi-networks will be made (chapter I.C.). The practice of guanxi means a mechanism of seeking advantage through "backdoor connections". Contrary to this are the elements of the network (structure), the relationship between these elements and the question of the enlargement and stability of such a personal network. Chapter I.D. focuses on various implications of guanxi in the context of Chinese modernization.

The theoretical frame will come in the second chapter. I will describe the evolution of social integration and the model of social integration. Thus the development of changes in social integration – especially here during modernization – reveals the interconnected nature of structural changes and morphogenesis of interaction. The

concept of guanxi (network and practice) is, in my opinion, a model of social integration because i.) it generates a borderline (member or none-member), ii.) it specifies a relation between its members and iii.) it sets particular conditions for various interactions. I presumed that guanxi is a unique mechanism of social integration because it is stabilized through a certain durable process as opposed to other personal networks. It is a practice of mutual obligation with no real exit option. The exit option has fatal implications because the exit condition is accompanied not only by hard sanctions from network members, but also by sanctions from non-members who notice that behavior. Why does this mechanism simultaneously include people in and exclude them from the social system without regulating communication and respecting civil society and its values? From the inside, guanxi selects social relationships with different ascriptive status (solidarities) whereas from the outside, it is a network that excludes everyone who does not know or dispose of a mediator. Moreover, this network often excludes those who are not familiar with the mechanism itself or those who are of no benefit to its members.

The third chapter deals with modernization since 1992. Since then, the general conditions for guanxi have changed. Modernization affects patterns of social integration. Social integration closes a social system through the decision of membership. Accompanied by modernization, the conditions of membership have become variable and no longer tunable at the societal level. There is an order of inclusion and exclusion. And this piece of knowledge is also the main purpose of this research. I also intend to analyze and reclassify the effect of guanxi in China's social developments, i.e. modernization, after 1992. In this wide context I try to find answers to the question how China's modernization has continued since 1992. China's modernization is of particular interest because it is based on re-structuring measures of the planned economy without changing the political system. But will the final status of Chinese society equal the current status of Western countries? Contemporary theories of structural evolution, multiple modernity or hybridization deny such a development.

Finally, the chapter "Guanxi Revisited" follows. The theoretical approach (chapter II.) provides analyzing parameters for my research project. Conditions and changes in society allow a societal classification of guanxi (chapter III.). As consequences we found an assessment for guanxi during that period and answers of the Chinese way of modernization. In this project, I further intend to examine the

effect of a redefinition of the borderlines of membership within the exchange with foreigners, and then between different status groups within China itself. In the case of economic modernization, *guanxi* could lead to a fragmentation within China's society. In this case it might be useful to consider and analyze *guanxi* as a certain type of patronage-relationship. Patronage-relationships are a specific type of clientele-relationships which contain the exchange of resources. Furthermore the patronage-relationships are particular and diffused relationships which are often long-lasting and also determined by rules of long-term allegiance. Some reputable sociological theories argue that a patronage-relationship does not disappear by the reconstruction of modernization (Eisenstadt 2006, 280).

The other relevant hypothesis for my subject maintains that *guanxi* should be interpreted as a "zone of interpenetration of political, economic and kinship systems" which does not convert the social system into a universal model of modernization. Simultaneously one could assume that there is no rational legal system which incorporates all domains of social life in China. When analyzing *guanxi*, particular attention ought to be paid to its role in the integration of solidarity. It is a system of welfare and at the same time a mechanism of excluding from welfare. At the same time it could be seen as an ascriptive mechanism and not as a generalized description of the welfare state. In the case of confirmation of the thesis, such a finding would be very important for the theory of modernization because it would provide clear evidence that modernization is not the unification of social integration models. Perhaps China's modernization can be seen as a mixture of ascriptive solidarity (social particularization) and functional political and economic imperatives by a sudden global economic transition. Finally, this may shed light on a model of modernization such as de-traditionalization, despite the high mobilization and migration rate from peripheral areas into larger economic centers.

## I. *Guanxi*: A Certain Network and Particular Practice

Personal networks exist in different ways. Some are more functionally orientated, such as business networks; other networks are more socially orientated, such as friendship networks. *Guanxi* is a certain relationship, thus generating a certain network which is and has both elements of functional and social orientation. I try to illustrate this specific process using my own experience. With this example I attempt to demonstrate that the network based on mutual giving of gifts and favors could be enlarged freely.

During my last visit to China I made an interesting experience. I have some Chinese friends there whom I met several years ago. Zuo, a friend of mine, invited me for lunch. He caught me up at the East gate of the Peking University and introduced me to two other Chinese persons I had also met before. Together we drove to a Chinese restaurant. Zuo went into the restaurant and chose a round table in the far end of the restaurant. He ordered some drinks and the three Chinese friends discussed the dishes while we were talking about things which had happened in the past. They ordered a lot of Chinese specialties. I enjoyed eating and talking with them very much. Some days later I called Zuo and invited him to lunch. When we met, he gave me a small gift. And after a while such a procedure established a practice. Some days later he called me and invited me to a car exhibition. He assumed that all Germans must love cars. At the entrance of the exhibition hall, we met a friend of Zuo's who let us in through the "backdoor". We met Zuo's friend again at the Audi exhibition stand. We talked for a long time. About two weeks later, Zuo, Zuo's friend and his girlfriend and I met again for lunch. We all went to a Sichuan restaurant. As we were discussing various subjects, Zuo's friend told me that he wanted to learn German. He tried to find a native speaker in different ways. I promised to introduce him some Germans next time.

My own experience shows the structure and practice of the Chinese network. *Guanxi* is a network of relationships which possesses a certain practice (*guanxixue*).

“Guanxi is based on reciprocity, the traditional concept of *bao*, where one does favours for others as »social investments,« clearly expecting something in return. It is no cold exchange, but is intertwined with *renqing* (human feeling, empathy) which raises it to high plane, and my also be based on a degree of *ganqing* (affect)” (Gold 1986, 659-60).

This experience of mine illustrates everything *guanxi* (关系) is about. *Guanxi* literally translates as “personal connection”. *Guan* (关) in Chinese stands for “to close” or “closing”. The second syllable *xi* (系) means a system or family. A lot of popular academic and business guidebooks emphasize *guanxi* as the most specific fact to know about China and Chinese society and therefore the most important thing for doing business in China. In these books, *guanxi* is explained as a personal network based on the family, friends, comrades, and business partners. Popular descriptions emphasize the significance of these personal connections. Thus *guanxi* is a kind of social capital (Bourdieu) which helps to make things done. For instance, this mutual connection provides resources to everyone who is connected to this network.

The following example clarifies what I am suggesting here. A mechanic, who is a friend of a shop assistant, needs a specific medicine. Unfortunately the shop assistant cannot provide him with the medicine. In order to help his friend, the shop assistant introduces the mechanic to another friend of his who works as a security guard in a hospital. The shop assistant knows that the security guard once helped a physician. So the mechanic goes to the hospital and asks the security guard for help, he introduces himself to the security guard as the shop assistant’s old acquaintance. The mechanic also tells the security guard that he urgently needs a specific medicine. The security guard asks the physician for the medicine. Without remembering the favor done by the security guard, the physician knows what is to be done. The shop assistant is able help his friend in a certain way without providing direct help.

Many business guidebooks accentuate the fact that business in China is based on such networks and not on the concept of free market. All of them characterize *guanxi* as a personal network with certain attributes such as a high level of trust between members, mutual accomplishments, long-term existence, and foundation on human feelings. The message of these books is quite clear: if one is not part of a *guanxi* network, it is hard for him/her to make deals in China. Is *guanxi* a

certain Chinese phenomenon? To analyze *guanxi* from a sociological point of view, there are some important academic questions: What is the exact function of *guanxi* in modernized China? How are *guanxi* networks structured? Are certain conditions of Chinese modernized society responsible for the occurrence and preservation of such networks? Which social theory can analyze *guanxi* in practice?

Firstly, I offer a short summary of *guanxi* as part of debate in social sciences. I also present findings about the practice and the structure of *guanxi*. Secondly, I intend to describe the social changes which took place in China and which relate to the existence and activity of *guanxi* networks. Thirdly, I evaluate the relevant theory and give a small account of the theory of social integration. And finally I examine *guanxi* as a patronage-relationship, as a market of solidarity, and also as ascriptive solidarity.

### A. *Guanxi* as an Object of Social Sciences

Since the 1980s, foreign scholars have been focusing on *guanxi* which has become more and more important in terms of observing Chinese society. Starting with Thomas Gold in 1985, Jean Oi in 1989 and Andrew Walder in 1986, the nature of *guanxi* as a typical social system has been questioned. During the 1990s, for instance, Mayfair Yang (1994) examined the function of *guanxi*. Toward the end of the 1990s, Guthrie predicted the decline of *guanxi* with the rise of rational-legal institution. Since discussions about *guanxi* started, different assumptions about the meaning of personal relationships in Chinese society, different predictions of their development and also various hypotheses about their emergence have occurred.

Some scholars understand *guanxi* as a result of Chinese economic shortage emerging after the Great Proletarian Cultural Revolution. Scholars such as Doug Guthrie emphasize the function of resource allocation within *guanxi*-networks. In his opinion, the significance of *guanxi* should be weakened by the shifting of market economy and the constitution of rational-legal institutions (Gold et al. 200, 13-4).

Other scholars assume *guanxi* is a certain cultural mechanism dating back to Confucian times. Hence, *guanxi* is not only an exchange mechanism but also a certain solidarity field which connects Chinese in a certain way. These scholars believe that *guanxi* is so vital that it will exist in the future (Gold et al 2002, 13).

The origin of guanxi does not play a vital role in my work. The following paragraphs focus on the practice and structure of guanxi, and the contemporary discussion concerning the future of guanxi.

## B. Practice of Guanxi

Sometimes, guanxi is simply labeled as a gift economy. Thus it refers to an exchange mechanism that provides resources while establishing an obligation to be paid back in the future. For instance, an entrepreneur gives a great banquet for official deputies. He expects the good relations established to help him obtain advantages in his future business.

To increase the understanding of guanxi it is important to differentiate between guanxi (personal network) and guanxixue (guanxi practice) (Gold et al 2002, 6). Guanxixue (关系学) literally means the knowledge of “backdoor connection”. Anthropologist Mayfair Yang defined guanxixue as “the exchange of gifts, favors, and banquets; the cultivating of personal relationships and networks of mutual dependence, and manufacturing of obligations and indebtedness” (Yang 1994, 6). Thus the guanxi practice consists of several mechanisms and processes. Thus it does not simply mean bribery; it also includes helping a friend or accepting help from a friend. Nevertheless I would like to accentuate the fact that even in the former German Democratic Republic (GDR) we can find good examples for “backdoor connection” and the practice of helping each other.

Remember the example of a mechanic who needed medicine cited at the beginning of this chapter. His friend – the shop assistant – could not help him to obtain the medicine directly. Instead, he built a bridge to another friend who was able to do that. The security guard could also not help the mechanic directly but he asked another person who helped him. Such a situation of helper-helpers can be found all over the world. This implies the fact that the concept of mediators and obligation does not exist only in China. A significant element of the Chinese concept of guanxi expands into China’s entire society and has at the same time no alternative. Guanxixue can be described as an allocation mechanism of various resources. For an assessment of this statement, it is interesting to observe that guanxi practice is even more important than the market mechanism itself.

Guanxixue (guanxi practice) provides a different mechanism of re-

source exchange. Therefore there are functional differences between urban and rural guanxixue and there are also different guanxi practices between various functional subsystems: for instance, business guanxixue or bureaucratic guanxixue. These subtle distinctions could be connected within the scope of China’s modernization and thus the structural changes in the economic and social life. While the differences exist, there are also similarities in the function and destination of guanxixue.

Through guanxixue, targets (wishful objects) could be reached easily. During the period of the Great Proletarian Cultural Revolution guanxixue gave people an opportunity to overcome the consequences of economic shortage. The introduction of a reform and the gradual economic opening (gaigekai fang) established new conditions in the national economy.

The general function of guanxixue is to deliver limited resources while presenting a stabilizing level of trust for all members involved. To abandon those legal institutions which guarantee a calculable and predictable arrangement of conflicts. Through the guanxi practice a connection of members was generated under certain conditions. Trust in an environment of merging institutional security, it is important for market mechanisms and trust to guarantee more stability in crises (i.e. famine). Yadong Luo, professor of economics describes attributes of guanxi practice. According to him, guanxixue is based on the following principles: a) transferable, b) reciprocal, c) intangible, d) utilitarian, e) contextual, f) long-term, and g) personal (Luo 2007, 10-1).

A necessary precondition for guanxi practice is mutual obligation. These obligations have a long-term character. A favor or anything else must not be given back directly to the person who gave the favor first. As shown in the example cited at the beginning of this chapter, the security guard once helped the doctor who could give back this service to the guard later by supporting the friend of his friend. This chain of obligation becomes more complex than the network described here. Some scholars argue that guanxi practice becomes stabilized by certain aspects: mianzi (面子, reputation), ganqing (感情, feelings, sentiment), and renqing (人情, human feelings, favor). Additionally, guanxi practice is not only a term based on a functional exchange, but it is more personal. Therefore it differs from other personal networks around the world.

Doing someone else a favor is a question of honor and reputation. Thus social prestige is usually combined with the practice of guanxi

in two ways. Firstly, if someone is not able or willing to do a member of the network a favor, this person may lose *mianzi*. The loss of social reputation has serious consequences for every member of the Chinese personal network. Moreover such a person will cause distrust; support by the network members or access to social and professional opportunities are no longer offered. We can speak about exclusion. Such a situation implies failure for business people. The expression “losing one’s face” has made it into German and English. For the face we could say *mianzi* in this way. Secondly, a network member such as a ministerial official or successful businessman who is able to do someone an important favor might increase his/her *mianzi* (reputation). The concept of reputation exchange establishes clear rules and avoids uncertainty. Nobody wants to become excluded from the social network.

*Guanxixue* is known to mean the mutual exchange of favors and obligations stabilized by the concept of social reputation. Social reputation binds members of the *guanxi* network. Mutual obligations oblige its members to help each other. Sometimes such help implies illegal actions. This should not be mixed up with bribery. *Guanxixue* is not bribery or corruption but bribery might be connected with the *guanxi* practice.

The concept of *guanxi* and corruption differ in several aspects. Firstly, *guanxi*-relationships persist a long time, but corruption is usually finished by the transaction process. Secondly, compared with corruption, the mechanism of *guanxi* exchange is not fixed in terms of time and is not bound in a specified way. It means that the persons who give and receive – usually public servants and clients – make a deal concerning a special arrangement in exchange for certain goods. Thirdly, in the case of *guanxi*, reciprocity of the goods exchanged or the favor done might be asymmetric (in terms of time and implementation), whereas in the case of corruption, the goods transferred are symmetric (market price for bribe). For example an annual birthday present given to a colleague does not usually equal the value of information regarding profitable investments. Contrary to this practice, paying money for goods or a quick decision made in the public service sphere creates a clear advantage which can be measured.

### C. Structure of Guanxi Networks

There are different levels of membership in *guanxi* networks. In a *guanxi* network, there are persons whose membership is not conditioned only in the sense of a certain function in the group. Membership in a *guanxiwang* is constituted in multiple ways. As a member of a Chinese *guanxi*-network, one is part of a kinship, friendship, comrades’ groups, and business partners and so on at the same time. A *guanxi* network combines and interconnects all these different levels of membership in a single person.

The structure of a *guanxi*-network does not have a center. Like other personal types of networks, *guanxi*-networks are highly exclusive; this means that opportunities are limited by the decision of membership and the connection to certain members of the network<sup>1</sup>. Two limitations occur within the constitution of social systems: an external border and an internal border. The external border delimitates the social system from its environment. The stabilization of this social system is mainly realized by the internal border. It should be noted that *guanxi*-networks are highly exclusive, which I am going to describe in the next paragraph. Before taking this fact into account, it is necessary to ask what internal borders of *guanxi*-networks are. Internal borderlines are norms, commitments and solidarities. *Guanxi* networks are bound by means of two different solidarities: *renqing* (人情, human feelings) and *ganqing* (感情, emotional sentiment). *Renqing* covers principles of living together. *Ganqing* stands for emotional feelings, for instance, between men and women. These two principles are internal borders of a *guanxi*-network.

Bases on *guanxi*-networks are: i.) kinship, ii.) locality or dialect, iii.) fictive kinship (i.e. the same surname), iv.) workplace, and trade associations or social clubs, and v.) friendship (Luo 2000, Yang 1994). Mayfair Yang categorizes interpersonal relations in China by three levels: *jiaren* (家人, family persons), *shouren* (熟人, familiar persons, relatives, neighbors, friends, class mates or colleagues), and *shengren* (生人, acquaintances or strangers).

<sup>1</sup> Universal norms on the other hand are more inclusive because they are generalized and therefore ascribe certain condition for the opportunities of consideration of a greater group.

The external border of a guanxi-network effects the enlargement of such networks and the border traffic. How does one get a new member in a Chinese guanxi-network? Yang (1994, 124) introduced an example for the enlargement of guanxi-networks: Yang and his Chinese friend went to a museum. The gatekeeper informed them that the museum was closed; they should visit the museum another time. Yang's friend asked the gatekeeper if he knew his uncle who was working at the museum during the Culture Revolution. The gatekeeper replied that he knew his uncle. Then he smiled and let the two visitors into the museum without paying the entrance fee. When Yang and her friend finished their tour of the museum, the Chinese friend started to talk with the gatekeeper. The two Chinese persons "exchanged information on each other's working conditions, wages, and raises" (Yang, 1994, 124). Afterwards the gatekeeper was invited by Yang's friend to visit him especially in case he needed help. Some minutes later the friend explained his invitation as follows: "the fact that he was able to land this job [ideally light job, the author] indicates that he probably has access to friends in various powerful positions who could be approached through him" (Yang 1994, 124). So the statement indicates that the enlargement of guanxi relationships coincides with the search for social and functional aspects.

#### D. Guanxi Challenged by Modernization

In his popular work, Guthrie (1999) analyzes and evaluates China's transition process. This work is interesting because Guthrie offers a certain prognosis concerning the meaning of guanxi and guanxixue which changed after China's modernization. During mid 1990s Guthrie analyzed legal regulations such as the National Compensation Law (1995) and Company Law (1994). Also he interviewed several managers from different business branches in Shanghai. Guthrie argues that the passing of the laws indicates a shift toward a rational-legal system. In that cases he predicts that the meaning of guanxi will lose its necessity and that patronage-relationships will decline in the future. His Chinese interview partners confirm this argument (1999, 51-2). Guthrie refers to two reasons for the decrease of the meaning of guanxi relations. Firstly, the talent market is more important than anything else. Secondly, after the economic and legal reforms, more possibilities will arise to hire the labor force. While in the beginning

of the 1990s, it was only possible to hire people through the Labor Bureau, in mid and late 1990s, new ways emerged such as public announcements, or the establishment of company-owned schools and universities.

It is not guanxi itself but guanxi practice (guanxixue) which is disappearing from Chinese society. The transition to market economy and the formation of a rational-legal institution saw the emergence of new conditions which have made guanxi practice obsolete. Guthrie argues that market conditions in the industrial sector of urban China are more important than guanxixue. This assessment is based on his interview statements. Since the intuitional reforms after 1992, as opposed to Yang and Bian, Guthrie has believed so far that the guanxi practice is declining at this time (Guthrie 1999, 175-197).

Guthrie concludes that economic sociology is an apt perspective for the examination of the transition process in China. This approach implies that institutional changes in the economic, political and social area refer to a certain outcome such as bureaucratization. For him it is not important to examine the effectiveness or the implementation, for instance, of legal regulations. Guthrie is convinced that institutional changes occur during the process of generating laws, not during the implementation of such regulations. Guthrie does not notice the realization of the rational-legal practice. Therefore it is still questionable whether the rational-legal institution system could play a comparable role in China as in other modern states such as the United States.

Mayfair Yang (2002) responded to Guthrie's critique of her work. While denying Guthrie's approach and scientific methods, she justified her manner of observation and the style of interviews. Thus anthropologist Yang discovers certain aspects in the course of informal talks. She argues that Guthrie focuses on elites such as managers of urban state-owned enterprises and conducted formal interviews under the "auspices of the Shanghai Academy of Social Sciences" (Yang 2002, 461). Therefore Guthrie would not be able to find out the changes in practice of guanxi because it is a very sensible theme.

She ascertains that "guanxi practice may decline in some social domains, but find new areas to flourish, such as business transactions, and display new social forms and expressions" (Yang 2002, 459). Furthermore Yang diagnosed guanxi has not lost its importance. "It is in the world of business where entrepreneurs and managers still need to engage with what remains of the state economy, with official controls over state contracts, access to imports, bank loans, favorable

tax incentives, access to valuable market information and influential persons, and exemptions from troublesome laws and regulations” (Yang 2002, 464).

Within the changing role of guanxi, a new guanxi practice is emerging. Comparable to other Asian societies and their habits, sexual services become inherent in guanxixue.

“According to Everett Zhang, who interviewed Chinese private entrepreneurs in 1995, *goudui* is a new term in business circles, which describes cultivating useful officials or business contacts by enjoying nightlife together. No longer are gifts or banquets sufficient in these new guanxi rituals, but a long night sharing the pleasures of masculine heterosexuality and giving women’s bodies and sexual services as gifts will cement guanxi better” (Yang 2002, 466).

Contrary to Guthrie’s assumption, Yang argues that the guanxi practice remains. She witnesses alternation targets for guanxixue in the end of the 1990s. The liberalization of the economic system generates new opportunities and targets for the guanxi practice:

“obtaining passports and exit permits to leave the country, finding job opportunities with the decline of state job assignments and unemployment, linking up with relatives overseas for business and emigration, locating sources for loans to finance a new economic venture or purchase a home, and attracting overseas Chinese investors, to name just a few in urban contexts” (Yang 2002, 463).

Institutional reforms implemented by means of passing new laws in China are in Yang’s opinion no evidence of the diminishing meaning of the guanxi practice. Yang finds Guthrie’s research perspective responsible for his findings. She suggests to ask “how a developmental state which is no longer opposed to market economy and profit motives has now begun to exercise power in a different way, through rational-legal means which were absent in the Maoist order” (Yang 2002, 468). In order to understand the power of guanxixue, Yang suggests taking up Bourdieu’s distinction between “personal strategic mode of domination” and “objective institutionalized mode of domination”. In the same realm, guanxi practice is declining, but in other realms (especially business) guanxi practice is emerging. Guanxi practice in Chinese business has changed. It is no longer banquet exchange but it is shifting more toward a practice that includes sexual services. Yang offers valuable information on the changing practice of guanxi within the changing economy of PR China. Therefore her deep analytical perspective discovers a changing practice of guanxi. The author

argues against the modernization theory in terms of Westernization and claims legal-rational instructions in China do not have to occur in the same way as in the West.

Before taking account of this issue, I am going to introduce different models of social integration, the evolution of social integration and contemporary demands on social integration in chapter II. In chapter III, I am going to re-systematize the analysis of China’s economic and political reforms in the course of the second reform period from 1992 until the present day. Furthermore I am going to question the conditions of structural evolution, the impact of liberal reforms on the variability of membership and the changing nature of social integration within the scope of guanxi networks and guanxixue. The theoretical perspective and the social changes in the second reform period provide the background necessary for the analysis of guanxi as a model of social integration in chapter IV.

## II. Social Integration in a Globalized Society

Today we find ourselves in a globalized society. Since early 1990s, sociologists have examined the process and results of globalization or, to be more precise, “glocalization” (Robertson 1995). In the context of the globalization process, the theory of social integration has changed. In traditional societies, social integration is fixed by family membership, stands or classes membership. Modern society is characterized by structural intersection (in zones of interpenetration) of functional systems. Membership in social systems becomes variable based on the condition of modern society. Therefore, social integration is also to be examined as a pattern of inclusion and exclusion. Inclusion is the chance or entitlement for consideration of a person as a member of a social system. The development of a theoretical description of social integration has to be retraced before starting the analysis of social integration in China with the focus on the concept of guanxi.

Modernization is a process of structural change of societies. The first part (chapter II.A.) introduces theoretical models of social integration. It describes the evolution of social integration (chapter II.A.1.). This comprises the evolution of social integration from primitive societies (tribal societies) and traditional societies (stands and class societies) to modern societies (structural intersection of functional systems) and it delineates different integration modes. Five models of social integration will be introduced; afterwards these models will be discussed by the detection of ethnic conflicts (chapter II.A.2.). The second part discusses new problems of social integration (chapter II.B.), which offers an account of the membership theory (chapter II.B.1.). The re-construction of social integration theory and the structural problem of social integration in a global world system follow (chapter II.B.2.).

These theoretical descriptions help create a hypothesis and analysis of the concept of guanxi in Chinese society. A discussion of theoretical models of social integration follows. Thus, the basis of the analysis concerning globalization has led to a re-formulation of the theory of social integration. Hence, the new problems of social integration will be presented, including a short summary of the membership theory approach and the new theory of social integration. Afterwards, the

work goes on to establish the consequences for the theory of modernization and the presentation of the consequences for the examination of the modernization of Chinese society. The observation of guanxi as a model of social integration will wrap up this work.

## A. Theoretical Models of Social Integration

In this chapter, a short summary of the evolution of social integration follows, starting by primitive societies (also tribal societies), primitive societies (within class and stand order) toward functionally differentiated societies. Therefore, some models of social integration will be introduced and discussed in terms of their strengths and weaknesses. Globalization has influenced and changed social integration. In this sense, new problems of social integration will be introduced on the grounds of the demands of globalization.

The analysis of the guanxi network and practice requires theoretical knowledge about contemporary approaches to building a hypothesis. At present, Chinese society is undergoing drastic changes. Liberal reforms, technological developments and political changes have seen the emergence of absolutely new demands. The theoretical framework of these new demands helps understand the contemporary process in China and makes it possible to discover the role of guanxi in it.

### 1. *Evolution of Social Integration*

German sociologist Richard Münch defines social integration as a “condition of a society in which all parts are closely in conjunction with each other and create toward the outside a bounded unity”<sup>1</sup> (Münch 1998, 27). In “primitive” (tribal) societies, social integration was realized by blood bonds. Because of the incest taboo, members of tribal societies were forced to enlarge their families outside of their own kinship. With the emergence of barter, the expansion of tribal societies led them out of their tribal territory. The subjugation of one tribe by another and the introduction of its rules caused greater unities. At this point, the social borderline is not purely determined by blood bonds of the kinship. Only societies which found a new mecha-

nism of social integration survived. In addition, the appearance of the social division of labor entailed economic interests out of boundaries of tribal units. Local expansions and making contacts with other tribes were the consequences. Richard Münch (1998, 28) refers to Herbert Spencer’s thoughts: incoherent homogeneity of segmentary differentiated family clans was replaced by coherent heterogeneity of specialized craftsmen and traders. Subsequently, the central rule with an administration system was established and led to political integration. Religious orientation, ancestor rites and worshiping of gods encouraged cultural integration. An organic social order – shaped by the social division of labor and changed from kinship – integrated society toward stands and class society. In the stands and class society, every person got its own specialization. Stands and classes were obliged to preserve the whole system and provided contributions and help. That caused more far-reaching solidarity integration than rare borders of kinship (Münch 1998, 27-8).

Stands and class societies (traditional societies) were relatively stable and remained without drastic changes for a long period. Traditional societies established a higher level of social integration than primitive ones. Yet, the ability to integrate drew closer to the ongoing cultural and political reflection. Enlightenment, the industrial revolution and democratic revolution “blew” away traditional societies at the end of the 18<sup>th</sup> and the beginning of the 19<sup>th</sup> centuries (Münch 1998, 28-9).

Modern societies emerged because traditional societies were not able to adapt to demands which were created by expansion and change of cultural, political and economic integration. Reformation and Enlightenment were changed by cultural integration which alternated gravely. The worshiping, the veneration of ancestors and rites were collectively determined in traditional societies. Reformation changed these religious actions into individual acts. Enlightenment abolished the reference to god suddenly and human reason replaced the order of god at that stage. Talcott Parsons described Enlightenment as the radicalization of Reformation shifting toward the cultural revolution which was accompanied by the industrial revolution. Technical developments such as the invention of the steam engine made the brand new production process possible. Instead of a dozen craftsmen, engines and machineries were needed. At the same time, fewer workers were wanted and it became possible to produce more outputs. The process of fabrication drastically modified the process of exchange-

<sup>1</sup> The author makes all translations from German to English.

ing funds, goods and the labor force. Hence, economic integration in modern societies strongly differed from economic integration in traditional societies. Furthermore, Enlightenment dispersed the old units of stands and classes societies. *Liberté, égalité, fraternité* – the slogan of the 1789 French Revolution stood for a significant change within society. Equality and fraternity inside stands or classes no longer bound members of a society. In the same way, every member (citizen) became equal. Equality should be understood as a chance for the consideration at a juristic level in a comparable matter. Parsons defined this expansion of political integration as the democratic revolution. Thus, political integration enabled the establishment of modern national states. Therefore, it was possible to include a broader group of people in the process of political decision-making (Münch 1998, 30-8).

## 2. *Models of Social Integration*

Models of social integration have a different temporal and theoretical background. Every model describes a certain aspect of integration. The capacity to analyze and the perspective of solving ethnic conflicts as a litmus test reveal strengths and weaknesses of the model of economic integration, political integration, cultural integration, systemic integration and solidarity integration. The following paragraphs introduce and discuss these models.

### a. Economic Integration

For the description of the theory of economic integration in a modern society I refer to Richard Münch's description (1998). He defines economic integration as a process which is specified by the social division of labor, refers to exchange processes corresponding with contracts and contract relationships. Contracts are binding agents in a market society. In this perspective the changing form of a traditional society into a modern society is the shift of status in a contract (Münch 1998, 38).

In order to illustrate the theory of economic integration, Münch maintains that the forefather of such theory, Herbert Spencer, who followed the footsteps of John Locke, David Hume, Adam Smith, John Stuart Mill and Jeremy Bentham, assumed that the creation of a

mature market society among the individual members demands fewer interventions by the political system. As for Herbert Spencer, Münch notes, intervention by the state becomes obsolete when people become mature to create free and standalone numerous variations of contracts with each other in the course of the evolutionary selection process (Münch 1998, 39).

Vilfredo Pareto applied Bentham's assumption of great luck for a greater number and formulated a paradigm named Pareto-Optimum. Münch argued that the Pareto-Optimum is the core of the economic integration and is defined as a status in which the increasing standard of living is compounded by the cost of other members. Therefore, big differences are tolerated in society's standard of living. If the worst place of the standard living in the society is better than in other societies, the Pareto-Optimum is very narrow. Mass integration in a capitalist society is realized by means of a permanent comparison of welfare and mass consumption. In the United States – a model state for the realization of economic integration – the crash on the stock markets in 1929 indicated the existence of constraints of economic integration. Through the New Deal, President Franklin D. Roosevelt created the minimum standard of living for disadvantaged people in a capitalist system who were not able to become integrated through economic integration. Despite doubts and bad experience from 1929, social scientists in the Anglo-Saxon rim insist on the assumption of market exchange, free contracts and capitalist comparison of welfare as an essential component of integration in modern societies (Münch 1998, 39-40).

The theory of economic integration reaches the end when integration is not randomized and changeable complementarily by interests. Münch disagrees that John Elster's approach of "norm regulated action" is a solution to the problem of economic integration. Münch argues that Elster's approach is only a strategic action on the one hand; on the other hand, it would not be possible to explain it by simple economic theories. Besides, Talcott Parsons formulated an apt approach fifty years before Elster (Münch 1998, 41).

How economic theory explains ethnic conflicts? It is to be assumed that a cost-benefit analysis of coexistence within differential ethnic groups exists. Ethnic conflicts occur when expenditures for coexistence of a minimum one group (in their perception) with others is more than their profit and it is less bound through loyalty or migration and conflict avoidance the situation can be avoided. This can-

not explain the fact that xenophobia is the fear of newcomers and not long-term foreigners (Münch 1998, 42).

The economic theory helps explain why society acts in a more intra-ethnic than interethnic way by means of friendship, loving couple or association memberships. Expenditures for getting to know each other are lower. For an interethnic framework of social life, it is necessary to earn mutual trust and decrease expenditures for interethnic coexistence. Moral entrepreneurs in particular are required to start initiatives and engage in interethnic relationships. It is too shortsighted to think that interethnic conflicts can be easily resolved at the level of economic living together. When conflicts are based on different power proportions, cultural inconsistencies or socially closing perspectives of economic integration fail (Münch 1998, 42).

#### b. Political Integration

The theory of political integration goes back to the basic assumption that market produces negative side effects. The function of the state is to regulate these side effects. The diagnosis of the socialists is a prominent approach to political integration. Marx and Engels, for instance, place market power, the social division of labor and rising antagonism between the capitalist class and the working class into the center of their theory. Furthermore Marx and Engels assume that this antagonism forces the capitalist class to use a strong state to protect the order. On the other hand, the working class's readiness to cause a revolutionary uprising and establish a communist classless society is increased. In a classless society the state becomes obsolete. Coercive integration by the state is less required. Society members are integrated through a community of equals. Marx painted a simplified picture of society by means of his communist vision. Large areas, technically and economically developed conditions of modern societies were in Marx's opinion underexposed, which contributed to the failure of real socialism. Economic ineffectiveness and limited productivity brought about the coercive integration of the state. Marx made this prediction for capitalism. The ruling of communist leaders was carried out by all means. This brought the class antagonism to the top and led to the revolutions in 1989-90. Meanwhile, capitalist societies reached such a level of welfare that coercive integration became unnecessary (Münch 1998, 43-4).

Ralf Dahrendorf generalized Marx's class theory. He assumed

modern societies are not capable of being bound through commonly shared values. Instead, societies are characterized by value and interest conflicts. Under that condition society only can hold together under duress. Conflicts circulate among the rules of the state. Therefore Dahrendorf proclaims the basic difference as the difference between the ruler and underlings. If both sides became more organized, they would try to change the status quo and attempt to become the ruler. Liberal democracy allows a peaceful arrangement of conflicts, a complete change of the rulers and the alternation of both sides. In this way a great degree on free articulation of interest and arrangements of conflicts is intensified to be combined with political integration. Integration becomes the consensus on the ruling system (Münch 1998, 44-5).

The theory of political integration illustrates the fact that ethnic-cultural conflicts occur if a difference between the rulers and underlings is permanent. The difference coincides within ethnic groups and the rulers' loyalty excludes other ethnic groups. When underlings get the opportunity to change the state of affairs, which may be violent at times, they will take it. As long as they become the rulers, ethnic loyalty will exclude the others. This vicious circle can be witnessed in a number of African states. This is the borderline of the theory of political integration. A positive circle with rounds of talks and mutual loyalty may facilitate a better understanding of each other (Münch 1998, 45).

#### c. Cultural Integration

The in the previous paragraphs, the models of economic and political integration discussed are limited in their range. They are not able to find an apt description of either trust or loyalty. Therefore they are useless for the solving of problems of integration. Georg Wilhelm Friedrich Hegel is the forefather of cultural integration. Hegel assumed that the foundation for a community is a shared morality (Münch 1998, 45).

Hegel's thoughts were taken up by Marx, Horkheimer, Adorno and Habermas. Jürgen Habermas' synthesis of this thought and the system theory toward a communication theory is the most mature theory of cultural integration. The communication theory distinguishes systemic<sup>2</sup> and social integration. According to Habermas

2 The model of systemic integration is explained in the next paragraph.

modern societies are only able to break the chain of systemic integration by a discursive process of understanding (Münch 1998, 46).

The communication theory (Habermas) explains the generating of ethnic-cultural conflicts through a deficient ability of mutual communication. That is true and untrue. The lack of understanding coincides with the growing inability to put oneself in the other's shoes. Therefore, trends to exclude strangers exist. The more quarrelsomeness both counterparts are, the harder the conflict becomes. This approach seeks conflict resolution by the reconciliation of interests and the mobilization of majorities. Therefore, it is not possible to discover the cultural rhizomes of the conflict. So if reasons for the conflicts cannot be revealed, this approach is not able to find apt reasons for the ethnic conflict at the level of the reconciliation of interests, the mobilization of majorities and mutual loyalty. This is why another model is required to locate the cultural rhizome of conflicts (Münch 1998, 47).

#### d. Systemic Integration

Niklas Luhmann invented the concept of systemic integration. His radical system theory defines systems as the reduction of complexity. Systems are self-referential "in an entirely general sense: there are systems that have the ability to establish own relation with themselves and differentiate these relations from relations with their environment" (Luhmann 1995, 13).

Luhmann's approach perceives integration realized by a variety of autopoietic operating subsystems. Integration is conceived within a parallel operation of opening and closure. Every subsystem is able to assimilate achievements of the other subsystem while keeping its own identity (Münch 1998, 48).

The criticism of the theory asks how integration takes place between two (or more) subsystems. Luhmann answers by means of his concept of structural coupling. This implies that subsystems depend on a certain adapted environment. Hence capitalist economic systems demand rational and predictable law, rational and calculable administration, rational economic politics, rational technology and science, and a methodic rational lifestyle. Münch criticizes the assumption of structural coupling which contradicts the idea of autopoietic operating subsystems and leads back to an integrated model à la Talcott Parsons (Münch 1998, 49). Furthermore Münch assesses the absence of

the distinction of "analytical" and "empirical" systems in Luhmann's theory which implies a limited cognitive capacity. Münch argues integration in a functionally differentiated subsystem is not achievable in autopoietic systems because in this concept functionally differentiated subsystems cannot steer (1998, 54).

Münch uses ethnic conflicts as a litmus test for theories of integration. In the perspective of systemic integration, a description of such conflicts is hard to be provided. He argues the model of systemic integration does not contain groups and group action. Therefore one will not find a proposition on the establishment, the differentiation, the exclusion of groups, or solidarity between group members. Moreover, Münch doubts ethnic conflicts could be seen as a task of the political system to be solved by means of a special policy. This demands that there is no existential risk for the political system. Political parties should not easily recurring ethnic differentiation. Otherwise a compensation of the conflicts is hard to handle. In African states ethnic differentiation is implemented precisely in the political system. Therefore a peaceful solution of such conflicts seems impossible. Another model is required to examine ethnic conflicts and create strategies of resolution (Münch 1998, 55).

#### e. Solidarity Integration

Whether economic, political, cultural, or systemic, previous models of integration are blind to discover group membership or solidarity as mean of integration. The theory of solidarity integration refers to Émile Durkheim's findings. Durkheim detected a structural change of solidarity parallel to the transformation from traditional toward modern societies. Primitive and traditional societies are integrated by mechanic solidarity. Mechanic solidarity integrates the members through equality, proximity, repressive law, common lifestyles, common rituals, and common enemies. The division of labor leads to changes in solidarity. Therefore society members are integrated through inequality, mutual dependency and restitutorial law. Durkheim calls these forms of integration organic integration. In addition to complementary interests, modern labor-differentiated societies demand also a network of solidarity. Such networks of solidarity are occupational groups, federations, church (as institution) or free associations (Münch 1998, 56-9).

Talcott Parsons adopts this approach of solidarity integration and

incorporates it into his system theory. For him, modern societies are not only characterized by functional differentiation, but also by the formation of citizenship. Citizenship is the core of solidarity in a differentiated and particularized society. The formation of citizenship is closely linked with the building of national states. The integration of national states was carried out through the warfare with their enemies which closed the outer border of national states. Internal homogenization (i.e. language) formed the inner borderline (Münch 1998, 60-1).

Nations based on a community of will such as France, England and the United States have strong integration power. Other nations, for instance, Germany and Italy were founded as communities of origin. A strong demand for homogenization is inherent to this concept. The United States have developed the highest degree of citizenship although the integration of African Americans took another 180 years after its foundation. Great problems of integration occurred through migration into (formerly) ethnic homogeneous states. Germany does not solve this problem by integration, but by separation. Under these conditions solidarity integration can only be realized by the redefinition of the form of the community of origin toward a community of will and insertion into civil and liberal citizenship (Münch 1998, 61-3).

Münch sees the lack of solidarity integration as the main factor impacting the development of deficits in African states. Thus he announces democracy and capitalism have not lead to any development in Africa; instead they have lead to bloody wars (Münch 1998, 63).

#### f. Consequences for an Integrated Model

The first modernity was a combination of liberal economy and liberal constitutional state; the second modernity combined the democratic constitutional state and the welfare state. Growing interdependency formed the third modernity toward environmental economy.

Economic, political, cultural, systemic or solidarity integration attempts to capture integration in modern societies. Every single approach fails. Modern societies are not only integrated by functional subsystems, but also by solidarity groups and collectives. In addition, modern societies are not complete to be integrated by solidarity networks since they need to expand their resources. Social integration in modern societies means a dynamic process of increasing productivity

and growth. This demands entrepreneurial initiatives and innovations.

Münch maintains that the process of social integration might be influenced by inflationary or deflationary crises. The expansion of law regulations can establish greater integration. But when various numbers of new regulations are not implemented, the integration potential will be lost. For this dynamic process of integration the theory of sociology requires a broad range of instruments to consider the problems of integration. Therefore none of these integration models are the solution to the problems. Theoretical dogmas such as the economic dogma are not the solution. But a combination of different approaches might help (Münch 1998, 66-7).

### B. New Problems of Social Integration: Redefinition of Social Integration under Contemporary Demands

In the 1990s, social scientists began to describe and analyze the system of the globalized society. The findings lead to the reformulation of social integration theory. The growing complexity of social systems implies the fact that the tunability of norms as a pattern of social integration is not sufficient. In a globalized society, the entitlement of participation in a functional system is no longer unchangeable. Empirical exclusion areas such as ghettos or migration stream the ending of natural entitlement to participation in functional systems. A new form of differentiation is thus required. Therefore, social integration has to distinguish between inclusion and exclusion. Inclusion is the entitlement or chance of a person to be considered as a member of a social system. If the chance or entitlement to participate in a social system is impeded or even eliminated, it leads to exclusion. The current problems of social integration and the redefinition of the theory of social integration follow.

German sociological theorist Gerhard Preyer dedicated several decades to the analysis and generation of a theoretical description of the changing nature of social integration. An abbreviated description of his membership theory concerning social integration follows.

At the beginning of his reformulation of the theory of social integration, Preyer (2006) refers to Émile Durkheim's findings. He agrees with Richard Münch's assessment regarding the model of social integration (chapter II.A.). Furthermore, Preyer approves of

Talcott Parsons's adoptions of Durkheim's approach into the system theory. In Parsons's view, an integrated part of society is a societal community. Moreover, inclusion in a societal community is achieved by citizenship. Preyer points out that Parsons examines social integration focusing on the analytical theory of action and its hierarchy of control. Preyer does not reject Parsons's conclusions regarding his theory of membership. Rather he mentions motives and the interconnected nature of the theory of membership and Parsons's system theory. In the same way, Preyer proceeds with further developments of the system theory by Niklas Luhmann. Accordingly, Preyer argues that Luhmann's approach rejects the concept of social integration as a consensus of values when Luhmann formulates his differentiated inclusion theory, replacing values based on social integration by the order of inclusion and exclusion. Preyer interprets Luhmann's social integration as the limitation of the degree of freedom. Furthermore, as Preyer points out, this limitation of the degree of freedom could be the conditions of membership. Membership conditions are the basic element in Preyer's theory. In that way, motives of the system theory occur in Preyer's theory of membership and these motives bear a resemblance to some associations with Parsons's theoretical approach. Preyer generates his theory of membership aiming to shed light on the problem of social integration; thereby he wants to discover contemporary demands of social integration. For that reason, the theory of membership reformulates the theory of integration under contemporary demands (Preyer 2006, 219-20).

Preyer's reformulation of the theory of social integration is embedded in his theory of membership. An outline of the theory of membership follows (chapter II.B.1.). The following part includes selected assumptions and useful keywords for understanding the reformulation of the theory of social integration (chapter II.B.2.). Finally, the reformulated theory of social integration reveals structural problems of social integration from a perspective of globalization demands (chapter II.B.3.).

### *1. Theory of Membership*

Gerhard Preyer's theory of membership combines sociological and philosophical findings. Thus rudimentary elements of this theory are memberships. Other approaches such as the action theory or the

system theory by Niklas Luhmann perceive actions or communication as rudimentary elements. Preyer explains that these approaches bring problems. The direct observation of action or communication is not achievable. German sociologist and philosopher Preyer justifies his assumption and demonstrates the following evidence. Actions are not single entities, they are defined as sequences. An observer is able to dismantle every action. This is why the action theory cannot solve the question why a single action follows another one without stressing external references. For that reason Preyer intends to suggest that actions and communication are incidents and they are not rudimentary elements. In the discourse of the different approaches of the sociological theory Preyer discovers further weaknesses of the other theories. He points out that an academic observer can hardly solve the question for which purpose action is done. Preyer gives evidences using the following example. When Hamlet killed Polonius behind the curtain, what was the purpose for his? Hamlet killed the person behind the curtain on purpose, but parallel to that, Shakespeare's tragic hero did not kill Polonius on purpose. The sociological perspective of the action theory finds it difficult to analyze this action in an objective manner because there is no reference framework. For his theory of membership, Preyer suggests to solve the problem by means of the following assumption. Social scientists have to analyze their objects using the third-person view. Therefore interpreters cannot avoid ascribing action, omission or prevention. In that case the interpretation consists of an ascription for the responsibility of action or omission. For the assessment of responsibility or none-responsibility the interpreter has to distinguish a member from a non-member of a social system. For that reason, Preyer emphasizes the fact that membership is the rudimentary element of the theory of social system (Preyer 2006, 23-8).

Preyer illustrates the difficulties of the research perspective and by means of the example of a German soccer team; in addition he stresses the advantages of his theory of membership. The German soccer team in Frankfurt succeeds in kicking a goal against the contender. For an academic observer, the following question arises: Who is responsible for this goal? Only the field player who shot the goal or some of his team members? Answering this question means to set responsibilities. This involves an ascription – members and non-members – by the observer. This finding leads Preyer to the reinterpretation of the theory of social integration (Preyer 2006, 25).

As suggested at the beginning of this chapter (II.), social integration describes the process of creating unity (social system) by the individual parties. Preyer lists reasons for memberships being the rudimentary element of social systems, not persons or human beings. This distinction of a member, person and human being is important because it contains further implications. In the content of this work it is sufficient to recognize the distinction. The significance of membership for social integration, according to Preyer (2006, 217), is that the decision of membership closes social systems. Thus the process of creating a unit is the decision of membership. In other words social integration occurs throughout the decision of membership. Hence the decision of membership generates a social system. In his theoretical work, Preyer notes only two possibilities exist for the decision of membership: member or non-member. In addition, he stresses the fact that the borderlines of a social systems are operations (the decision of membership), not local borderlines. In the theory of membership social integration is an operation that establishes borderlines by the decision of membership, thereby forming a social system.

After referring to the elements and elementary process Preyer goes on to explain the distinction of three theoretical levels of analysis: i.) the general theory of social systems, ii.) the theory of society and iii.) the evolution theory. The general theory of social systems involves the morphogenesis of social systems and thereby the differentiation of theoretical objects. However, the theory of societies purports the alternation and the variability of membership conditions. Preyer stresses that at that level, three types of social system are to be distinguished: i.) society, ii.) (formal) organizations, and iii.) interactions between participants. Furthermore, the evolution theory contains the process of functional differentiation and the structural intersections in the zones of interpenetration (or also zones of multiple constitutions). This refers to the evolutionary distinction of primitive, traditional and modern society. Preyer accentuates that in order to apply the theory of membership in practice, these theoretical levels are to be taken into account (Preyer 2006, 28-9).

The reformulation of the theory of social integration is closely connected with the process of functional differentiation and structural intersections which touches upon the evolutionary theory. At this level Preyer goes on to suggest three theoretical levels should be distinguished: i.) analytical function systems, ii.) empirical function systems, and iii.) empirical subsystems within empirical subsystems

(zones of multiple constitutions). Preyer warns not to confuse the levels when noting that for an apt understanding of social processes it is not possible to conclude from an analytical function toward the structure. The analytical function systems refer to the entelechy of subsystems, which distinguishes economic systems, legal systems, science systems and communal systems. Furthermore, the empirical function systems (such as action systems or subsystems) contain those components which are necessary for the achievement of a specified function. Finally, empirical subsystems in empirical subsystems may be seen as structural intersections and occur in zones of interpenetration. At this point Preyer makes it clear that the zones of interpenetration are important for the analysis of function systems as action systems (Preyer 2006, 29-31).

The paragraphs above illustrate the rudimentary elements; the processes of the theory of membership offer a framework for the reformulation and the description of social integration. An abbreviation is always accompanied with interleaves. The interleaves contain points which explain the connection of a process in the social system, for instance, by media transfer or the meaning of commitments. Apart from illustrating the description at the level of analysis and at the level the observation, these are taken into account for further consideration.

## *2. A New Theory of Social Integration*

The analysis of globalization highlights the problems of social integration. Solidarity integration which occurred in national states in the 19th and 20th centuries cannot be established at a global level. National states had problems with the stabilization of social systems, as well as the rising complexity through functional differentiation, democracy, legitimization and political control. Social scientists have concluded that globalization can lead to inter-dependence on local and global social systems (Nedervee Pieterse 2004, 12). The question is how social integration takes place under contemporary circumstances. In order to describe social integration it is necessary to take into account the theory of membership which was developed by Gerhard Preyer, the founder of the international ProtoSociology project. The core of this theory of membership lies in that the basic elements of a social system are operations. Through the decision of

whether an individual can join a group and obtain membership status. The closing of social systems is influenced by the decision of whether an individual can become a member. Therefore, the boundaries of social systems are operations (i.e. the decision of membership), not territorial frontiers.

Globalization arose from the expansion of economic and scientific approaches globally. Simultaneously, there has been a decrease in political control. Even the increased inter-state dependency did not and probably will not lead to the centering of political systems, which can be found in national states. Sociological theorist Gerhard Preyer focuses on these matters. In this context he tries to find a solution, among other things, for the issue of termination in democratic models (Preyer 2006, 235-40).

Focus on contemporary demands of solidarity integration, Preyer notices that social integration as a process of all-inclusion is not achievable at a global level when compared to the period of early national states in the 19<sup>th</sup> and 20<sup>th</sup> centuries. Scholars converge in their findings, suggesting that globalization brings about interdependency on the local and global level of social systems (Nederveen Pieterse 2004, 12). Concerning this statement, Preyer mentions the problems of stabilizing social systems which occur in the context of the rising complexity through functional differentiation. That contains among other things the question of persistency of democracies, the legitimization and the steering of political systems.

In his theoretic main work Preyer describes the causes for the problem – stabilization – in the following way. The process of functional differentiation of societies coincides with the rising variability of membership. Thereby the opportunities for participation in social systems are augmented. At the same time, the process is accompanied with non-tunability of participation caused by the rising complexity. In other words, (structural) conditions occur, which exclude persons from participating in social systems and subsystems. That does not mean these person are excluded from all social systems. Rather it implies there are different levels of exclusion. Preyer witnesses some areas of exclusion in ghettos or migrant streams.

Preyer formulates the implementation of further differentiation (the order of inclusion) the other way around by starting with the introduction of inclusion. The increasing variability of membership generates new opportunities for participation in social systems and thereby shapes the order of inclusion. Preyer defines inclusion as the

chance or the entitlement of a person to be considered as a member of a social system. For instance, freedom, equality or participation are examples of such an entitlement. For Preyer, it is important that inclusion does not mean a person is a member of a social system. In order to explain the chances of increased participation, Preyer refers to a number of types of inclusion. Socio-cultural inclusion means the same chance to obtain education, political inclusion stands for democratic participation and economic inclusion refers to participation in the process of exchange. While social inclusion as ethnic universalism and equality of civil rights leads to solidarity integration, welfare is a social compromise and protects unchangeable results by means of economic development (Preyer 2006, 223-5).

Rather, inclusion and also exclusion can be seen as forms of differentiation which characterize social integration. Preyer specifies inclusion as an inner bounding process and notes that some types of inclusion explain the occurrence of increased participation (Preyer 2006, 223-5).

For the interconnected nature of inclusion, exclusion and social integration, Preyer presumes that potentially persons could be socially integrated to a higher degree than in the realm of inclusion. Parts of stand or class societies are excluded, but these members also are narrower than others because of physical bonds. Thus social integration is the constitution of a social system by means of membership.

In Preyer's theory of membership, social integration is defined as the closure of the inner and outer borders through the decision-making of membership. He explains that the decision-making is based on different forms of ascriptive solidarities. Ascriptive solidarity occurs, for instance, among similar, religious, strata, local or national affiliations. Furthermore, Preyer describes social integration as a dynamic process of "created destruction" (Schumpeter). That means creation and destruction take place coincidentally. For this very reason, Preyer maintains that social integration is not temporally terminated. Preyer explains that social integration occurs on the market of solidarities. Types of social systems are family, groups, strata, associations, or members of subsystems (Preyer 2006, 218-9).

For the reformulation of the theory, Preyer refers to the French Émile Durkheim. Durkheim, one of the founding fathers of sociology, examined integration in modern society. Durkheim revealed that the breaking point of traditional and modern societies is connected with the expansion of the social division of labor. In addition, he found

out that the metamorphose from traditional toward modern societies coincides with the shift of solidarity from mechanic toward organic solidarity. While in traditional societies, the members of a particular society were integrated based on equality and rituals (mechanic solidarity), modern societies are more strongly bound through mutual dependencies (organic solidarity). Durkheim became engrossed in the examination of the forms of solidarity and he developed the concept of positive and negative solidarity. At this point, Preyer incorporates Durkheim's approaches (Preyer 2006, 227).

Preyer integrates and reformulates the concept of negative and positive solidarity. In the theory of membership, negative solidarity occurs when members of a social system mutually grant space for maneuvering as a freedom of action. Contrary to that, positive solidarity means social integration through a societal community and the changing control of the option of members of the societal community. Preyer adds that positive solidarity provides the stipulation of the membership status. Furthermore, he argues that positive solidarity closes the community through ascriptive solidarity (Preyer 2006, 227).

Preyer establishes the following seven categories of positive solidarity: Firstly, the member recognizes and grants latitude for mutual interests, which allows members to be part of the societal community through formal affiliation by persisting differences and without a strong social bounding. This concept of inclusion goes back to the American history and is labeled civil society. Secondly, conflicts are solved by legal procedures. Thirdly, legal instances regulate and sanction aberrations of members which requires legal decisions to be enforced. Therefore, law is the integration media of positive solidarity. The disposition of common relatedness comes in the fourth place. This common relatedness is determined and endorsed by the incidence of contact, tightness of the social division of labor and social responsibility. Fifthly, positive solidarity also consists of the approval of justice as social compensation for inequalities. Sixthly, emotional, biographic or occupational affinity sets priority of single members before others. Seventhly, members of the Western culture misjudge and assume that the universalistic ethnic will expand to a global rim (Preyer 2006, 228-9).

By characterizing positive solidarity, Preyer integrates the concept into his theory. Therefore he argues that the communal spirit is the media of integration for positive solidarity. The spirit is realized by

the tightness of the social division of labor, political convergence, a common group affiliation, and also through the amount of the social budget. Preyer exposes the meaningfulness of positive solidarity for the purpose of social integration. He claims that points four to seven explain the degree of social integration and points one to seven show the degree of solitarily integration (Preyer 2006, 230).

In the next stage, Preyer illustrates Talcott Parsons' s approach of the action theory. He discovers similarities and disparities between the theory of membership and Parsons's action theory. Preyer observes that Talcott Parson took up Durkheim's concept of solidarity integration and combined it with the system theory. Parsons's approach distinguishes between action and function system. Action systems are categorized into four parts: i) behavioral system, ii) personal system, iii) social system, and iv) cultural system. Preyer affiliates Parsons's definition that integrated subsystems of action systems are societal communities. Furthermore, he allegorizes the Parsons's concept of inclusion. Thus inclusion in societal communities is realized by citizenship. Preyer is convinced that the inclusion process in societal communities generates the ascription of roles (membership roles), which he emphasizes. To describe Parsons's approach, Preyer introduces further elements and processes. Consequently, the subsystems of action systems are allocated attributes such as i.) high information, ii.) high control, iii.) high energy and iv.) high conditions. In addition, Preyer emphasizes the distinction between analytical and empirical function systems in Parsons's action theory. Accordingly, analytical function systems indicate entelechy while empirical function systems are assertive by structural intersection in interpenetration zones. For Preyer, this distinction is important in terms of analyzing social differentiation because it allows for the observation of structural intersection in empirical subsystems in empirical subsystems (Preyer 2006, 220-4).

Subsequently, Preyer turns toward the formation of Parsons's order. The formation of order – the legal system – is generated by the coincidence of cultural and social systems. Preyer shows how the legal system occurs in the action theory. The legal system is constituted based on normative culture. As interpenetration zone, normative culture is created by back coupling processes of the two systems. The process of inverse feedback through hierarchal shifts of back coupling of the cultural and the physical systems lead to the establishment of normative culture as a zone of interpenetration. This becomes in-

ternalized in the personal system and institutionalized in the social system as a legal system (Preyer 2006, 221).

Preyer draws on Niklas Luhmann's critics of Parsons's system theory which argues that participation (membership) in a social system is no longer normatively tunable. For that reason Preyer argues that is questionable how the stabilization of a social system is achievable in terms of time. Preyer emphasizes that Luhmann rejects Parsons's concept of social integration, claiming that membership is not normatively tunable and does not ask for stabilization in time. Luhmann's approach could be a solution. Luhmann re-defines social integration as the limitation of the degree of freedom. Luhmann's system theory is based on closed, autopoietic operating and self-constitutional systems. Instead of social integration, Luhmann develops order of inclusion. Inclusion is an inner realm (of an unknown outer border) and marks the chance to be considered a member of a social system. Preyer's theory of membership relates to the construction of social integration in a certain way (chapter II.1.).

The new theory of social integration in the scope of the theory of membership and the differentiation of inclusion and exclusion demonstrates the current problems of social integration. An additional connection to other approaches such as those conceived by Durkheim, Parsons and Luhmann clarifies the specific perspective of the theory of membership and explains the process of gaining knowledge about contemporary problems regarding social integration.

### *3. Structural Problems of Social Integration*

The reformulation of the theory of social integration in the theory of membership makes it possible to trace and observe structural problems of social integration. Gerhard Preyer, founder of ProtoSociology illustrates that structural problems of social integration coincide with the evolutionary change of traditional societies into modern. In traditional society, the order of inclusion was predestinated. Sociologists such as Talcott Parsons assumed that within modern society, integration is realized by a normative culture through the educational revolution. Contrary to traditional societies, modern society is characterized by functional and segmentary differentiation. The membership condition becomes variable through the process of functional differentiation. This change leads to a new social order. Consequently,

a societal community does not close the entire societal system<sup>3</sup>. This is theoretically described by Preyer as the end of all-inclusion. For the theory of membership the shift from traditional toward modern society coincides with the contingent setting of membership in a subsystem. Because membership in a subsystem is no longer tunable, the latitude of freedom grows but structural problem of integration occurs too (Preyer 2006, 230-2).

Preyer specifies the evolutionary formation of problems concerning social integration. Modern societies differentiating between functionality and segments thereby construct a variety of units such as households, enterprises, churches, and institutes of education and administration. Under these conditions it is not possible to bind a value and its enforcement among these units. In addition, the growing complexity of the evolutionary separation of society, organization and interaction accompany the emergence of structural untunability of society, organization and interaction among each other. Contrary to modern societies, Preyer shows that in traditional societies mechanic solidarity facilitated the closure of a given societal community at a single level. Within the growing complexity through functional differentiation, different levels of and demands for participation occur: the order of inclusion thus arises. Membership becomes a problem because so far, it has taken place at several levels, which are not (structurally) tunable with each other (Preyer 2006, 232-3).

Preyer diagnoses that under the condition of the functionally differentiated society, the societal community is not capable of closing the inside of the whole boundary of the societal system. Hence, no media of membership in the societal system exists. This is accompanied by the development of particularization in the sense of rising networks.

In the 1990s Manuel Castells speaks of "the rise of the network society" (Castells 2004a). Cross-linking and networking at a global level was made possible due to technological developments. Networks act through "strength and weak ties" (Granovetter 1973) and establish an increasing connectedness among organizations. Such a social pattern is far more different between societal communities and networks. Communities require a frequent incidence of local contacts. Thus they often take place in social localities such as public

<sup>3</sup> Societal system here means social system at the level of society; comparable to the German word "Gesellschaftssystem".

squares. Contrary to societal communities, communication among individual networks varies, not in terms of locations but via (communication) media. This calls for higher decision-making requirements. That is why membership conditions are determined by communication media (Preyer 2006, 233). This refers to the exclusion of membership. When membership decisions depend on communication media, everyone who has no access to media becomes excluded. This is a specific problem of social integration.

A theoretical description of structural problems of social integration gives the opportunity to observe the development of social integration in China. This work takes *guanxi* as a model of social integration. *Guanxi* is known to be a particular kind of networks (chapter I.). This is an interesting object of investigation, at a time when communication networks expand all over the world: one can say China is a *guanxi* society. Before turning to the analysis of *guanxi*, the development of society has to be clarified. A reflection on the modernization theory (chapter II.C.) and the empirical observation of structural changes in China follow (chapter III.). An analysis of *guanxi* concludes the chapter IV.

### C. Modernization or Modernizations?

Since the 1990s, the assumption that there is no longer a single modernity but rather multiple modernities has prevailed. Modernizations as a structural change refers to the concept of multiple modernities. This is related to the question of the evolution of social integration.

Modernization is a one-off evolutionary direction which leads to the establishment of modern institutions. Modernization is often described as a simultaneous rationalization at the levels of economy, policy, law, culture and knowledge (Preyer 2006, 148).

The roles and mechanisms of social integration have been changed by the formation of an order of inclusion. Inclusion which is the opportunity or entitlement of individuals to be considered as members of a social system designates the boundaries of ascriptive solidarities. Globalization has shaped a closer connectedness, for instance, through the communication loop in economic or scientific systems. This has had impact on the alternation of ascriptive solidarities.

Culture is one aspect of ascriptive solidarity. Nederveen Pieterse (2004, 2001) analyzed the development of culture and ethnic patterns

which are influenced and effected by world-wide immigration and communication, international and intercontinental trade, as well as national protection policies such as trade barriers and immigration barriers.

Nederveen Pieterse notices three sociological paradigms of cultural development: i.) clashes of civilizations, ii.) McDonaldization and iii.) hybridization. The theoretical paradigm Clash of civilizations is based on Phillip Huntington's approach. Huntington argues that there are cultural differences between civilizations, which are fixed and responsible for generating rivalry and conflicts. (Nederveen Pieterse 2004, 42). The term McDonaldization is the assumption that globalization leads to "cultural standardization and uniformity" (Nederveen Pieterse 2004, 42). In this paradigm American fast-food culture can be interpreted using Max Weber's rationalization thesis, which includes constructs such as efficiency, calculability, predictability, and control of labor and consumers. Nederveen Pieterse analyzed empirical evidence, including field studies in Moscow, to demonstrate that rationalization in different societies does not occur in the same way as in Western societies. (Nederveen Pieterse 2004, 49-52). Therefore, the findings support Nederveen Pieterse's approach of hybridization, as a form of diffusion theory. Nederveen Pieterse argues that globalization has led to a cultural mix "across localities and identities" (Nederveen Pieterse 2004, 42). Hybridization is a creative process through the combination of local external cultural patterns and internal local patterns, such as Chinese pop music or American pizza. This concept is enhanced by ethnic, economic diasporas and migration as well as technological innovations and the abolishment of trade barriers (Nederveen Pieterse 2004, 24).

The approach of hybridization disproves earlier modernization theories, which assume that modernization leads to a homogenous convergence of societies. While earlier "modernization theories in general, and the theory of convergence of industrial society in particular" (Eisenstadt 2007b, 261) assume different societies have adjusted themselves, current findings lead to an assessment that there are multiple ways of modernization. Talcott Parsons' famous representation of this homogenization theory gives rise to a unifying development. He formulated four evolutionary universals: i.) legal system, ii.) money and markets, iii.) bureaucratic organizations, and iv.) democratic associations which lead to a convergence of modern societies (Parsons 1967, 490). Thus homogenizers such as Clark Kerr argue industrial

civilizations are convergent. Homogenizers believe that industrial societies develop both similar problems and akin solutions in the first place; secondly, a rare range of institutional solutions develop in the majority of societies; and thirdly, the convergence of societies occurs through the dynamics of a modern world system (Eisenstadt 2007b, 261). Eisenstadt began to examine empires 30 years ago. The findings of his analysis of structural evolution suggest that there is no modernization (i.e. Westernization); instead, we can speak of a multiple shift toward modern society. Empirical works discover different kinds of institutionalization. In order to discover the differences in the process of institutionalization and their dynamics, Eisenstadt suggests to examine: i.) “the interaction between several social forces”, ii.) “the basic characteristics of the predominate elites and counter-elites”, iii.) “the concrete economic and politic-ecological setting”, and iv.) the “encounter with other societies and civilizations” (Eisenstadt 2007b, 266-7). The appraisal of different case studies originating in Japan, India, Israel or the United States have led Eisenstadt to the belief that there is not a single modernity but rather multiple modernities. Hence, modernization of the United States or Western Europe can not simply stand for global modernization. Earlier modernization in England, France and the United States refers to internal and external conditions. Internal conditions, namely the role and position of elites, religious order and power of counter-elites are always to be analyzed in a certain context. For external conditions (the structure of the world system), time reference is important. Lately, modernization, in China for instance, has developed under particular circumstances: “glocalization” (Robertson 1995).

According to Eisenstadt’s structural evolution, the centre and periphery (institutional evolution and ascriptive solidarities) ought to be analyzed in the first place; secondly the evolution of the political order and thirdly sociology of the world system (Eisenstadt 1998, 32). Eisenstadt discovers two analytical characteristics of the degree of modernization: first, the structural differentiation of the division of labor (the degree of congruence of task in the social division of labor) and second, elite functions as follows: i.) the regulation of power, ii.) the construction of trust and solidarity and iii.) the provision of meaningful models of culture orientation (Eisenstadt 1998, 31).

Shmuel N. Eisenstadt’s and Gerhard Preyer’s approaches do not contradict each other. To observe the structural changes in societies, Gerhard Preyer suggests that sociological terms and definitions

need to be rectified. Preyer distinguishes between modernity (status), modernization (process), modern (normative attribute), modernism (epoch of art), post-modernity (status), post-modern (attribute), and post-modernism (art epoch) (Preyer 2006, 145-56). Preyer characterizes modernization as a linear evolutionary process which leads to modern innovations. Furthermore, he explains that modernization is an evolutionary process which is often described as simultaneous rationalization in the economic, political, legal, and cultural spheres in Western society. Modernization is a long-term process. Preyer argues that the sociological theory explains modernization by means of structural differentiation and functional differentiation into subsystems (Preyer 2006, 148-9). In order to examine the different ways of modernization by the lately countries, it is essential to look for particular circumstances. Preyer sees different kinds of modernity realized by a formation of zones of multiple constitutions of empirical function systems (Preyer 2006, 30). In the place of intersection, zones of interpenetration or also known zones of multiple constitutions occur (chapter II.B.). Zones of multiple constitutions are responsible for structural drifts of each society. Therefore Preyer argues zones of interpenetration, such as contract law or occupational groups, are significant for the exploration of modernization (Preyer 2006, 94).

Different approaches of modernization accentuate a particular analysis. The fact that the appraisal of a heterogenic development of societies has prevailed in the sociological theory of the 1990s is significant. That opens the way to the particular form of China’s modernization. After the conclusion of the theoretical discourse in chapter II., an empirical consideration of China’s modernization follows, in which the outcomes of the discussion on “modernization or modernizations” are applied.

#### D. Conclusion: Sociological Theory and Consequences for the Observation of Chinese Society

The sociological theory and the models discussed above make it possible to examine the concept of guanxi in China. First, the discussion on different models of social integration proves the existence of advantages and disadvantages of single models. There is not a single useful model of social integration, but a combined model which helps to integrate the strengths of different approaches. Different models

of integration such as political or economic integration contain a special pattern of integration. The theory of membership allows for a combination of these models. The discourse of the models shows that solidarity integration is useful for the observation of group and collective bounding. Solidarity integration is more qualitative than social integration.

Secondly, the description of the membership theory and contemporary problems of social integration facilitate a clear view on the concept of guanxi. This theory makes it possible to establish categories of analysis on the one hand and conditions of social integration in a “network society” on the other hand.

And finally the outline of various approaches to modernization and their development focus on the dynamics of institutionalization and their outcomes. Solidarity integration formed a societal community with the ability to integrate groups and collectives. But under contemporary demands (functionally differentiated society) all-inclusion by solidarity integration comes to an end. The process of functional differentiation leads to structural problems. Therefore, current modernized societies (China for example) face two different challenges: first, social integration under contemporary demands and second, modernization under contemporary demands.

Different modernization theories describe globalization as dissimilar and this is why the outcomes of the prognoses vary. While earlier modernization theories assume that structural changes lead to a convergence toward a world society, current findings refuse this hypothesis. Japan’s modernization is one of the prominent examples. Japan’s modernization did not follow the model of Western modernization. For instance, the status of law and legal regulations is undermined considerably by Western societies. This confirms the statement that there is no single modernization.

Taking this fact into account means that there are several aspects of China’s modernization to be examined. In order to analyze China’s modernization, internal structural changes and external conditions have to be considered, which support or impede internal developments. This is why I have resolved to include an analysis of the systematization of China’s modernization (chapter III.). The core of the examination lies in developments which lead to the establishment of an order of inclusion and exclusion.

The Chinese government has enhanced the economic reforms in the direction of a liberal market and created incentives for foreign

investments since 1992. The reforms have led to structural changes in society. This paper concentrates on the role of the concept of guanxi during the liberalization period from 1992 until the present day. Guanxi networks and the guanxi practice should deliver certain functions. This is why achievements of the concept of guanxi in the process social integration are to be examined. It is to be presumed that China’s modernization does not follow the Western model. For instance the bureaucratization or an increasing number of rational, calculable and predictable legal systems cannot be observed. Due to this fact, it is questionable whether, to a certain degree, the concept of guanxi is a functional equivalent of the legal system for instance. The concept of guanxi allows for a terminal connection, delivers a flexible system of resource allocation and shapes trustful ties over large distances, too. Therefore the concept of guanxi could be regarded as a certain model of social integration and a significant fact for different ways of modernization.

### III. Chinese Modernization in a Globalized World System

One basic question accompanies the study of China's modernization: Is China's modernization a process comparable to earlier examples of modernization in Western societies? If so, the following developments are predictable: the accrument of a legal system, the emergence of markets systems, the generating of bureaucratic organizations and the formation of democratic associations. If China's modernization does not follow the Western model, we have to ask how China's society modernizes itself.

Modernization studies which emerged in the 1990s abolished the assumption of the diachronic development of societies as witnessed in Western societies. Shmuel N. Eisenstadt's case studies of Japan, India and Israel clearly show that modernizations in these countries was not similar to Western modernizations (Eisenstadt 2006b). For the study of modernization, Eisenstadt suggests to analyze societies based on the following four categories: i.) the interaction of social forces, ii.) the characteristics of elites and counter-elites, iii.) the political and economic background, and iv.) the relationship and connectedness to other states (Eisenstadt 2007b, 266-7). This is why the modernization of Chinese society in a globalized world system must be analyzed under these four aspects.

This research project focuses on developments in China after 1992. In 1992, a new reform agenda was set which accelerated the economic development in China. Most scholars see the year 1992 as a breakthrough in modern Chinese history. The political and economic framework in the eve of 1992 witnessed a particularly drastic shrinking of the state revenues, problems relating to the coordination of the "dual-system" (Naughton 2007) as the coexistences of planned and market prices and the "macroeconomic austerity" (Naughton 2007, 101). A fraction struggle occurred between proponents of the orthodox left and reformers within the political elite. The left-wing aimed to role back the economic reforms and to follow a state organization in the sense of Mao. Contrary to that, the reformers demanded broader economic reforms. Deng Xiaoping and a number of other reformers won this internal struggle and enhanced the country's economic liberalization. Furthermore, the beginning of the 1990s was

significant for the China and the rest of world because of changes in the international system, the revolution in communication technologies and changes in the world economic system.

As suggested above, this work focuses on economic and political reforms after 1992. The reforms will be analyzed from the perspective of the process of opening or closure. The opening process indicates the expansion of alternative actions. However, the closure process demonstrates the decline of alternative actions or the control by the political system or through any other structure: through regional economic zones, for instance. Also intended and unintended results of the reforms are important to this work.

China's economic transition and liberalization refers to modernization with consequences for the restructuring of the social structure. Theoretical assumptions concerning the changing nature of the social structure have recently altered. The question which specific kinds of zones of multiple constitutions occur within the Chinese process of modernization has to be examined. The condition for members' participation in subsystems changes. The changes are referred to as the opening and closure process, and the order of inclusion.

China's economic liberalization has formed a reorganized order of inclusion. This is why I have decided to include a description of the liberal reforms and their effect on the process of opening and closure in the following paragraphs. This development will be then connected with the meaning and morphogenesis of *guanxi*.

### A. Liberal Economic Reforms and Chinese Modernization

The liberal economic reforms and China's modernization are closely related with the period of Deng Xiaoping. In 1978 it was Deng Xiaoping who introduced the prospective economic reforms. Since 1979 the reform has been implemented. China changed from a rigid Mao-State into a planned economy supplemented by market elements. Fourteen years later, Deng Xiaoping introduced the second great measure by introducing a socialist market economy dominated by public ownership. The period after 1992 is of central significance to this work. As an outcome of this reform period, in 2005, China became the second largest economy in the world when comparing the purchasing power (Guthrie 2006, 4). For a better understanding of this development,

one ought to look back at the setting and legacy of the reform when the second reform period began.

At the beginning of the economic reforms in 1979, the Chinese economy was characterized by a comparatively small industrial sector and a low interregional sector of the division of labor. Before the reform process, PRC had a low inflation rate and a low fiscal deficit. As opposed to the Soviet model, the structure of public administration in PR China was more decentralized. A high degree of regional autocracy and decentralized planned economy were features typical of Chinese political institutions in this period.

Social life became dead and the economic growth decreased as an unfavorable consequence of the Great Proletarian Cultural Revolution (1966-76). During the Cultural Revolution, universities and schools were closed and engineers and other academics were accused and sent to rural areas to do inferior jobs. After the cruel obsession with the Great Proletarian Cultural Revolution, Deng Xiaoping launched the Reform and Opening in 1979. The aim of the reform was to change China's planned economy into more economic self-determination. This involved in particular the de-collectivization of agrarian industries, the permission of small private enterprises and the generation of SEZ. The opening process terminated Chinese international isolating. In this respect, the permission of international joint ventures for state-owned enterprises was the most important progress. Looking back at the catastrophic consequences of the Cultural Revolution, the bureaucratic system did not resist the new reform policy.

There are many analyses describing a number of aspects of China's reform process. For example, Doug Guthrie (2006) identified three basic principles for the Chinese transition: firstly, policymakers applied gradual reforms; secondly, China was opened to foreign investments; and thirdly, a rational-legal system was established little by little (Guthrie 2006, 39). The majority of experts specializing in the study of China emphasize these three principles as the main reasons for the huge economic growth in the PR China. The dual-transition means a simultaneous transition from an agrarian toward an industrial country and from a planned toward a market economy. This transition was carried out by means of gradual steps and in a specially selected location such as the model region of Hainan. In comparison with the situation in the post-Soviet states, these policy implementations proved to be advantageous because China could achieve a continuing economic growth while preserving its old political order.

Another example for China's gradual transition is its opening to foreign investments in four SEZ in 1980 (Guthrie 2006, 116). The three SEZ in the province of Guangdong and one SEZ in the province of Fujian is nearby Hong Kong, Macao, as well as Philippines and Taiwan. Such a successful "test run" policy was important especially in the 1990s. China was opened to foreign investments and initiated its own market order as opposed to the economic situation of ethnic Chinese outside the People's Republic of China. This decision was based on two main reasons. Firstly, the so-called small dragons such as Taiwan, Hong Kong, South Korea and Singapore were the marvels of modernization in the second half of the 20<sup>th</sup> century; with their Confucian background, they can be seen as models of economic success. Secondly, ethnic Chinese live and work in Taiwan, Hong Kong and Singapore. A purely economic motivation of the placement of the SEZ was of high importance. Foreign investors were able to find Chinese speaking the same dialect who, ideally, maintained familiar connections with regions around the Chinese SEZ.

Since the majority of scholars consider the years 1992 and 1993 a turning point (Naughton 2007, Heilmann 2004), this work should also offer this perspective. The political leadership in China stood at a crossroads at the beginning of the 1990s. On the one hand, the uprising which took place on 4<sup>th</sup> June 1989 in Beijing made it clear that the reforms had produced negative outcomes leading to social unrest. On the other hand, the communist leadership brought about instability in many undemocratic states following the breakdown of the Soviet Union and another Central and East European countries. In spring 1992, Deng Xiaoping started his Southern Tour. During the tour in the southern provinces Deng Xiaoping visited liberal model cities like Shenzhen near Hong Kong. In the course of this event he called for the enhancement of liberal economic reforms. Thus Deng calmed down his opponents in the Standing Committee of the Communist Party (i. e. Li Peng), who suggested to withdraw these economic reforms (Guthrie 2006, 63). The left wing of the Standing Committee assumed that the economic reforms led to the insurrection in 1989. On the grounds of the latest international affairs – especially the split-up of the Soviet Union and also the downfall of Romanian dictator Ceaușescu – Deng Xiaoping and even his opponents in the Standing Committee were afraid of similar developments in China; therefore they chose to support the reform agenda in the end. With the Southern Tour the internal struggle for power in the Standing Committee

ended. Deng could stabilize his leadership in the CPC by raising the standard of living of the population of China and enhancing the country's economic success.

China's liberal reforms in the 1990s included the following five elements: i.) market re-unification, ii.) re-centralization, iii.) liberalization, iv.) institutional reforms, and v) privatization (Naughton 2007, 100). The emergence of these five elements effects the reorganization of the order of inclusion (for theoretical consideration, see chapter II.B.). Firstly, it increased the chance or the entitlement of a person to be considered a member of a subsystem, i.e. inclusion. Secondly, the simultaneous increase in the sphere of exclusion causes i.) diverse regional developments and the creation of privileged areas (Special Economic Zones, Southern and coastal provinces), and ii.) the steering of the political system by protecting and maintaining huge state-owned enterprises.

In this case modernization coincides with the rearrangement of membership conditions and the establishment of an order of inclusion and exclusion. Therefore it is necessary to ask how the liberal economic reforms and political changes impact the chance of the inclusion order. China's liberal modernization policies have caused changes in inclusion. Opening means increasing chances of inclusion; closure creates the decline of chances of inclusion. Closure is provided by structural conditions or political steering and leads to exclusion. The first part of chapter III.A. demonstrates the reforms and changes, which led to China's opening. This is why I have resolved to concentrate on the economic and political systems. The second part of chapter III.A. analyzes those effects which led to closure.

### *1. Opening New Chances*

The year 1992 was a turning point in the development of China's modern economy. The liberal agenda set up in that year was a decisive factor for the economic policies of the following years. This is why Naughton (2007) distinguishes between two parts of the Chinese reform. The first one started with Deng Xiaoping's Reform and Opening in 1978 and the second one began in 1993 with the launching of the new economic reforms.

The chance of inclusion and membership conditions is closely related to liberal policies and economic reforms aiming toward a liberal

market. Communist regimes tend to impose omnipresent control; thus they dominate the economic, legal and cultural systems by political agendas. Planned price, political employment policy and the demands of political agendas: all these elements preselect and minimize the variability of potential alternatives of actions. This phenomenon is accompanied by a limitation of entitlement and chances of a person to be considered a member of a social system. The selective requirements regarding participation are significant for communist systems.

The second period of the Chinese economic reforms is notable because it enhanced the abolishment of the omnipresent control by the political system. Thus an altered order of inclusion and exclusion was formed. Some political reforms shaped the entitlement and chances of large groups of the population to become considered members of the social system. Accompanied by Deng Xiaoping "Southern Tour", the State Council specified fourteen rights for enterprise activities:

"(1) decision making in production and operation, (2) price setting for products and labor, (3) selling of products, (4) material purchasing, (5) import and export, (6) investment decision making, (7) disposition of retained bonuses, (8) disposition of property, (9) decision making on joint operation or mergers, (10) labor employment, (11) personal management, (12) distribution of wages and bonuses, (13) internal structuring and (14) refusing apportioning [numbering by the author]" (Guthrie 2006, 123).

These rights for business activities permit the leadership of enterprises in the economic system. The variability of economic actions was broadened, making it no longer strictly linked to political programs. In this respect this can be understood as gradual correction of the economic system affected and influenced by the political centre.

China's economic growth during the second reform period was mainly caused by three key aspects:

"First, massive entry of non-state firms; second, a dramatic increase in competition both among state firms and between state firm and non-state-firms; third, improvements and performance of state-own firms resulting from state-imposed market-like incentives" (McMillan and Naughton cited by Goldstein 1996, 147).

This statement underlines specific developments in the Chinese economic system. The access of private firms and market prices opened the economic system in certain sectors (for agriculture sector, see Sicular 1996), thus changing membership conditions. The omnipres-

ent control of the economic system by the political system was gradually eroded and led to the transition from a planned toward a market economy. One can observe here the changes of membership conditions and the formation of an inclusion and exclusion order.

The liberalization of the economic system allows for a broader variability of alternative actions. A greater number of market participants, new forms of ownership, or extended market chances – all these factors further support the opening of the system. After the emergence of state-owned enterprises (SOE) and township and village enterprises (TVE), new forms of economic institutions arose, such as stock enterprises, getihu (个体户, enterprises with individual income up to seven employees), siying qiye (私营企业, private enterprises), enterprises with equity interest from Hong Kong, Macao or Taiwan (ROC), and foreign enterprises (Seitz 2002, 338).

In reference to internal reasons for the economic reforms, external circumstances have to be mentioned. Therefore it is necessary to stress that foreign investments and foreign trade surplus affected further economic developments in a crucial way. The Foreign Direct Investment (FDI) to China drastically increased in the 1990s. Nicholas R. Lardy named four effects of this development: i.) with the end of the East-West conflict the general magnitude of FDI increased significantly; ii.) in the aftermath of the Tiananmen massacre and in combination with the country's economic growth, the risk assessment organizations improved their ratings for the risk status of foreign investments in China in 1992; iii.) China was generally open to foreign investments and liberalized its restrictive regulations in the foreign trade area; iv.) Chinese firms took their money out of off-shore and reinvested it in Chinese markets (1996, 104-5). But also the World Bank supported the transformation of the Chinese economy with its loans (Lardy 1996, 106-7). The majority of the FDI in China came from Asian countries, especially from the so-called small dragon countries. This fact is strongly connected with ethnic origin of many business networks or guanxi networks (See chapter III. B.).

For the inner economic system reforms led to an opening. For instance, i.) the decentralization of economic decision making (Guthrie 2006, 69), ii.) the system of simultaneous planned and market prices (Guthrie 2006, 69), and iii.) the capitalistic management methods (Castells 2004b, 333).

The implementation of market prices requires profitability even where state-owned enterprises are concerned. The Chinese trade was

enhanced a great deal by this decision. The sector of small private firms saw a drastic increase; that way, they could compete with the state-owned enterprises in the short run. Because of higher flexibility and foreign investments, small firms were most profitable. This affected the market prices in a positive way. The new opportunities which the market economy brought were attractive for the state-owned enterprises, too. Accordingly, many small and mid-size state-owned enterprises became privatized during the 1990s.

China's liberal economic reforms brought about a drastic change in terms of the consideration of membership in subsystems and the metamorphosis of membership conditions. Compared to 1992, a lot of things have changed: people's mobilization inside China increased, international movements emerged, the participation of PR China in the economic exchange grew, and the adoption of global communication media such as the internet, mobile phones and VoIP continued. Membership conditions have become more variable; in addition, the chance of to be considered a member of a subsystem increased. These developments generated a change in the social structure.

## *2. Closure of Opportunities*

In terms of structural changes, modernization is characterized by an increasing number of variable membership conditions and thereby the generating of an order of inclusion. Inclusion involves a simultaneous implementation of unspecified borderlines. Behind the border, persons are not considered to be members of specific subsystems. Thus, spheres of exclusion are also a result of the process modernization.

The liberal reforms in China have generated exclusion areas. Exclusion is formed by i.) structural conditions or ii.) political interventions. In the exclusion area, persons have no chance or right to be considered members of subsystems (stands, castes, ghettos). Closure limits the degree of freedom by means of a selective prescription; therefore it attempts to generate control. To sum it up, closure influences the expansion of an exclusion area.

The brisk pace of the economic growth affects the social change in a drastic manner. Political reforms have brought about changes based on a social pattern. In 1992 food rationalization policy ended. Lately, the improved food situation has allowed for some businesses and personal mobility. Some farmers have begun to sell fruit and vegetables

in towns or cities. That was the beginning of a general problem which developing countries face. People from rural areas left their homes and migrated to bigger towns or cities in the hope of finding a (better) job. Especially coastal Chinese cities are full of migrants from other Chinese regions. In a short period the number of inhabitants has increased tremendously in such prosperous cities. The number of floating population is estimated at about 100 million (Laurence and Xiang 1998, 554).

The implementation of the economic reforms in selected parts of China only generated the structural exclusion of persons who do not have access to prosperous areas. The number of areas intended for international trade increased little by little. Hukou (户口, registration of permanent residents) is normally connected with Chinese citizens' place of birth. If Chinese citizens want to make use of their basic rights like housing, health insurance or school education for children, they have to stay in their place of birth all their lives. It is very difficult to change hukou. But generally speaking, the modification of hukou is possible, but only for erudite persons. As a consequence, the majority of Chinese prefer to live and work in prosperous regions such as Shanghai, Shenzhen, Beijing, etc. If they migrate to another town or city without permission, they become illegal. This means that they are excluded from the social system and consequently from the welfare. The situation of a non-educated Chinese moving from a rural area into the city without local authorities' permission is typical. As a result, these people have jobs, but they must not receive any social benefits. The prospect of finding a better job and earning a higher income is a motivation for this wave of working migration.

Yet, reality is different. Since those migrants (floating people) do not have a licence (i.e. without hukou), they are forced to do poorly paid ddd-jobs, a term referring to employment which is dirty, dangerous and difficult (Laurence and Xiang 1998, 547). At the same time, the Chinese economy still needs those workers who are willing to do these ddd-jobs. So, one could argue there is an intention to have the labor market exploit their situation.

At the same time the process of industrialization required more and more industrial workers. Therefore some local authorities stopped the strict control of hukou. While incomes saw a huge increase in the industrial regions in the 1990s, income in rural areas more or less stagnated. Parallel to this, the cost of living is increasing throughout China. The privatization of the small and middle-size SOE caused

the end of the “iron rice ball” era. Privileged employees of the former state-owned companies became unemployed as the economic development was accompanied by the end of the danwei principle. In planned economy a danwei (单位, work unit) “was a social system that dispensed their salary, housing, medical insurance, and other benefits the unit might offer” (Guthrie 1999, 76).

”With tightening fiscal constrains, lifetime employment has exacerbated the workplace burdens of workplace benefits, and redefining the labor relationship has become a central issue for the industrial reform” (Guthrie 1999, 76).

With the adoption of labor contracts the work unit (i.e. lifetime employment and social benefits) ended in China.

While the first reform period (1979-1992) saw an improvement in the standard of living in China’s rural areas, the second period (since 1993 until now) has not been able to stop the unbalanced economic development in urban and rural areas. Industrialization has enhanced prices very rapidly. Also the prices for urban accommodation accelerated very fast. Contrary to this, rural incomes stayed roughly the same. Structural exclusion in different Chinese regions has made millions of Chinese people migrate in search of better jobs throughout the country.

Another example of China’s structural exclusion is the fact that a great number of women in rural areas commit suicide because of poor living conditions. Michael R. Phillips claims that the number of Chinese women who commit suicide has increased by to 25 percent as opposed to the number of Chinese men (Phillips et al. 2002, 837).

Such a development in China corresponds with extreme social problems such as expanding poverty, increasing the suicide rate among women, rising criminality (especially youth criminality) and growing corruption. These examples should illustrate that the realms of exclusion are closely connected with the liberal reforms. It also illustrates that consideration of membership has ended in all subsystems.

## B. Effect on the Concept of Guanxi

The modernization of Chinese society has seen a change in the inclusion order. It has formed different realms of exclusion such as exclusion by unbalanced regional development and the support of a

few selected regions. The transition process from a planned toward a market economy was accompanied by many risks for investors. During the period of the Chinese transition, the absence of a legal system or of any other sort of institutional binding of trust was compensated by trust-networks (guanxi networks). Guanxi networks are not just relationship networks which should target the maximum of resource allocation available.

Chinese economic development is also closely associated with foreign investments. The influx of foreign investments into China is mainly linked with regional and ethnical components. As suggested above, the first round of SEZ was established in China to compete with other areas where ethnic Chinese lived such as Taiwan, Hong Kong or Singapore. This led to the creation of opportunities for ethnic entrepreneurial networks. Sociologist Manuel Castells stresses the importance of ethnic entrepreneur networks (guanxi networks) for FDI as the main stock broking agency for foreign investments in China (Castells 2004b, 331). As a result, investors from Hong Kong and Taiwan spent more than 70 percent of all foreign investments in China between 1979 and 1992. The FDI in 2006 it made clear that the so-called small dragon-states could still withstand the presence of other investors coming from all over the world. More than 35 percent of the total FDI in China came from Hong Kong and more than 10 percent from South Korea. Nearly 9 percent originated from Taiwan and nearly 2 percent from Singapore. These numbers are of great significance in comparison to global players such as the United States with around 8 percent and Japan with about 6.5 percent (FIA 2007). Investments by China’s neighboring states are the result of comparative cost advantages (especially of labor costs); it is a matter of the relocation of factories.

Business networks doing business in China are normally based on the concept of guanxi (chapter I.). The members of the networks share similarities such as the same dialect, identical rituals (spring festivals or ancestor worship), similar cultural knowledge (literature)<sup>1</sup>, the same friends or relatives. These similarities are the basis of ascriptive solidarities. Ascriptive solidarities constitute borderlines for decision of membership and for the consideration of a person as a member in

1 Even if the cannot read, Chinese know the stories of classical novels of “Dream of the red Chamber” or “Journey to the West”. Therefore they are able to refer to commonly shared knowledge.

social systems (chapter IV.A.). As suggested above, the majority of foreign investors in PR China are ethnic Chinese. Using the analysis of ascriptive solidarities, the borderline of such membership could be identified. This implies that the opening and the launching of market economy was accompanied by certain conditions: the concept of *guanxi*.

Castells argues that the economic profit forecast for China was enormous. But also it must not be forgotten that the risk of lose all investments was very high. To minimize the risk, investors used *guanxi*-relationship (Castells 2004b, 331). Whyte summarizes the advantages of investments by (*guanxi*) network: they “provide trustworthy access to opportunities and resources in unstable political and economic environment” (Whyte 1996, 42).

It was not only foreign investors who used *guanxi*-relationship to seek success. Thus Mayfair Yang (2002) argues that *guanxi* acquired a new meaning in the business sphere:

”It is in the world of business where entrepreneurs and managers still need to engage with what remains of the state economy, with official controls over state contracts, access to imports, bank loans, favorable tax incentives, access to valuable market information and influential persons, and exemptions from troublesome laws and regulations” (Yang 2002, 464).

*Guanxi* is not useful for foreign investors only. In Chinese social life, the special relation through a *guanxi*-relationship helps overcome a (monetary) shortage, too. If a son prefers to go to a certain school or if he wants to visit a concert and the tickets have been already sold out, good *guanxi*-connections are useful for finding a satisfactory solution.

With economic developments and the rise of private business, the character of business *guanxi* has changed. In this sense Yang observes:

”No longer are gifts or banquets sufficient in these new *guanxi* rituals, but a long night sharing the pleasures of masculine heterosexuality and giving women’s bodies and sexual services as gifts will cement *guanxi* better” (Yang 2002, 466)

The network character of business relationships is not only relevant to connections among international business makers, but also local business leaders. Therefore some scholars characterize Chinese economy by the *cadre*-capitalism (Heilmann 2004, Seitz 2002).

*Cadre*-capitalism refers to the notion of a closed connection among policy makers, political interest and the economic power. It is about the political mandate representing the state-owned enterprises or collective enterprises; bank companies still prefer giving credits to public enterprises instead of private ones. Therefore the credits for state-owned enterprises are nearly unlimited. Economic efficiency and profitability play a minor role as opposed to interests of the Communist Party such as the employment rate.

The significance of *guanxi* in business is closely connected with the liberal reforms. Not only do international entrepreneurs’ networks use this special “*guanxi*” relation; the locals, too, know of its importance. *Guanxi* as a model of social integration involves certain borderlines, it gives evidence based on possibilities to overcome these borderlines. *Guanxi* makes it clear who can be considered a member of such a network and which kind of solidarity connects the members in *guanxi* network. The next chapter will provide some answers to these questions.

## IV. Guanxi Revisited

Contemporary discourse on China's globalization and modernization converges at a certain point. Current modernizations take place under the condition of globalization. Modernization in a globalized world is often seen as Westernization. This Westernization or even multiple modernities, McDonaldization or hybridization are different approaches with inherently different prognosis. In order to illustrate the structural changes in Chinese society, the concept of guanxi is suitable to reveal the result of the Chinese societal morphogenesis. This is why the concept of guanxi is analyzed in another part of this paper entitled guanxi as an ascriptive solidarity (chapter IV.A.), questioning the origin of the binding forces and their borderlines. Thus, it is relevant to measure the reach of the concept of guanxi to a degree of expansion of a societal community. For the assessment of the meaning of the concept of guanxi in modernization, structural changes must be referred to in order to analyze the concept of guanxi as a structural intersection of empirical function systems (chapter IV.B.). The problem of all-inclusion underlines structural problems of social integration (chapter III.C.). Therefore, particularization and the market of solidarities occur which do not lead to all-inclusion; instead, they lead to rivaling solidarities. Thus, the concept of guanxi can be applied as a market of solidarity (chapter IV.C.). Earlier modernization theories assume that modernization coincides with bureaucratization and leads to a decline of the patrimonial network. Contrary to this, S. N. Eisenstadt (2006) reveals the fact that patronage relationships do not disappear through modernization. For the assessment of the changing process of the concept of guanxi and the persistence of guanxi, the concept of guanxi is considered as a patronage relationship (chapter IV.D.).

My project aims to show that the concept of guanxi is a unique creative mechanism of social integration. From the inside, guanxi as a social system selects social relationships with different ascriptive statuses; at the same time, it is a network which, from the outside, excludes everyone without a mediator. Thus, it often excludes those who are not familiar with the mechanism of guanxi or those who are of no benefit to the members of the network.

### A. Guanxi as an Ascriptive Solidarity

Functionally differentiated societies are characterized by variable membership conditions. This implies the end of all-inclusion and the establishment of an order of inclusion (into subsystems) (see chapter II.B.). Under the conditions of modern societies, inclusion as the chance or entitlement of a person to be considered a member of a social system generates certain demands. This means there is no universal entitlement or even chance of membership of all subsystems. Furthermore, ascriptive solidarities are responsible for the existence of inner boundaries for the appropriation of the chance and entitlements for membership consideration. The inner boundary of ascriptive solidarity is an (emotional) affinity such as regional, strata, regional or national affinity. Moreover, ascriptive solidarity affects the membership decision and hereby the closure of social systems.

Nederveen Pieterse (2007) examines – among other things – the ethnicities under the conditions of globalization. He denies the approaches of the clash of civilizations and the unification in the sense of McDonaldisation. In his opinion, the mixture of identities (hybridization) is enforced by globalization. Within a differentiated model of culture, Nederveen Pieterse found answers to the question how hybrids occur. Based on the hybridization approach, he outlines a kind of diffusion theory. Hybridization means “cultural mixing [...] across locations and identities” (Nederveen Pieterse 2004, 42). This cultural mixing takes place at a certain cultural level: i.) transnational culture (translocal influence), ii.) cultures (civilization, religion, nation), and iii.) deep culture (human sameness beneath difference) (Nederveen Pieterse 2007, 204). This concept is useful for the examination of migration networks. Furthermore, this approach offers examples of the borderlines of ascriptive solidarity. In the Chinese context, such networks are the guanxi networks. You-tien Hsing studies entrepreneurs’ networks existing in Taiwan and PR China and he declares:

“The establishment of guanxi is conditioned by other principles of social organization, such as kinship, place of origin, and regional dialect. Most Taiwanese have ancestors who migrated from southern Fujian province three or four hundreds years ago, and as the result they speak Hokkien, the dialect of southern Fujian” (Hsing 1997, 159).

This citation shows that the ascriptive solidarities of guanxi networks are, for instance, the same kinship, a common origin or an identical dialect. Yadong Luo refers to other bases of guanxi-networks such as fictive kinship (common surnames), common workplace, visits to trades and social clubs, and common friends (Luo 2007, 5-6).

Ascriptive solidarities play a vital role in the concept of guanxi. First, ascriptive solidarities are the basis for guanxi networks. Second, guanxi networks are not just of regional character. Guanxi networks expand Chinese society and they bind their members even over large geographic distances. Migrants (floating people) seeking better jobs throughout the Chinese territory can be cited as an example of such expansion. In this context, the fact that these floating people (unlicensed migration workers) of the same origin are often employed in the same economic sector is conspicuous (Solinger 1999, Laurence and Xiang 1998).

Studies on the development of floating people in China reveal that persons in enclaves are often of the same origin and they work in the same branch for the most part. In Beijing, for example, there are several enclaves of peasants from different provinces: i.) Zhejiang Village, ii.) Xinjiang Village, iii.) Henan Village, and iv.) Anhui Village (Laurence and Xiang 1998, 565). For example Zhenjiang village is situated in the Dahongmen area. The village is dominated by Chinese from the Wengzhou region, which belongs to the Zhejiang province. The majority of these sojourners produces garments. These enclaves provide housing opportunities, welfare instruments (i.e. health insurance) and help find jobs for Wengzhou people who are legally excluded from the labor market because of hukou (Laurence and Xiang 1998, 546-581).

Studies regarding the floating people reveal that ties among the individual sojourners are used to seek employment, find housing and for further support of each other. As suggested above, these ties are based on the same origin, dialect or kinship. It becomes apparent that these ties are part or even sort of guanxi networks. The explanation for these processes is simple. Ties among the floating people are based on the same ascriptive solidarities and on the inner process of mutual obligation, which are identical with the concept of guanxi.

Guanxi is a particular network. Therefore, network inclusion is realized under certain conditions. Universal entitlements do not lead to inclusion in a guanxi network. As mentioned previously, ascriptive solidarities in guanxi networks are limited in comparison with uni-

versalistic entitlement such as civil rights. The limits and borderlines consist of exclusive conditions. Exclusion is an outside area in which persons are not considered members of a certain social system. Furthermore, the area of exclusion has no local but rather an operational borderline. People without similarities and without a mediator who supports their integration represent the outer borderlines of a guanxi network.

A social system possesses two borderlines: inner and outer. There two different borderlines impact the decision of membership: member and non-member. As suggested above, inclusion in guanxi networks consists of similarities (origin, dialect, kinship, common friends) on the one hand. On the other hand, the inner borderline is stabilized by commitments. Commitments are selections of behavior. Members of a social system freely obey their commitments in order to remain in the social system. For example, the concept of mianzi (face) is a kind of commitment. It consists of reciprocal giving of favors and gifts – even though it may mean indebtedness. If somebody cannot or is not willing to return favor they previously received, they jeopardize mutual trust in this relationship. The consequence of this breach of rules is the loss of face (mianzi). Without mianzi, members of a guanxi network become excluded from the network. Consequently, mianzi shrinks the double contingency by enabling calculability.

Ascriptive solidarity is important for the inner borderline and for the establishment of an order of inclusion. Thereby it shapes the membership conditions. Membership conditions of a network are affected by media. Local dialects represent certain media for Chinese guanxi networks. Spoken Chinese is so different that people speaking one dialect cannot understand other dialects. A good example is the difference between German and English. The upcoming television broadcasting of Putonghua (standard Chinese) enables more and more people to hear and understand. But this does not mean that Chinese from other districts can speak this dialect. Poor people in particular are not able to speak Putonghua unless they were born in the Northeast of China. Accordingly, language capability is a realm of exclusion. To see it from a different perspective, these language barriers imply a certain membership condition.

Guanxi networks are long-lasting relationships. Thus it is important to explain the condition of the stabilization of the long-lasting character. The notion mutual obligation and certainty of repayment in Chinese guanxi networks differ from Western business networks

in terms of inherent interests. Not only are guanxi networks founded on the basis of functional interests, but also on social affiliation. This argument underlines the fact that guanxi networks are constructed for a (concrete) case of need. In conjunction with rituals of mutual obligation, this social affiliation ensures the long-lasting nature of guanxi networks.

To sum it up, it is necessary to determine whether or not ascriptive solidarities of guanxi networks reveal the borderlines of guanxi network as a social system. A detailed formulation of the borderlines should be analyzed in further research. Moreover, this work includes the process of guanxi, which leads to the assumption that the concept of guanxi itself could be seen as an ascriptive solidarity. The enlargement of the guanxi network is based on those members (mediators) who are willing to vouch for new members. Therefore, guanxi itself offers the basis for the enlargement of solidarities. In my opinion, further research projects could find answers to the question concerning the crossing of system borderlines.

## B. Concept of Guanxi as a Zone of Interpenetration

Zones of interpenetration cause structural coupling, as well as structural drifting. This means they influence the morphogenesis of societies. The analysis of personal Chinese networks guanxi within the processes of guanxixue are analyzed as a zone of interpenetration. This reveals the effect of the concept of guanxi on structural changes in Chinese society. For the purpose of this analysis, it is important to start with a short theoretical introduction of zones of interpenetration as a certain aspect of structural evolution in a functionally differentiated society in the first place. Secondly, theoretical assumptions are applied on guanxi as an object of research. Finally, this leads to the assessment of the role of the concept of guanxi in the framework of China's structural changes.

*1. Theory of Functional Differentiation and Structural Intersection*

Zones of interpenetration are specialized action systems. There are at least two empirical subsystems proceeding in the intersection of the zones of interpenetration. A zone of interpenetration achieves the representation of other action systems by means of intersection. This process is called structural drifting. Due to the fact that structural intersection causes structural drifting, it has an effect on the construction of the social structure. The social structure is ensued from the evolutionary (structural) drifting of a subsystem. Consequently, zones of interpenetration are important realms for analyzing the structural changes of the social structure.

Zones of interpenetration are constituted by structural intersection. These zones are not self-logically differentiated by a subsystem. A zone of interpenetration is a realm of multiple constitutions where different functional subsystems coincide. The original identity of a given subsystem remains unchanged. So, interpenetration zones are patterns of multiple constitutions: for example, scientific knowledge and market conditions come together. Structural intersection occurs in a functionally differentiated society by i.) variable membership conditions, or ii.) transformation of the membership media. Interpenetration zones deliver i.) an exchange of outputs, achievements or products, and ii.) a mutual representation of other subsystems.

The following elements have been analyzed well and belong to zones of interpenetration: i.) occupational groups, ii.) de-traditionalized order of society and a legal ruled of the societal actions, iii.) modern constitutionalism and the calculability of juristic decisions, iv.) the emergence of generalized capabilities, or v.) formal organizations.

The following examples illustrate the notion of zones of interpenetration. First, in the interpenetration zone of the occupational groups, two empirical subsystems coincide: the economic action system and the cognitive complex. Occupational groups achieve cognitive orientation and differentiation by a role system. Such intersection of these two subsystems causes the formation of rational lifestyles and it also changes the pattern of communication. The differentiation of the role system is significant. In primitive and traditional societies, a strict connection of individual persons and their roles exist because of the invariability of membership in subsystems. In the past, for

example, a child of unmarried parents could not become a brave man (Preyer 2006, 97). Contrary to traditional societies, the differentiation of the role system exists in functionally differentiated societies with occupational groups. The discrimination of a person and its membership role thus occurs. The system theory distinguishes between a person, a human being and a member of a social system. Because of the differentiation, there is no consideration of the person being as an individual; rather the human is perceived as the observation of differentiated items (members) in the system theory. This is why an examination of roles follows. The role is – for example – understood as a professionally ascribed status. Therefore, at the same time, the differentiation of the role system coincides with the order of status and the order of prestige.

Secondly, the de-traditionalized order of society and legal ruled of the societal actions represent those interpenetration zones in which the economic action system and the reorganization of the order of inclusion overlap. This procedure allows for a variable membership in the subsystem. And the variable membership makes the formation of free-will and pluralistic associations possible, as well as the formation of a legal-normative economic action. The structural intersection of economic action system, the setting of policy, the cognitive complex, and the inclusion of persons – all these items generate the construction of generalized capabilities (status position and roles). This interpenetration zone is responsible for the relative nature of tensions between mass religion and virtuoso religion. As a result, the transformation of utilitarianism toward a weakened pursuit of profit occurs. In addition, the relativization of inner and outer morale arises.

The theoretical description and the examples have shed light on the meaning of interpenetration zones in terms of the change of the action and function systems. This helps clarify the effect on the social structure.

*2. Concept of Guanxi as a Structural Intersection*

The concept of guanxi as an interpenetration zone is structural intersection of two empirical subsystems. In concept of guanxi, the economic subsystem and cognitive complex coincide. As suggested above, zones of interpenetration trigger structural drifting.

A regularized lifestyle emerges from the intersection in the inter-

penetration zone of guanxi. The notion of a regularized lifestyle refers to the selection of alternative actions. For example, the guanxi practice as the process of mutual giving and receiving of gifts and favors shrinks the action alternative. So, obligations have to be returned to others in a certain degree, or at a particular time. If the creditor asks the obligor for a specific favor<sup>1</sup>, the obligor is bound to return exactly the favor he has been asked for. In addition, the creditor determinates the time for the favor to be paid back. In case the obligor does not return the favor, he loses his face (mianzi) and is sanctioned. This is why the concept of guanxi affects a person's lifestyle.

With certainty and calculability, the concept of guanxi provides two functions to other subsystems. Calculability lays imbedded in the rational lifestyle and the shrinking of action alternatives. Trust is a very strong commitment in guanxi; the breach of this principle leads to the exclusion of a member from the network and to social sanctions. This is why members of a guanxi network are able to figure out the amount of their indebtedness and obligations to other members. Due to the selection of action alternatives, the concept of guanxi generates certainties. The disadvantages related to the exclusion from the guanxi network are regularly much more severe than the return of the obligation.

Furthermore, the intersection of the cognitive complex and the economic subsystem allow for the ability of distinction. Both, the number of guanxi members (social capital) and the quality of their social status generate a prestige order in guanxi networks. This prestige order does not necessarily correspond with the occupational status. The following example should illustrate the relevance of this statement. A security guard has a good guanxi contact with the head of the company for which he works. His influence is bigger than his occupational status. One day a delegation of foreign investors visits the company for a few days. The security guard does not allow them to enter the company on the third day because he was badly treated by some members of the delegation. The foreign delegation has no longer an opportunity to contact the head of the company. This example demonstrates that the quality and strength of guanxi connections is neither visible, nor does it depend on the occupational status. Indeed, circumstantial evidence exists which indicates the quality of guanxi (i.e. regulation exception),

<sup>1</sup> The specific favor must be proportional to the indebtedness and proportional to the relationship between obligor and oblige.

but this evidence becomes apparent only for an insider. The members of a guanxi network are insiders and dispose of enough information to be able to assess the quality and strength of the guanxi connection of other members. The assessment of the quality and strength of guanxi is accompanied by the allocation of membership roles. Such membership roles generate a distinction within the network and provide a status level for every network member.

The illustration of the concept of guanxi provides an outline of the function and impact of guanxi for other functions and action systems. For the concept of guanxi reveals two empirical subsystems which overlap in the guanxi interpenetration zone. Concept of guanxi delivers functions such as the ability to discriminate and a functional equivalent of the legal system for conflict resolution and calculability. There are possibly more intersections of other empirical subsystems within the concept of guanxi. Further research should deepen the analysis in the field. For the purpose of this work, it is important that the concept of guanxi concentrates on two functions: certainty and calculability. These functions are important for the market economy in an uncertain environment. In addition, the concept of guanxi provides a rapid, unproblematic and flexible allocation of resources. For these very reasons, guanxi has an important impact on the transition from a planned toward a market economy in China.

### *3. The Achievement of Guanxi and Guanxixue*

Interpenetration zones have a particular effect on structural changes. The achievement of guanxi and guanxixue (the concept of guanxi) lays in the influence on structural changes. In the previous paragraphs, the function of the concept of guanxi for other subsystems is referred to. In conjunction with modernization, the analysis of these functions exposes the meaning and the role of the concept of guanxi.

Modernization theories assume that modernization involves certain demands. For example, a modern market economy requires calculability and predictability. Rational-legal institutions generate the condition for the provision of these important attributes. Since the rational-legal system is often intellectually connected with the republican political system (the division of power), scholars cannot clearly predict the course China's political development. During the 1990s, the assumption occurred that China's economic development

is accompanied by a change of the political system: democratization. Until the present day, there have been no signs of democratization. In fact, no change in China's political system is consignable. An analysis of the concept of guanxi reveals that guanxi provides functionally adequate achievements comparable to the legal institutions. This function has a particular importance for the economic system with the absence of rational-legal institutions. An examination of guanxi as a zone of interpenetration might not provide answers to the question why the political system has remained in place, but it may provide information concerning the process of the economic transition.

In the second period of liberalization, which started in 1992, the economic reforms accelerated the pace in the direction of a market economy. Small private enterprises, the transformation of SOE toward private enterprises, and foreign investments demand the balance of risks and profit opportunities. An authoritarian regime, a communist one in particular which is reluctant to support the notion of private property may have a great number of profit chances; however, at the same time it is very risky. The absence of legal institutions hampers a fair and predictable resolution of conflicts and law enforcement. Therefore, rational legal institutions are closely connected with market requirements.

The concept of guanxi generates commitments that are comparable with the function of legal institutions. The institutions deliver trust, mutual exchange, predictability, calculability, and the capacity to sanction. Furthermore, this concept shapes a flexible and adaptable organizational form which is able to react fast to different efforts by the environment. This is why the concept of guanxi fills the gap of the absent rational-legal institution.

Foreign investors played a vital role during the Chinese transformation. Transitioning and developing states need foreign capital and new technologies from abroad. Therefore, the political leadership of these states must pursue foreign investors as a primary objective of the reform agenda. During the 1990s, China was very successful in terms of attracting foreign capital; it became one of the largest receivers of Foreign Direct Investment.

Foreign investors use guanxi for investing in China. The main reason for this decision is the minimization of risks. Chinese entrepreneurs apply guanxi to gain investment capital or information. Floating people apply for guanxi to compensate for their exclusion from welfare instruments, housing and labor restrictions. They simultaneously

seek new opportunities of finding better jobs in prosperous cities. All this is possible due of the flexible nature of the concept of mutual trust and connectivity.

The concept of guanxi as an interpenetration zone has been particularly influential during the period of modernization. For an assessment of the exact impact of concept of guanxi and its importance to the Chinese transition from a planned toward a market economy, further examination is needed. The same is true of the political system and its continuation and stabilization. However, this work shows that the concept of guanxi provides particular functions important to the market economy. Especially it applies to an environment with the absence of legal institutions. Moreover, a guanxi network delivers a flexible resources allocation and offers the opportunity of alternation corresponding to the demands of the environment. This is why the concept of guanxi is an important component of the Chinese period of transition.

### C. Guanxi: A Market of Solidarity?

The process of functional differentiation of society and "glocalization" (Robertson 1995) such as the rising independence of local and global factors leads to contradiction; social integration in a societal community is terminated that way. It is not possible to compensate for migration, offshoring and the consequences of climate change by the reallocation of a societal community. As a result, social integration takes place in markets of solidarity. Social movements such as citizens' groups, women's movements or anti-war movements illustrate the emergence of markets of solidarity. Due to the fact that social integration occurs in the market of solidarities, it has to be emphasized that the markets of solidarities are based on ascriptive solidarity and have different characteristics. In his analysis of social integration under contemporary demands (chapter II.B.), Gerhard Preyer detects the end of all-inclusion and the emergence of the market of solidarities. Using Émile Durkheim's concept of positive solidarity and the specification of that concept, Preyer offers a measurement of the range of solidarity. The analysis of guanxi as a market of solidarity reveals the range of solidarity provided by the guanxi practice and through guanxi relationships.

Preyer specifies positive solidarity by means of seven different

items. Items one to seven declare the degree of solidarity integration, and items four to seven describe the degree of social integration. In the following list, the items are shortly explained and they are juxtaposed to the concept of guanxi:

*The degree of solidarity integration ascertains the items I.) to VII.)*

I.) Members recognize and grant latitudes for mutual interests. Thereby, members are allowed to participate in a societal community by formal affiliations despite differences and without a strong social bounding. This concept of inclusion refers to American history and is generally known as civil society. The concept of guanxi is based on ascriptive solidarities which do not provide many differences. Rather similarities like kinship, origin, common friends and the like build a solid basis for guanxi. This is why the concept of guanxi does not fulfill the first premise.

II.) Members solve their conflicts by using legal procedures. That means a juridification of societal action. Guanxi practice is subject to commitments, but it does not consist of a generalized entitlement comparable to the concept of civil rights. Indeed, guanxi disposes of opportunities to solve conflicts within the network, but there are scarce options to solve conflicts with the non-members. The concept of guanxi fails in point number two.

III.) Legal instances and institutions regulate and sanction members' behavioral aberration; this requires legal decisions to be enforced. Therefore, law is thought to be the media for the integration of positive solidarity. The concept of guanxi regulates members' behavioral aberration but the exclusive status of a network is responsible for the failure of universalistic entitlements. Indeed, the concept of guanxi provides a functional equivalent within the network, but this is not achievable at the level of enlarging society. Again, the concept of guanxi fails in point number three. The non-compliance with the first three points implies the fact that the concept of guanxi is not solidarity integration.

*Items IV.) to VII.) illustrate the degree of social integration:*

IV.) Members are related in a common manner. This common relatedness is determined and endorsed by the incidence of contact, tightness of the social division of labor and social responsibility. On the one hand, the guanxi network is built based on ascriptive solidarities which consist of close similarities. These similarities support the

process of assembling a common relatedness. On the other hand, the guanxi practice as a mutual exchange of obligation to particular rituals enforces common relatedness. In this sense, guanxi meets the first criterion of social integration.

V.) The existence of the approval for justice is social compensation for inequalities.

Balancing mutual charges with strong commitments of return and trust establishes a guanxi relationship that is bound by similarities that compensate for inequalities. Enclaves of floating people in Beijing where sojourners support one other by guanxi ties to get jobs, housing opportunities, or other goods are a relevant example. Thereby they compensate for the inequality stemming from their exclusion from the labor market.

VI.) and VII.) Emotional, biographic and occupational affinity sets priority of single members before others. The status order in the guanxi network contains the setting of priorities concerning members whose guanxi prestige is higher. In addition, the members give higher priority to their own group as opposed to other groups. Referring to this fact, Preyer amends the following comment. In his sense, the disposal of solidarity is not freely distributable, not even in Western society. He argues that even the Western universalistic ethic is based on the principle of familialism. This is why solidarity may seem freely distributable, but it is not. As already mentioned, guanxi ties have different distances between different members in the network. In addition, the guanxi network generates a status order based on membership roles. As previously mentioned, there occurs priority of single members before others within guanxi and a particular meaning of the group as opposed to other groups. Both facts illustrate a significant affinity within the guanxi concept. Guanxi attains the next higher degree of social integration.

To sum up points four to seven, the concept of guanxi fulfills the requirements of social integration. For a more exact examination of the closeness of social integration by guanxi, these items must be analyzed more in depth. This research project discovered that the concept of guanxi is limited in terms of societal range and not able to achieve social integration at a societal level.

## D. Guanxi as a Patronage Relationship

The examination of the concept of guanxi as a patronage relationship intends to locate the effects of a redefinition of membership borders. Furthermore, it compares the interaction process of the members in both patronage relationships and guanxi.

In terms of economical modernization, guanxi may lead to a fragmentation within China's society. The concept of guanxi is a particular network of relationships. Therefore, it might be useful to consider and analyze guanxi as a certain type of patronage-relationship. Patronage-relationships are a specific type of clientele-relationships which contain the exchange of resources. Further patronage-relationship are particulate and diffused relationships which are often of a long-lasting character. They are also determined by rules of long-term allegiance. Shmuel N. Eisenstadt reveals in his modernization studies that a patronage-relationship does not disappear by the reconstruction of modernization (Eisenstadt 2006, 277-305).

Patronage-relationship are a kind of personal networks. They consist of a monopoly patron, clients and a broker. Asymmetrical resources and power differences, latent coercive conditions and mutual solidarity are significant for patronage-relationships. Eisenstadt (2006) found that patronage relationships persist even after the process of modernization has taken place. Contrary to these findings, earlier modernization theorists assumed that patronage relationships are a pattern of traditional societies which change and decrease the societal meaning in modern societies. Eisenstadt finds out that patronage relationships pass through structural changes during modernization. Thus, patron-client relationships in traditional societies differ from patron-client relationships in modern societies but their principal characteristics remain the same. Furthermore, Eisenstadt ascertains that studies of patronage are qualified to examine modernities because historical aspects will be found in a modern society and patronage-relationships give evidence of the historical aspects and the remaining patterns (Eisenstadt 2006, 77-81).

Theories of modernization question which elements persist and which elements change after the process of modernization. The analysis of the relationship between patrons and clients offers the perspective of consisting and modified elements in modern society. Eisenstadt's studies demonstrate that "[...] patronage relationship do

not disappear within the evolution and stabilization of democratic or authoritarian structures" (Eisenstadt 2006, 280). To be more precise: Although certain kinds of patronage relationships disappear in some cases, the new kind of patronage relationships appears in the same place (Eisenstadt 2006, 277-80).

According to Eisenstadt, nine main components of patronage relationships are listed (Eisenstadt 2006, 288-9). In the following paragraphs, these components are used and juxtaposed to the guanxi concept:

I.) Patronage relationships are normally particularistic and diffuse. The examination of the concept of guanxi as a market of solidarity shows the particular character of the guanxi network. Furthermore, the guanxi network has no center. The guanxi network consists of different relationship circles: i.) *jiaren* (家人, family members), ii.) *shouren* (熟人, relatives, neighbors, friends, classmates or colleagues) and iii.) *shengren* (生人, acquaintance and strangers). Within a single circle of relationships, for example *shouren*, the quality of the relationship depends on certain factors. The kind of ascriptive solidarity, as well as the indebtedness or the entitlement to return a favor determines the social distance between the members and the quality of this relationship. This is why the guanxi networks are diffuse.

II.) The interaction of these relationships is characterized by two processes: i.) the exchange of resources in the economic, instrumental and political dimension, such as support, votes and protection guarantee and ii.) the promise of solidarity or loyalty. The concept of guanxi possesses different exchange interactions. The promise of solidarity and loyalty is an important component of the concept of in any case. An obsolete but significant example of the exchange of different resources is Merle Goldman's (1999) study. He analyzes interaction between economic scientists (or reform thinkers) and important party members in the 1980s (Goldman 1999, 283-307). The economic scientists offer suggestions for the Chinese reform policy in exchange for jobs in research institutes and the protection against communist hardliner. A typical example of the exchange of political and economical dimension is David Wank's (2002) work. Wank finds out that the old guanxi practice induced by scarcities has really declined since 1980s. Simultaneously, the rise of the market economy has created new networks to "influence officialdom across local state-society borders" (Wank 2002, 115). The concept of guanxi corresponds to the characteristic process Eisenstadt has determined.

III.) The exchange of resources is carried out as a whole. Thus, it cannot be combined with interests of concrete persons. Due to this fact, concept of guanxi consists of social bindings and endless exchanging processes of receiving and returning gifts and favors. Within the concept of guanxi, it is not possible to freely choose achievements like goods in a supermarket. Every member of a guanxi network provides a high level knowledge, competency and ties on particular principles of trust, solidarity, and the continual interchange and affinity. At this point, the concept of guanxi suits the definition.

IV.) Patronage relationships insist on unquestioning and long-term obligations. Through the ritual (permanent interaction and exchange) of the guanxi practice, an enduring binding of guanxi members emerges. As the definition indicates, there are indisputable long-lasting obligations in the guanxi network. The definition and the concept of guanxi correspond to this description.

V.) Solidarity could be ambivalent. Solidarity is often expressed as loyalty or the link between the patron and the client. Renqing (人情, human feelings) and ganqing (感情, emotional sentiment) characterize the solidarity of guanxi. Moreover, the status order that corresponds to the membership role contains different levels of hierarchy. This is why the expression of solidarity within the guanxi network might be ambivalent. This argument also runs along the line of the definition.

VI.) Often, there is a mental or intellectual link between the patron and the client. In the case of the guanxi network, there are no major mental or intellectual connections between members: there is more affinity of a social nature. The point does not absolutely correspond with the definition.

VII.) Principally, this relationship might be freely abandoned but normally it persists on a lifelong basis. Contrary to this, there are options in guanxi networks which are not totally free. The explanation is simple. If the debt is not paid back, the member loses his/her mianzi (面子, face or reputation). Losing mianzi is accompanied by sanctions (i.e. distrust) by all people who know about the misbehavior. This is why the concept of guanxi does not meet the criterion of a patronage relationship.

VIII.) Patronage relationships mainly occur as a vertical association between individuals and the network: i.) patronage relationships occur less often between organized groups and ii.) furthermore, they seem to avoid horizontal solidarity between clients or patrons. Guanxi networks do not necessarily consist of vertical associations. Due to the

fact, guanxi networks do not have a centre, there are horizontal and vertical associations. Besides, the guanxi practice supports the emergence of solidarity between members on an equal footing. Compared to the definition of patronage relationships, guanxi networks connect persons only. Relationships between formal organizations via guanxi ties are formed only as personal ties. Also this description does not correspond with the concept of guanxi.

IX.) Finally, patronage relationships are based on enormous inequality between members and vast discrepancies of power. The inequality of power or the variation of access to resources is not the identity-establishing characteristic of guanxi networks. At this point, the concept of guanxi and patronage relationships differ from each other.

Of the total of nine typical characteristics of patronage relationships, the concept of guanxi fulfills five criteria of the definition. Four attributes of the patronage relationships more or less do not correspond with the Chinese relationship network. Based on these arguments, the concept of guanxi should not be generally regarded as a patronage relationship.

## Conclusion

Models of social integration are social systems with particular attributes. This paper has illustrated that the concept of guanxi has certain characteristics. The emergence of these characteristics in world society might be a unique phenomenon, or not. Comparative studies of personal networks in different societies could help us find reasons for the status of the concept of guanxi. Guanxi as a model of social integration is devoted to certain characteristics of the concept of guanxi. The priority of this research was to study the structural conditions of stabilization and to detect the expansion limitations of such networks at the societal level.

This research project should provide answers regarding the impetus of structural changes in China since 1992 and theoretical descriptions of these social changes. The second objective of this work was to explain the meaning of the concept of guanxi in China's restructuring process.

The main reason why I chose this methodical approach was to provide answers to my research questions and to demonstrate the process of my research. In order to describe the object studied, a short outline of the characteristics and the current state of research on the concept of guanxi was provided. Subsequently, the discussion of several theoretical models revealed useful and suitable approaches for the examination of the guanxi concept. The chapter on the modernization of Chinese society established the framework for this research. The analysis of guanxi from four different perspectives stemmed from a theoretical discussion.

The approach has led to the following findings. Guanxi as a model of social integration outlines the structural conditions of the borderlines of guanxi social systems. Moreover, the paper has proven that Chinese modernization did not follow the same process as modernization in Western society. It was not possible to detect the emergence of evolutionary universals (i.e. bureaucratization or democratization) in Chinese modernization. The absence of these universals proves the validity of the theory of multiple modernities.

The notion of ascriptive solidarities shows that guanxi networks are capable of opening up. Thus, they provide evidence concerning the integration of new members which involves the consequences of crossing the borderlines. Furthermore, in terms of a zone of interpen-

etration or as a zone of multiple constitutions, the concept of guanxi reveals it impacts structural evolution and helps to overcome the requirements of a given system such as the requirements of economic systems. Subsequently, in terms of a market of solidarity, guanxi illustrates the limits of that concept encompassing the model of societal integration. Personal networks are characterized as extremely exclusive compared to legal concepts such as civil rights. The chances of being considered as a member can not be seen as an integration mode in a particular societal community. Finally, in terms of patronage-relationship, the guanxi concept denotes a specific concept which does not disappear by means of modernization; instead, in terms of adapting to the current requirements, it disappears in changes affecting patronage-relationship. The concept of guanxi also shows the manner in which these relationships change. During the transition period, the political and economic systems were no longer closely interlinked which encouraged a shift from political elites toward economical elites. While the mechanism of the patronage-relationship changed, the characteristics of that relationship remained the same.

The structural changes and the borderlines, the effect and the range of solidarity reveal the character of the guanxi concept as a model of social integration. At the same time the basis of the analyzing of the guanxi concept has two dimensions, leads to certain consequences for the modernization theory and to a reassessment of the role of guanxi.

The findings of this research study have some consequences for the modernization theory. China has not become modernized as early convergence theorist assumed. The economic growth which we have been witnessing since the 1990s until the present day has been accompanied by drastic changes in China. That makes us question the manner in which the changes occur as well as the outcome. Earlier modernization theories assumed that the same conditions in industrialized society led to a convergence of society through the limitation of arrangements. So, for instance, the modern economic system requires the legal system to produce specific achievements along the lines of predictability, efficiency and calculability. The modern political system needs patterns to achieve reach-through by means of their decisions. Therefore, it requires a bureaucratic system. The outlined changes in China since 1992 and the analyses of the guanxi concept both attest to the fact that modernization in China follows its own dynamics instead of the typical Western models. Thus, for example,

China has managed to attain economic success without a mature legal system. This fact gives evidences for the existence of multiple modernities.

Chinese society does not modernize on grounds of the Western. The serious changes implemented after the economic reforms and the economic opening both challenged the stability of the political system. Several scholars assumed that within the economic growth and the development of social standards, there is a coincidence of democratization. Institutional theorists predicted the democratization of the Chinese political system. Within the framework of this concept, the economic systems call for the achievement of other function systems, the legal one in particular. Thus, a prospering economy demands calculability, predictability, efficiency, and the control of labor and consumers. These demands can only be supplied by the political or the legal system.

The findings of this research effect the assessment of the role of guanxi in Chinese society. The concept of guanxi has adapted to a new burden of economic liberalization. The Chinese personal network shapes an institutional substitute for the absent legal institution. Also the guanxi norms realized a predictability of decision and therefore undermined the double contingency. The fact that at the time of transition the guanxi networks fulfilled special functions is significant, too. These functions are the provision of an adequate function of the legal system between among members, flexible coordination and adaptation of resources, as well as minimizing risks for investors in China. The study of concept of guanxi as a patronage relationship reveals that the guanxi network and the practice of guanxi do not amount to a patronage relationship at all. Plenty of types of guanxi network are not a patronage-relationship. But connections between mandatory representatives or civil servants and business man or even connections among ordinary people seem to be a kind of client-patron relationship. This is why different types of guanxi should be further analyzed.

This research has three principle strengths. First, it has managed to detect the basis of the guanxi concept. Second, this work shows the effect of the guanxi concept on the structural change. And finally, it demonstrates the fact that network concept similar to guanxi cannot attain social integration at the societal level.

Guanxi as a model of social integration contains gaps. Thus, further research studies should focus on the following points. Research stud-

ies should examine commitments and the change of membership media of the guanxi concept. In addition, they should analyze dynamical changes of the guanxi social system. The findings of such research support the differentiation of guanxi types and they should provide the basis for an assessment of the achievements of the different types of guanxi. Furthermore, these studies should investigate the connections and effects of the guanxi concept toward other social systems (i.e. formal organization). Specific findings should help find an appraisal of the role of guanxi in Chinese society. Finally, an exploration of the guanxi concept and the impetus to the process of modernization should be elaborated more in depth. A crystallization of the effect of the guanxi concept on the Chinese transition should follow.

The concept of guanxi is part of network society. Networks similar to guanxi provide support for their members. However, they are very exclusive and will not facilitate help, regulations or solidarities for non-members. In addition, prerequisites prevail in the conditions of integration into a network. Therefore, the question remains whether or not personal networks are a desirable model for social integration in the future.

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## List of Abbreviations

CPC	Communist Party of China
FDI	Foreign direct investment
GDR	German Democratic Republic
PRC, PR China	People's Republic of China
ROC	Republic Of China, Taiwan
SEZ	Special Economic Zone
SOE	State-owned enterprise
TVE	Township and Village Enterprises

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