

The self-made entrepreneur:
Social identities and the perceived legitimacy of
entrepreneurs in inland rural China

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December 2020

A thesis submitted for the degree of Doctor of Philosophy of
The Australian National University

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Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university. To the best of the author's knowledge, it contains no material previously published or written by another person, except where due reference is made in the text.

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December 2020

Acknowledgements

I would like to express my deepest gratitude to my supervisor, Tamara Jacka. This thesis would not have been possible without your patient support, thorough feedback, and insightful guidance. In addition to being an extraordinary supervisor, you have set an example of intellectual rigour, honesty and kindness that will accompany me throughout my career. I would also like to extend my sincere thanks to my supervisory panel: Jonathan Unger, whose kind and enthusiastic mentoring gave me strength and motivation during the writing process; and Ben Hillman, whose invaluable suggestions definitely helped improved my arguments. I am also grateful to the ANU, which financed my research and provided a supportive environment and freedom that were crucial to the completion of this thesis.

I am deeply indebted to the many Chinese friends who welcomed me in the county of Henan where I conducted my research. I cannot begin to express my gratitude for their kindness and hospitality. 首先我特别感谢 W. Y. 和他的家人，谢谢你们给我介绍你们的家乡，在家里热情欢迎我，并帮助我、支持我的研究。我永远不会忘记和你们一起过年的时光，也特别珍惜多年来和你们热情地讨论政治和社会学。在你们身上我找到了一种真正而深刻的友谊。我也很感谢 XH.，你是我遇到过的最强大和智慧的女企业家，谢谢你欢迎我到你家里，与我分享你的家庭生活，也感谢你饶有兴趣地和我讨论，并且挑战我的论点。我还想谢谢 L.，你开的咖啡店是县里唯一一个我可以享受咖啡的地方，对我来说也是一个远离自己家乡的安慰，也谢谢你花了这么多时间和我谈论政治和社会。我也要向 L. Z 致谢，谢谢你和你的妻子欢迎我到你们的工厂当工人，同时欢迎我到你们的家和生活中。这项研究如果没有大家的支持和帮助，是不会有今天的成果的。

I would also like to thank the friends who stood by me and helped me throughout these four years. Yunyun, my research soul mate, for your unwavering support and feedback. Our passionate sociological and philosophical discussion are reflected in this thesis. David, for reading me with such interest and giving me so many good ideas. Dake, for accompanying me to the field and being the only person with whom I could share a glimpse of my fieldwork experience. Wang Di, for believing in me and sharing my hopes and expectations for the after-thesis life. Agatha, for being not only a great friend but also a mentor and a guide to professional life. Thanks also to Sinolytics for believing in me and giving me a second home after the thesis.

Je voudrais aussi dire toute ma gratitude à ma famille : mes parents, mes frères et sœurs, et Marie qui est tout comme une sœur. La vie de doctorante m'a menée dans des contrées

bien éloignées de vous, de l'Angleterre à la Chine et jusqu'à l'Australie. Mais vous m'avez toujours soutenue et vous avez été à mes côtés en pensée pendant ces quatre années. Enfin, mes remerciements les plus profonds vont à Thibaut. Merci de m'avoir accompagnée, physiquement jusqu'au bout du monde, et mentalement dans toutes les joies et les angoisses du travail de recherche. Ce travail n'aurait pas existé sans ta confiance et ton amour à toute épreuve.

Abstract

This PhD thesis draws on a case study of entrepreneurship in contemporary rural China to address questions relating to social mobility, social differentiation, perceptions of social fairness and legitimacy, and the formation of collective identities in a context of rapid socio-economic change.

Since 1978, liberal economic reforms initiated by the Chinese government have established the conditions for tremendous socio-economic change across inland rural China, including sudden social mobility, a disruption of social hierarchies and swift changes in social perceptions of inequality and fairness.

Entrepreneurs have been at the core of these shifts. Although private entrepreneurs in China struggled against public prejudice during the first decades of the post-Mao period, they have enjoyed a much more positive social recognition since 2000, in parallel with their economic success.

Against this backdrop, the thesis addresses two major research questions. First of all, how and why has the rise of entrepreneurs as a privileged group in the rural social hierarchy been perceived as legitimate and fair by the local population in the post-Mao period, despite decades of Maoist rule, during which market activities and the pursuit of individual profit were severely discouraged? Secondly, when and how did rural entrepreneurs begin to identify as a social group distinct from the rest of the local population?

To answer these questions, the thesis draws on mixed-method data collection and analysis, combining analysis of quantitative survey data, ethnographic research, and policy analysis. Along with interviews with 42 entrepreneurs and 45 non-entrepreneurs, the author immersed herself in an ethnographic study by working in a rural factory for several weeks and by following entrepreneurs in their daily business activities.

The thesis argues that a narrative of the "self-made entrepreneur," with its understanding that any individual can, with hard work, perseverance and sound judgment, move up the social ladder, has become central to perceptions of social mobility and social fairness in post-Mao rural China. This narrative has played a crucial role in justifying and legitimating their subsequent rise to a relatively high position in local economic and social hierarchies, even though the gap between that narrative and the reality of entrepreneurs' achievement and maintenance of wealth and social status has widened. The self-made entrepreneur

narrative thus helps explain why the "social volcano" of discontent and conflict feared by Chinese observers and leaders has remained mostly inactive, at least when it comes to the position of private entrepreneurs in the Chinese social hierarchy.

In addition, the thesis shows that only the second generation of rural entrepreneurs, who set up businesses in the first two decades of the 21st century, have begun to identify as a social group that is clearly distinct from the rest of the local population. The thesis identifies intentional depersonalisation of social relationships as a key mechanism shaping the growing differentiation between social identities as bosses and workers. This growing social differentiation parallels shifts in the geographical basis of identity, as rural entrepreneurs start to identify more with a nationally defined social community.

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Introduction

My theory of self-made men is, then, simply this; that they are men of work.

Whether or not such men have acquired material, moral or intellectual excellence, honest labour faithfully, steadily, and persistently pursued, is the best, if not the only, explanation of their success. (Douglass 1872 [1992])

The ambition to succeed, especially in business, the late 19th century American theologian and author Lyman Abbott wrote, "is emphatically an American ambition, at once the national vice and the national virtue. (...) It makes the difference between a people that are a stream and a people that are a pool; between America and China" (cited in Dorson and Mercer 1986:68). Since then, scholars and writers have pointed out the centrality of the self-made entrepreneur and the rags-to-riches story in the American psyche, but nothing similar has been written about Chinese society (Dorson and Mercer 1986, Catano 2001, Wyllie et al. 1956).

Yet, since 1978, liberal economic reform policies, put in place by China's post-Mao leadership, have established the conditions for dramatic economic growth and tremendous social change. In a few decades, China has undergone industrialisation and urbanisation, which have profoundly reshaped interpersonal relationships and local distributions of power. The society that has emerged from these changes has been increasingly unequal in terms of income and differentiated in terms of lifestyle.

In particular, entrepreneurs have become important actors in economic, social, and political life (Chen & Dickson 2010). Wealth and business success have become increasingly important factors in determining individuals' social status and ways of living (Nee & Su 1990, Nee 1991, Martin 1990, Yan 1992). The Chinese government's official encouragement of trade and entrepreneurship has further contributed to establishing commercial or industrial prominence as an important factor delineating local elites. Business skills, rather than political behaviour or class origin, have become increasingly important sources of social status and local power.

Since the end of the 20th century, Chinese researchers such as Lu Xueyi, Sun Liping, Li Peilin and Li Chunling have also emphasized the social polarisation that has

resulted from decades of private industrialisation, following the post-Mao Chinese leadership's introduction of market-oriented economic reform policies. They have argued that China has become divided into wealthy and powerful classes, on the one hand, and the majority group, benefiting from an increasingly small share of economic benefits, on the other hand. And they have warned that social discontent and conflicts are brewing (Lu 2004, Sun 2004, Li Peilin 2005, Li Chunling 2005). Chinese leaders too have been acutely aware of the potential threats this situation poses to social stability in China (Duckett and Wang 2015:26).

Yet the "social volcano" of exploding social discontent that Chinese leaders fear seems to be a myth. As Martin K. Whyte exposed in 2010, despite the blatant inequalities that have emerged since the post-Mao reforms, there is now a broad consensus in Chinese society that the inequalities arising from market competition are "acceptable and viewed as primarily based on variations in individual merit rather than reflecting an unjust social order" (Whyte 2010:50).

In this context, private company owners have become the new "socialist heroes" of the market economy, while the array of values associated with entrepreneurship (initiative, ambition, and self-responsibility) have become core values of Chinese society (Guiheux 2012). Although private entrepreneurs in China struggled against public prejudice during the first decades of the post-Mao period, they have enjoyed a much more positive social recognition since 2000, in parallel with their economic success (Zhang 2001, Hsu 2006). A population previously taught that socialism was good and capitalism was evil has come to express strong support for market competition, and private entrepreneurs find themselves at the core of the sudden social mobility, disruption of social hierarchies, and swift changes in perceptions that have shaped Chinese rural society since 1978.

Given that, as Chinese researchers have pointed out, inequalities are high and social mobility is low, it is worth asking why the social volcano is only a myth. The research presented in this thesis was prompted by this puzzle. It draws on a case study of entrepreneurship in contemporary rural China to address questions relating to social mobility, social differentiation, perceptions of social fairness and legitimacy, and the formation of collective identities in a context of rapid socio-economic change.

My thesis addresses two major research questions. First of all, how and why has the rise of entrepreneurs as a privileged group in the rural social hierarchy been perceived as legitimate and fair by the local population in the post-Mao period, despite decades of Maoist rule, during which market activities and the pursuit of individual profit were severely discouraged? This question owes much to Max Weber, who first introduced the idea of a capitalist ethos, as a new type of practical rational behaviour, and a new moral relationship between human beings and their work, that justifies capitalist practices (1905). It also raises issues that are not dissimilar to those underpinning Albert Hirschman's question about the birth of capitalism in Europe: "How did commercial, banking, and similar money-making pursuits become honourable at some point in the modern age after having stood condemned or despised as greed, love of lucre, and avarice for centuries past?" (Hirschman 1977). To explain the perceived legitimacy of entrepreneurs' position in the new rural Chinese social hierarchy, the thesis analyses the moral and rhetorical forms of legitimation of wealth that operate within the local and national, post-Mao context, and traces the different facets of this discourse to understand how, when and why they are used, and by whom.

The second question posed in this thesis is: When and how did rural entrepreneurs begin to identify as a social group distinct from the rest of the local population? Change in the basis of individuals' social status has led scholars to understand Chinese society as shifting from what Weber called a "status society," based on heredity and lifestyle, to a "class society," based on market relations (Weber 1922). In this context, entrepreneurs have been seen as "new classes" (Chen & Dickson 2010, Unger 2002, Goodman 2014). But what has this change entailed in terms of social and cultural differentiation, and what factors have contributed to the construction of collective entrepreneurial identities in rural China? The thesis addresses these questions by analysing the lines along which cultural and lifestyle differentiation have occurred in rural China. I pay special attention to the timeframe of this process by looking at generational differences in the emergence of distinct entrepreneurial social identities.

In order to answer these two questions, I draw on fieldwork research undertaken in a rural county in Northern Henan, which henceforth I will refer to as "X County." As the empirical chapters will show, X County is characterised by a particular

industrialisation pattern. Scholars identified several models of industrialisation in the early decades of the post-Mao period, based on typical case studies in different regions of China (Naughton 2006). In the Southern Jiangsu model, township and village enterprises (TVEs) developed essentially under the leadership of township and village governments. The Wenzhou model was based on a thriving individual and private economy, which then turned into a stock cooperative system. By contrast, the Pearl River Delta model, adjacent to Hong Kong and Macau, owes its economic development to foreign capital and joint ventures. X County resembles the Wenzhou model in that it developed as a primarily individual and private economy. However, it differs from all three models inasmuch as it has developed later (economic development really took off only in the 2000s) and has not reached the degree of wealth and industrialisation that the other three models have reached.

Despite being one of the most populated provinces in China, Henan's economy is still among the least developed in China and relies heavily on agriculture, heavy industry, and retail. As such, it is representative of a large part of inner China that has been rather neglected by Western scholars, as previous research has usually focused on more economically developed coastal provinces. At the heart of the newly created "Central Plains Economic Zone" (CPEZ), Henan is becoming an important strategic focus for Chinese economic policy, which aims at developing industry in hinterland provinces ("China to build Central Plains Economic Zone." 2011). It is therefore of great importance in understanding patterns of industry and entrepreneurship in this rapidly industrialising area.

A word of caution about the definition of "entrepreneurs" and "self-made entrepreneur" is in order here. The "entrepreneurs" (whom I also call "business owners") who are the focus of this thesis are "*siying qiyejia*" (私营企业家 private business owners), as opposed to "*getihu*" (个体户, self-employed or owning a family business).¹ In particular, I have narrowed my research to entrepreneurs in two major

¹ "*Getihu*" are small-size businesses, in which the owner is also the operator and can only employ up to eight employees. Under the category of "*siying qiye*," there is no restriction as to the number of employees, investors can be different from the operator of the business, and subsidiary branches can be established. There is also a difference in the documents needed for registration (fewer documents are needed for "*getihu*"), in accounting requirements and in taxation policies.

industries of the county where I conducted my fieldwork: feather down, and car parts.

The English-language phrase, the "self-made entrepreneur," was originally coined in the United States in the 19th century and bears the weight of this particular history: It is heavily gendered, has close links to the protestant religion, and is strongly associated with moral qualifications (Wyllie et al. 1956). Two main terms come to mind as Chinese translations of this phrase: 勤劳致富, (*qinlao zhifu*), someone who has become rich through his or her own labour; and 白手起家, (*baishou qijia*), someone who has started from scratch. The scope of this thesis is larger than either of these expressions. It encompasses diverse stories, categories and arguments that revolve around ideas of entrepreneurship, social mobility, and becoming rich through one's own efforts. These ideas do not necessarily form a single logical system of thought. Rather, I have chosen to examine how they sit together, iterate in various contexts, and resonate with each other. Underlying them are varying perceptions of fairness and legitimacy, in which understandings of social mobility play an essential role.

At the core of my research in X County were interviews and conversations with 87 interviewees, including 42 entrepreneurs and 45 non-entrepreneurs. Through the thesis, I distinguish between two generations of entrepreneurs and their non-entrepreneur peers. The first generation includes entrepreneurs born before 1980 (included), while the second generation includes entrepreneurs born after 1980.

I answer the first of my research questions by examining stories depicting the emergence of the first post-Mao generation of rural entrepreneurs in X County. These stories, which depict entrepreneurs as "self-made," have played a crucial role in justifying and legitimating their subsequent rise to a relatively high position in local economic and social hierarchies. I further argue that this narrative of the self-made entrepreneur, with its understanding that any individual can, with hard work, perseverance, and sound judgment, move up the social ladder, has become central to perceptions of social mobility and social fairness in post-Mao rural China.

As will be discussed below, social differentiation has grown over the course of the post-Mao period, and social mobility has declined. Despite this, I argue that the self-

made entrepreneur narrative and the positive perceptions of social mobility, social fairness and the legitimacy of entrepreneurs' status with which it is linked, have strengthened over time. In the general, rural population, they are most prominent among the second generation.

Addressing the second research question, the thesis shows that only the second generation of rural entrepreneurs, who set up businesses in the first two decades of the 21st century, have begun to identify as a social group that is clearly distinct from the rest of the local population. I identify intentional depersonalisation of social relationships as a key mechanism shaping the growing differentiation between social identities as bosses and workers. This growing social differentiation parallels shifts in the geographical basis of identity, as rural entrepreneurs start to identify more with a nationally defined social community.

Review of China-related literature

The thesis draws on a rich literature on issues of social mobility, entrepreneurship, and the construction of social identities in rural China.

Experiences of social mobility

Scholarly discussions of social mobility in post-Mao China have revolved around two antithetical propositions. In a 1989 agenda-setting article, Victor Nee proposed a "theory of market transition," arguing that the departure from a socialist distributive economy would increase the incentives and opportunities for entrepreneurship and benefit "direct producers," while the bureaucratic elite would lose some of their privilege (Latham 1985, Nee 1989, Cao and Nee 2000, Kostello and Szelenyi 1996). This theory emphasised the difference between Maoist China, which was ideologically egalitarian but enabled less social mobility, and post-Mao China, which "let some people get rich first," as Deng Xiaoping famously said when he toured South China in 1992 (Vogel 2011).

Data collected during the first decade of market reforms offered some support for the market-transition theory, especially in rural China. In the first phase of reforms, market mechanisms progressed more rapidly in rural areas, where entrenched interests were weaker and economic planning less present (Chevrier 1985). First

started as a bottom-up "silent revolution," decollectivisation, combined with rising agricultural prices, led to a strong growth in agricultural output, and permitted a portion of the very poor peasantry to earn much more money than they could in the collective era.

The first rural enterprises to emerge after 1978 were collectively led township-village enterprises (TVEs), which ostensibly granted ownership rights to village populations, while effectively assigning administration to town and village governments. The first private entrepreneurs, the "getihu," essentially came from the lowest social stratum, in terms of family and political background, education, wealth and employment. They had "nothing to lose" by trying to improve their social position and were ready to accept the inherent risks of entrepreneurship at a time of great political uncertainty (Osburg 2013). In this context, the rural-urban gap, which had dramatically widened during the Maoist era, narrowed, and class inequalities decreased.

The society that emerged from these changes has been described as increasingly capitalistic and class-based (Unger 2002). Fan Jie and colleagues argue that "today, stratification is mostly determined by economic premises (economic success as entrepreneurs). Diversification of the ownership system, social mobility, and a growing division of labour [. . .] are the fundamental reasons for the growing disparities in income and social stratification (Fan, Heberer and Taubmann 2015, 236)."

But the extent to which economic reforms in rural China encouraged the emergence of new elites from the more remote political peripheries has been fiercely debated between partisans of the "market transition thesis" and partisans of the "power persistence thesis." Partisans of the latter thesis have posited that the shift in elites' power base did not entail a shift in the composition of the elites, and that the advantages of political connections still persisted in terms of income distribution and power (Bian & Logan 1996, Wu 2006, Walder 2003, Walder & Zhao 2006).

Examining the transformation of China's post-Mao cadres, Andrew Walder finds that the shift to a market economy has had little consequence on the bases of cadre power in the countryside. For him, there is no indication that "the rural political elite are defecting from their posts for better opportunities in the market economy (Walder

2006:27)." From a similar perspective, Akos Rona-Tas develops a distinction between the "erosion" of socialism and the "transition" from socialism. Although in the erosion phase, cadres may have little or no advantage, in the transition stage they have enormous advantage in taking over the new corporate segment of the private sector and becoming the new economic elites (Rona-Tas 1994).

The scholarly literature has also described the emergence of a new "hybrid class" of "public-private entrepreneurs" who either used their close connections to the local government to create their business, or cultivated them afterwards to secure their enterprise (Unger 2002, Goodman 2014, Dickson 2003, Dickson 2007, Dickson 2010, Walder 2003, Walder & Hu 2009). In addition, studies find that local governments have often been a catalyst for rural growth, both by providing the infrastructure for private economic activity and by engaging directly in profit-making activities, either through state-owned enterprises or through public-private partnerships of various sorts (Hillman 2010). Economic and political elites have tended to merge, with a typical generational pattern observed by many scholars of the sons of officials becoming entrepreneurs with their parents' assistance (Goodman 2010, Dickson 2010). Some authors have even identified a longer-term pattern, with entrepreneurs emerging from the families of pre-1949 elites (Goodman 2014).

More generally, scholarship identifies family background as one of the key stratification factors that influence the probability of achieving economic elite status. Adopting a historical perspective, David Goodman emphasises the importance of family narratives to individual entrepreneurship (2014). Other studies in villages located in the Pearl River Delta indicate that the new economic elite has often come about through the continued influence of a village-dominant family (Whyte 1996, Chan et al. 2009). Seen from a different angle, the reproduction of official elite power in capitalist China has been analysed by Michael Webber as a classic Marxist story of primitive accumulation. Webber argues that primitive accumulation, the process through which pre-capitalist modes of production, such as feudalism or slavery, are transformed into a capitalist mode of production, was accomplished in China through the transformation of state and collective enterprises into private capital, the peasant's dispossession of land, and the voluntary migration of peasants from agricultural to industrial pursuits (Webber, 2008).

Within a decade of economic reforms, it became evident that social mobility had stalled in China, in relative as well as absolute terms. In other words, the social hierarchy had become more fixed and stable; and individuals were less likely to move within this hierarchy. Scholars have shown that the equalising trend of the 1980s was reversed in the 1990s, partly because of the dismantling of the welfare system and because of market mechanisms of accumulation, and also because, as Iván Széleányi argues, "some members of the technocratic fraction of the cadre elite began to build bridges to the emergent new private economy" (Széleányi, 1996:1091). Modifications of the national political and market environment, including the fiscal system, the cadre evaluation system, and property rights, also resulted in a massive privatisation of the economy (Whiting, 2001). TVEs, a majority of which were arguably only collective in name, were massively privatised in the 1990s and often taken over by insiders or people with connections to the local government (Huang 2008, Unger 2002).

According to Jonathan Unger, these inequalities were further intensified by the alliance of economic and political elites, which created a "bet on the strong" bias in local government's policies towards entrepreneurs. Better-off households that already had an economic and business edge enjoyed preferential treatment, in terms of improved access to subsidised inputs, favoured loans from the bank and proportionally lesser taxes. This then resulted in an increased concentration of wealth in the hands of the most prosperous households (Unger, 2002).

In the 21st century, social mobility declined further and a "fractured society" emerged, in which poor and wealthy classes drifted further apart (Li Chunling 2005, Sun Liping 2003). In a study of entrepreneurs in Chengdu published in 2013, John Osburg documented one mechanism through which the decline of social mobility has occurred in the last few decades. Social mobility, he argued, was achieved in the 1980s and 1990s through ritualised entertaining, with entrepreneurs constantly seeking to transform impersonal business relationships into ones rooted in affect and emotions (2010:13). However, in a more recent article, he has observed that the anti-corruption campaign of the last several years has strengthened blood ties and resulted in class consolidation. "As China's new rich gradually becomes a 'class for itself', embeddedness in elite networks is increasingly acquired by birth rather than cultivated in the night-club," he argues (Osburg, 2018:150).

Following this literature, my thesis is based on the premise that a sudden rise and subsequent decline of social mobility occurred in rural China after 1978. As mentioned above, although the thesis touches upon the modalities and experiences of social mobility in post-Mao China, it is mostly concerned with the *consequences* of that mobility for social identities and perceptions of social fairness. The works of Nee and Walder constitute an important starting point for discussion of these issues.

Further, the market transition debate has prompted me to pay attention to the public-private nexus when looking at social mobility, social identities, and perceptions in rural China. When considering my second main research question about entrepreneurs' identification as a distinct social group, it led me to examine the following questions: Are entrepreneurs and officials considered by the population as belonging to the same group? Do they, themselves, have a shared sense of belonging? And do entrepreneurs' connection or lack of connection to the public sector have any impact on their perceived legitimacy?

The thesis further complements the existing literature by looking at inland rural China. Up to now, the literature has mostly focused on urban or coastal China, where industrialisation and social stratification patterns are different from inland rural China. As the thesis shows, the rural-urban divide is an important factor shaping social mobility, entrepreneurship, and perceptions of social fairness.

In addition, the thesis adds to the literature on experiences of social mobility through entrepreneurship by looking at how these experiences are narrated and circulated in the form of stories. This approach allows me to identify narratives as a crucial link between experiences and perceptions, and the means through which individuals shape and make sense of their lives. In particular, this thesis demonstrates that narratives of social mobility are crucial to perceptions of social fairness and to people's expectations, hopes and worries about their professional opportunities.

From experiences to values and identities

The literature on Chinese entrepreneurs has pointed out the major disparities that characterise this population. Their very diverse socio-professional backgrounds, as well as the nature and sizes of their enterprises, indicate that they do not constitute a homogeneous and unique class, and suggest that they lack a common basis for

identity and interaction within the group (Goodman 2014, Tsai 2007, 2011). Goodman, drawing conclusions from a series of interviews with entrepreneurs, shows that the new post-Mao entrepreneurs form a complex and non-unitary social category, including very different types of business owners and managers (Goodman 2005). Kelly Tsai views this variety as indicating that the entrepreneurs do not constitute a unique class and lack a uniform viewpoint (Tsai 2005). However, recent literature seems to indicate an increase in similarity among entrepreneurs in terms of family background and political concerns, and a tendency to be increasingly educated and come predominantly from an educated and wealthy background (Yang & Dai 2013). Data gathered by Dickson show that, in spite of their heterogeneity, entrepreneurs' views are distinctive when compared with those of local officials: "Entrepreneurs may not have a singular voice, as indeed most groups do not, but their views are similar on a range of issues" (Dickson 2010:165).

According to John Osburg, the emergence of entrepreneurs as a high-status social group has progressively introduced new cultural norms and models into Chinese society (Osburg 2008). Private business, Osburg contends, is characterised by shared ethics of brotherhood and patronage, built through experiences of banqueting, drinking and gambling. These norms, he shows, are also heavily gendered and associate private business with masculinity. Despite criticism, they have been increasingly considered as socially acceptable and desirable by the rest of the population.

Analyses of social perceptions of rural Chinese entrepreneurs during the last 20 years show that rising wealth and social position in market relations are also associated with increasingly positive perceptions. As Goodman has pointed out, in the new century: "The successful PRC entrepreneurs appear passionate, committed, observant, driven, talented, and relentless (2008:11)." According to Fan et al., the development of private entrepreneurship has promoted "values such as competitiveness, creativity, responsibility, reliance, efficiency, discipline, and punctuality (2015:239)." Li Zhang and Aihwa Ong describe these values as "powers of the self," which apply "the neoliberal principles of private accumulation and self-interest—expressed in profit making, entrepreneurialism, and self-promotion (2008:1)."

The continuing importance of entrepreneurial values of hard work, initiative, ambition and self-responsibility are being given new strength through their inclusion in official discourse and policies (Zhang and Ong 2008, Fan et al. 2015, Guiheux 2012). The official discourse, manifested in state policies, texts and laws, is somewhat different from the popular discourse. Unlike the popular discourse, it explicitly seeks to accomplish something. It is, in the case of post-1978 China, rooted in objectives of economic development and social stability. While it is influenced by, and reciprocally influencing the popular discourse, it is also more likely to be impacted by business interests, scientific expertise, international relations, and foreign recommendations.

In this official discourse, scholars have documented a shift towards entrepreneurial values, and a liberal ideological turn on the part of policy makers. Yi Pan noted that the ideas of liberal economists like Hayek have come to dominate administrative circles in China (2012:130). Zhang and Ong also suggested that the emphasis on market values has been a deliberate strategy on the part of the Chinese government to foster economic growth (2008:2). The emphasis on market values creates moral boundaries that limit the kind of inequalities and behaviour considered acceptable. As Martin K. Whyte and Ching Kwan Lee have argued, these boundaries are defined around market competition (Whyte 2010, Lee 2009:226). Lee observed a broad consensus that income inequality is acceptable if it is the result of a fair market competition (as opposed to officials abusing their power). Similarly, a nationwide survey conducted by Whyte in 2004 showed that the new inequality patterns that arose as a result of the market are generally viewed as acceptable and primarily based on variations in individual merit (Whyte 2010:50).

Scholars have indicated that perceptions of society as fair are particularly strong in rural China. Whyte observed that, although rural China is more unequal than urban China, and rural residents are overall disadvantaged compared to the urban population, rural residents were less likely to be critical on all three measures of perceptions of current inequalities than their urban counterparts (Whyte 2010). Wang Feng, in another study based on the 2004 China Justice Survey data, found that rural respondents reported the most faith in the system and the lowest percentage of people claiming that there are conflicts between rich and poor: 35.83 percent versus 59.59 for urban (Feng 2007).

This emphasis on market values is not without contradictions, as other values compete with entrepreneurial qualities to shape social hierarchies at the local level. Fan et al. noticed that even in the 21st century, Maoist values of egalitarianism, "redness," and selflessness have still been influential in rural areas (Fan et al. 2015). Similarly, a survey carried out by *China Youth Daily* in September 2007 found that 70 percent of respondents believed that the well-off were immoral and not worthy of respect. According to the respondents, for the rich to become respectable, they needed to have a sense of social responsibility, be self-disciplined and have a caring heart (cited in Carrillo 2008:110).

Entrepreneurs thus have to show their social responsibility by providing social support and hiding their high living standards in order to earn the support of the population. They engage in welfare and charity activities in order to win social recognition and improve their image (Fan et al. 2015, Dickson 2008, Carrillo 2008, Yao 2012). Yao Yusheng found that the local entrepreneur who won the village elections in the village he studied was popular among villagers because of qualities such as his personal loyalty and generosity (Yao 2012:321).

More traditional values like familism or localism may also influence the local social formation of economic elites (Krug & Hendrischke 2007). Lineage and traditional family networks have remained very important vectors of power in villages. According to several scholars, they have been strengthened, rather than weakened, under the Dengist reforms (Fan et al. 2015, Yao 2012). Yan Xiaojun reports that most of the local entrepreneurs had also senior positions in their village's lineage networks (Yan 2012:345). In grass-roots politics, Xiao Tangbiao has also shown the revived strength of the lineage in village elections throughout rural China (Xiao 2006).

Peng argues that these kinship networks facilitate the founding and growth of private enterprises by conferring three types of social capital benefits on private entrepreneurs: the protection of private property rights, the reduction of uncertainty and transaction costs, and the building of better bridges to market information and entrepreneurial opportunities (Peng 2004). However, Chen et al. have questioned the relative importance of kinship for the business elite and stressed that human capital played a more determining role than political, social and kinship capital for entry into entrepreneurship (Chen et al. 2009:174). The localist morality, described by

Goodman, also plays a fundamental role in social stratification, and leads entrepreneurs to take the general welfare and collective interest of their village community seriously (Goodman 2005). According to Yan, this localist morality relies more on communal service and democratic procedures than it did for previous local elites (Yan 2012:352).

My thesis draws on these insights. In particular, Whyte's study of perceptions of social fairness in China prompted me to pay attention to the perceived legitimacy of entrepreneurs in the local population. Developing Whyte's idea that rural Chinese people generally consider the wealth inequalities resulting from market competition as fair and legitimate, my research examines how, when, and by whom this idea has propagated in rural China.

The thesis also owes much to Osburg's study of practices and values linked to entrepreneurship. His study of private entrepreneurs in Chengdu has prompted me to examine the shift in professional and moral values associated with business activities, as well as the gendered dimension of entrepreneurial social identities. My thesis broadens the scope of Osburg's study by looking at rural China. It develops his findings by analysing, first of all, the generational differences in entrepreneurs' social identities. This allows us to understand the process of formation of social identities over several decades of the post-Mao period. Secondly, the thesis expands the analysis by looking more systematically at the different lines along which social differentiation has occurred and the way these lines overlap and interact with each other. To understand how the social identities of entrepreneurs have emerged as distinct from the rest of the population, I consider gender but also wealth, the urban-rural divide, cultural capital, professional ethos and labour relations.

My thesis also complements the empirical literature on entrepreneurial social identities by taking a local, micro-social approach. This approach allows me to examine how the discourse about entrepreneurship identified by Guiheux, Zhang and Ong has been a vector of identification among the population of entrepreneurs, and of differentiation between entrepreneurs and the rest of the population (Guiheux 2012, Zhang and Ong 2008).

In addition, the thesis adds to the understanding of how competing discourses of localism or Maoist values of egalitarianism identified by Yan, Xiao, Peng and Chen have contributed to the emergence of differentiated social identities by examining specifically how these competing discourses and values are used and by whom, and how they have contributed locally to the emergence of social identities (Yan 2012, Xiao 2006, Chen et al 2009, Peng 2004).

The role of the Chinese government in promoting values associated with entrepreneurship is another important insight from the existing literature. The thesis complements these insights by looking at the differences between national and county-level governmental discourses about entrepreneurship and entrepreneurs, and how local entrepreneurs react to and interpret this discourse. This approach allows me to show the roles of different administrative levels in shaping the discourse about entrepreneurship, and how they specifically relate to entrepreneurs' identities and sense of legitimacy.

Lastly, my thesis is an endeavour to give rural entrepreneurs a voice. Instead of relying solely on quantitative data or on surveys, I extensively quote from in-depth interviews with rural entrepreneurs, in which I ask them about their perceptions and sense of belonging, and let them describe their experiences, beliefs, feelings, expectations and hopes in their own words.

Theoretical framework

My research is shaped by and contributes to two important theoretical debates. The first concerns the relationship between economic and cultural factors contributing to the formation of social identities. The second debate relates to how change in people's worldview comes about, and to the respective role of individual agency and collective structures in such change.

A constructivist approach to social identities

A common theme running throughout the thesis is that of social mobility and the consequences of social mobility for social identities. Defined by Seymour Martin Lipset and Reinhard Bendix as "the process by which individuals move from one position to another in society – positions which by general consent have been given

specific values," social mobility usually has been studied in relatively stable contexts, in which it is characterised by individual movement along pre-defined lines of hierarchy (1952:1-2). In these contexts, occupation, economic attainment and social status are usually closely related to one another and can be used as positive indicators and measures of mobility (Bendix and Lipset 1959, Lipset and Smelser 1966, Erikson and Goldthorpe 1992, Esping-Andersen 1993, Lu Xueyi 2004).

Understanding social mobility is important because it touches upon the very core of our social experience. As Geoff Payne put it, "it matters because the personal experience of being mobile or immobile – in this or that part of the social hierarchy – shapes our social identities and how we feel about ourselves and our social destinies (2017:2)." In other words, social mobility is central to our everyday life, to our perceptions and identities. It shapes a world of "possible" and "non-possibles," of "us" and "them."

In this thesis, I do not aim to quantitatively measure social mobility. Rather, I study social mobility through the lens of individuals' experiences and perceptions as they lived through one of the world's most sudden and rapid disruption of social structures.

One of the central questions posed by such rapid disruption of social structures is that of changes in perceptions and social identities. But this question has been uneasily approached by the social sciences. A wide array of extant theories, from the most agency-laden to the most structurally determined, have thus far been more successful in theorising stability than change.

The structuralist theories, despite their great variety, tend to portray change as a massive and sudden switch between systems. For Marxian thinkers, change would have to come through a revolution. For Thomas Kuhn, scientific paradigms were incommensurable and could be changed only through seismic epistemological breaks (Kuhn 1962). The early Michel Foucault expanded this idea to all social phenomena, with the idea that discursive, practical, institutional, technical, and political as well as economic phenomena were manifestations of a monolithic and overarching structure, which could only be replaced by another structure through a brutal, sweeping break

(Foucault 1970). In both Kuhn and Foucault's early writing, there is little detail on how and why change occurs.

The articulation between discourse, practices, institutions and economic structures is better understood through the basic principles of constructivist theory, rooted in the later works of Foucault, and in the theories of Schutz, Bourdieu, Berger and Luckmann, Jenkins and others (Foucault 1980, Schutz 1932, Bourdieu 1976, Berger and Luckmann 1966, Jenkins 1996 [2014]). While important divergences exist between these works, they share a common rejection of an overarching structure as an analytical tool to explain social regularities. They also have in common a strong emphasis on practices and discourse as an analytical link between individual agency and collective structures. For constructivists, change is no longer a sweeping transition between incommensurable systems; it is a series of small, continual, progressive discontinuities.

Such continual change characterises social identities. Richard Jenkins insists that social identity is a process: It is not something one has, but something one does. As such, it is flexible, situational, negotiable and changeable. Defined as "a multi-dimensional classification or mapping of the human world and our places in it, as individuals and as members of collectivities," social identities are constantly (re)created through the interaction between the individual and the collective (Jenkins 1996 [2014]: 5).

The constructivist framework elaborated by Alfred Schutz and developed by Peter Berger and Thomas Luckmann sheds light on this process (Schutz 1932, 1973, Berger and Luckmann 1966). The authors identify habit and intersubjectivity as the cognitive foundation for the emergence of the social world. Human beings, they argue, tend to routinise their behaviour and create patterns of habitualised activity. They are social animals that experience each other's subjectivity primarily through face-to-face interaction. During these interactions, and due to the routinised character of human behaviour, reciprocal typifications emerge, as individuals attribute a certain set of habitual, taken-for-granted behaviour to each other. These typifications, as they become a shared stock of knowledge, are then turned into the "institutions" that constitute our social world. As "it was there before he was born, and it will be there after his death," (Berger and Luckman 1966:60) the social world

has a character of objectivity for the individual. Therefore, these typifications have a coercive power over individuals, "both in themselves, by the sheer force of their facticity, and through the control mechanisms that are usually attached to the most important of them" (Berger and Luckmann, 1966: 60).

The presence of such typifications can be observed both in language and in the bodies of individuals. Language, Berger and Luckman explain, "is capable not only of constructing symbols that are highly abstracted from everyday experience, but also of 'bringing back' these symbols and appresenting them as objectively real elements in everyday life" (Berger and Luckman 1966:40). As it typifies, language also anonymises experiences, and crystallises and stabilises them to allow us to subsume individual experiences under broader categories. It also expands typifications in ways that are increasingly abstract and anonymous as they are further remote from the face-to-face situation. By enhancing similarities between diverse experiences, linguistic typifications also greatly contribute to the creation of collective identities. Drawing on the framework developed by Berger and Luckmann, Jenkins further explains the role of typification: "It is in the nature of stereotypes to emphasise a small number of putative similarities between the stereotyped rather than their infinite array of particularities and differences. Stereotypes are extremely condensed symbols of collective identification" (Jenkins 1996).

Researchers have also pointed out that stories are critical to the construction of ideal types, as they provide the necessary link between individual experience and the construction of a social category. Tamara Jacka has argued that stories or narratives are "the main forms through which categories and truths embodied in discourses are understood and communicated" (2014:17). Narratives also shape how individuals live their lives: As Peter McLaren argued, individuals attempt to make sense of their lives by reinterpreting, retelling and reenacting pre-existing stories that circulate in their society (McLaren 1995, 90-98). Individual experience is typified through stories, which then take on a universal character as they become paradigms. Through communication and circulation, some of these stories become exemplary because their dual character, as both exceptional and representative, allows them to magnify, crystallise, and make sense of many other individual experiences.

Drawing on this observation, I have paid attention to the discourse and narratives about entrepreneurship in this thesis. Discourse, in my framework, is broadly defined as instances of speech, oral or written, their content and form, their linguistic properties and the categories or concepts they rely on. Discourse includes the very form and content of discourse: the vocabulary, the tone, the figures of speech, and the types of language that are being used; but also the way ideas are framed, constrained, and given a direction, through discourse, as well as the "roles, locations and social structuring of debate and intellectual exchange," namely, who speaks of what and when (Apthorpe and Gasper 2014:3).

There is also a deeply unconscious aspect of social identities, which Pierre Bourdieu has described particularly well (Bourdieu 1976). Bourdieu developed the notion of habitus to capture "the permanent internalisation of the social order in the human body" (Eriksen and Nielsen 2001:130). Habitus consists of ingrained, durable and often unconscious, habits and dispositions which reflect the social backgrounds of individuals and condition the ways in which they react to the world around them. There is also a conscious aspect to the embodiment of social identities, which Erwin Goffman calls "impression management strategies" (Goffman 1959). The way we present ourselves to others, he contends, is the fundamental arena where identity and group formation takes place. Following these insights, I have analysed the bodily dispositions of my interviewees (their physical appearance and clothing, but also the way they talk and interact with other people) in the micro-interactions of their daily life.

Why do some identities become salient while others do not?

But not all lived experiences are elevated to the status of "typical" and "representative." Eleanor Rosch and Barbara Lloyd have argued that some components of a category are often considered as more "exemplary" than others. For example, she observed that when asked to give an example of a bird, people tended to cite the sparrow more frequently than the ostrich (Rosch and Lloyd, 1978). Instead of a definition-based model, she suggests that categories consist of different elements which have unequal status, graded according to their "degrees of prototypicality." What makes the singularity of a case, then, is its distance from the central prototype. But why are some patterns of habitualised activity identified as "typical" while others

are not? Why do some social, group identities become salient while others do not? This is a key theoretical question for this thesis.

A common answer to this question is that, while stereotyping is a mundane cognitive action, it is also a politically charged process. The definition and boundaries of categories are often contested, sometimes violently; and some actors are more powerful than others in this struggle. Foucault has argued that classificatory procedures are part and parcel of the bureaucratic practices of the modern state, and that they are conducted with great political interests at stake (1970, 1980). While "a label alone is not sufficient for an identity to 'take'," there is no doubt that administrative categories and public discourse weigh heavily on folk cultures and self-identifications (Jenkins, 1996 [2014]:99). Through coercive, financial, and cultural means, the ruling class is also often able to influence the categorisation process more than other social groups. This is the meaning of Antonio Gramsci's concept of "hegemonic ideology," whereby a dominant group is able to impose its own definitions of reality on other groups. Ideology, according to Gramsci, is mainly produced and disseminated through civil institutions such as the Church, schools, the mass media, or the family (Gramsci 2000). In industrial capitalist societies, he contends, it is the prevalent form of social power, and it is so effective that the state has to rely on coercion only on rare occasions.

But highlighting social power as a crucial factor only goes halfway to understanding what determines which social identities become salient. Power, itself, is an elusive and multidimensional concept. In particular, scholars have debated at length over what dimension of power should be understood as the primary ground for the emergence of social identities.

On one side of the debate stands Marxian theory, according to which economic relations are the primary ground on which social structure and social identities are to be understood. Identities, in this framework, are conceptualised as "class consciousness." Although workers may develop "false consciousness," a distorted understanding of one's class identity and interest, class consciousness should ultimately follow the objective reality of relations of production. This framework has fostered a century of structuralist research on class formation which has held to a broadly Marxist account of the role of classes and class struggle. Inspired by Marx,

the research of Michael Burawoy and György Lukacs is based on the premise that "the character of the capitalist enterprise itself created a distinctive class consciousness" (Burawoy and Lukacs 1992:4). In a similar vein, Edward P. Thompson unveiled a history of the English working-class identity that was "largely determined by the productive relations into which men are born—or enter involuntarily" (Thompson 1968:9).

On the other side of the debate stands Weberian theory (Weber 1922), which refuses the primariness of economic relations in understanding social identities. Societies, according to Weber, are stratified along three different lines: market relations (class), cultural hierarchies (status, or stand), and bureaucratic power. Whether those three elements are understood as jointly shaping social stratification with contradictory effects (Runciman 2002, Lenski 1954), or as a historical shift from status-based to class-based societies (Giddens 2013, King and Szelenyi 2006), the basic insight of Weber's theory is that economic and cultural realms are contingent and separated from each other. Following Weber's seminal insight, a considerable body of research has highlighted discrepancies between socio-economic categories and cultural preferences (DiMaggio 1994, Chan and Goldthorpe 2007).

Both sides of the debate have shortcomings. On the one hand, the Marxian theory is determinist to the point that, as Roger Gould pointed out, "no matter what they said or did, it seemed, artisanal labourers, factory workers, and domestic outworkers somehow contributed to the class struggle" (Gould 1995:24). As David Cannadine contended, contemporary research can no longer be "built around the grand, heroic Marxist simplicities of class-formation, class-consciousness and class-conflict" (1998:97). On the other hand, the fact that the economic-cultural link is not conceptualised in Weber's theory has led critics to qualify it as "more taxonomy than theory" and accomplished "at the price of lowering one's theoretical ambitions" (Wright 1979:60). If the economic, social and cultural realms are analytically separated, scholars lose a central explanatory link and fail to understand how economic inequalities and hierarchical systems are reproduced or challenged.

In recent decades, scholars have put the intertwining of different social and political identities, be they gender, race, class, sexuality, or disability, at the centre of the sociological debate. The dual systems theory, advanced in particular by Heidi

Hartmann, was a response to the reductionism of the Marxist conceptualisation of social inequalities as resulting from one overarching system (Hartmann 1976). Researchers, Hartmann argued, should strive to understand how patriarchal and capitalist oppression interact, reinforce, or perhaps conflict with one another. The concept of intersectionality, introduced in particular by Kimberlé Crenshaw, went further in explaining how diverse forms of identity and social stratification overlap and "intersect" and how they affect those who are most marginalised in society (Crenshaw 1991).

Drawing on these insights, the thesis considers the link between economic-based identities and other kinds of identities as a matter of investigation, rather than assuming it away. It examines the degree of overlap and the reciprocal influences between economic and professional-based identities and cultural and status-based identities which, in China, as many researchers have argued, are essentially based on the rural/urban divide (Sicular et al. 2007, Qian and Smyth 2008, Whyte 2010).

The thesis also examines the issue of how social power impacts the emergence and evolution of social identities. Drawing on the insights of Gramsci and Foucault, it shifts the focus from government and dominant classes to local, micro-social interaction. This approach leads me to reconsider the importance of non-intentional, bottom-up mechanisms in shaping social identities.

Different aspects of social identities evolve at different times

The thesis also goes one step further and explores a little studied question: Do different aspects of social identities evolve at the same pace?

Roger Brubaker and Frederick Cooper argued that groups to which social identity is ascribed are usually characterised by different degrees of commonality, connectedness, and external boundaries (Brubaker and Cooper 2000).

Methodologically, this implies that the concept of social identity should be broken down into smaller, more researchable concepts. The authors suggest three separate objects of investigation: "‘Commonality’ denotes the sharing of some common attribute, ‘connectedness’ the relational ties that link people. Neither commonality nor connectedness alone engenders ‘groupness’ – the sense of belonging to a distinctive, bounded, solidary group" (Brubaker and Cooper 2000:20).

To this distinction we can add Jenkins' distinction between externally ascribed categories and internally defined groups (Jenkins 1996). As Jenkins argued, while categories as nominal concepts tend to be long-lasting and stable, their actual content, definition, and boundaries tend to change significantly, not only over time but also between individuals. This is linked to a fundamental characteristic of human communication that Paul Ricoeur has called the "surplus of meaning." Language, Ricoeur argues, never fully captures what we want to express, because "communication in this way is the overcoming of the radical non-communicability of lived experience as lived" (Ricoeur 1976:16). In other words, concepts tend to take on diverse, and sometimes even contradictory, meanings and associations, depending on who uses them and in what context. Their strength does not lie in the consistency of their definition, but rather in their capacity to encompass diverse experiences and thought, as Ludwig Wittgenstein argued by comparing concepts to threads: "The strength of the thread does not reside in the fact that [. . .] one fibre runs through its whole length but in the overlapping of many fibres" (Wittgenstein 1953, section 67).

These insights have encouraged me to look, in this thesis, at the different elements of social identities as separate objects of investigation, to study to what extent they overlap with each other, and to examine the potentially different paces at which they evolve. The outcome of this research illustrates that different elements, which are generally lumped together in the broad concept of "social identity," evolve at different paces.

Thesis contribution

Drawing on this theoretical framework, my thesis conducts an empirical investigation into the formation and evolution of social identities and perceptions in the post-Mao rural Chinese context. While adopting the premises of constructivist theory, it pays particular attention to the timeframe and the intensity of changes in social structure, ideas, and identities. I postulate that these changes do not occur through a single causation process: on the contrary, discourse threads gain massive and sudden traction because they coincide at the junction of multiple dynamics, at multiple levels, which they integrate and to which they give meaning. Deeper ideational and sociological trends, suddenly reinterpreted within a new discourse, may be massively impacted by this discourse.

The thesis also shows that contradictions exist within stories and concepts that circulate in rural China, and that the "self-made entrepreneur" narrative has gained massive and sudden traction because it coincided at the junction of multiple dynamics, integrating and giving meaning to people's experiences and perceptions. Along with this narrative, different vectors of social identification evolve at different speeds, while mutually resonating and impacting each other.

The thesis makes substantial contributions to the China-related literature discussed above. First of all, it broadens the scholarship on social mobility, social identities and perceptions of social fairness by looking at inland rural China. Though more unequal than urban areas, and structurally disadvantaged compared to cities, rural China demonstrates a surprisingly stronger acceptance of market inequalities (Whyte 2011). It was also in rural areas that market reforms spontaneously blossomed in the late 1970s, before they evolved into a top-down, nationwide policy. Most significantly, rural China is the lesser known, yet inescapably important, birthplace of the majority of Chinese people today.

Secondly, the thesis makes important contributions to the scholarship on legitimacy and perceived social fairness. It does so by linking social identities and perceptions of social fairness to social mobility, which had previously been studied in isolation. My research proves that the experiences of, and the discourse around, social mobility, are crucial to perceptions of social fairness and to the perceived legitimacy of social groups. By opening the research on legitimacy to entrepreneurs, the thesis also broadens a field which had been, up to now, mostly dedicated to understanding the regime's legitimacy. As the winners of the economic competition and as a financially privileged group, entrepreneurs are at the core of perceptions of legitimacy in China.

The thesis also looks at an unexplored area by studying narratives of social mobility and shedding light on widespread narratives of the "self-made entrepreneur." This opens new avenues for international comparisons. Indeed, the massive social mobility experienced by the rural Chinese population as market reforms removed barriers to entrepreneurship has shaped the collective imagination in a way that is comparable to the influence that the Conquest of the West has had on the American psyche. Although not everybody could become a successful entrepreneur, the myth of the "self-made man," with its understanding that any individual can, with hard work,

perseverance, and sound judgment, move up the social ladder, has become ingrained in China's collective psyche, just as it did in the USA.

By looking at the Chinese case, this research sheds a unique light on change in perceptions about social fairness in the context of a rapidly evolving socio-economic landscape. Rarely has social science had the benefit of such fine-grained, recent, and accessible fieldwork on the consequences of rapid and sudden social mobility on perceptions and social identities. The thesis' findings thus have important consequences for our understanding of how perceptions change.

Thirdly, my research enriches the literature on social identities in China by looking at the formation process of social identities through micro-social interactions. Although this has been done in the specific field of labour relations and looking specifically at workers' identities (Carrillo and Goodman 2012, Ngai 1999), my thesis broadens the investigation by focusing on entrepreneurs' identities. The thesis also enriches the literature on social identities in China by analysing, for the first time, generational differences between the first and second generations of rural entrepreneurs.

Last, the thesis also contributes to the literature on the Chinese government's discourse about the market economy. Official discourse in China has been extensively studied in some contexts. The concept of *suzhi*, or "human quality," for instance, has been extensively studied (Jacka 2009; Kipnis 2006; Kipnis 2007; Murphy 2004), but the official discourse towards entrepreneurs and entrepreneurship is still understudied. In fact, while scholars have long observed that China has tossed aside Marxism but in name, observers are still perplexed by China's seemingly contradictory economic policies. My research offers crucial insights into the central and local governments' attitudes toward entrepreneurship and the market economy.

Sources and methods

This thesis draws on mixed-method data collection and analysis, combining analysis of quantitative survey data, ethnographic research, and policy analysis. Along with interviews with 87 interviewees, including 42 entrepreneurs and 45 non-entrepreneurs in X County, I immersed myself in an ethnographic study by working in a rural factory for several weeks and following entrepreneurs in their daily business activities.

Mixed methods

X County is located in north-east Henan². It comprises nine townships and 370 villages and is home to 350,000 people. It has been typical of a recent new economic dynamism in inland China. With an annual GDP per capita growth rate of over 16 percent since 2011, but a GDP per capita still significantly lower than the provincial average, X is one of the counties selected to be part of the national poverty alleviation program. While agriculture remains the main sector, the county is also famous for the production and exportation of car parts and duck down by small private enterprises.

It is important to keep in mind that the county's limits are somewhat artificial and that it operates in relation to broader (provincial, national, and international) territories. However, the county is a very important spatial division. I observed in my interviews that people's trips to visit relatives and friends and go shopping are frequently confined within X County's boundaries. Locals commonly marry within the county as well, and many interviewees expressed a strong county identity. The county is also the administrative level primarily responsible for coordinating the economy and delivering public services (Hillman, 2010:1).

I draw upon the extended case-study method described by Burawoy as "the extension of observer into the lives of participants under study, the extension of observations over time and space; the extension from micro-processes to macro-forces; and, finally and most important, the extension of theory" (Burawoy 1998:xv). In line with this method, I extrapolate from my findings in X County to understand broader dynamics occurring across poor areas of central rural China and generate new insights into how social stratification is constructed locally. In particular, observations of X County, I argue, can be carefully generalised to a significant proportion of the poor counties located in rural, inland, central China. This comprises large parts of the provinces of Henan, Hebei, Hubei, Shandong, Shanxi and Shaanxi. However, most of the findings will not generalise well to urban China, coastal China, and parts of the Chinese countryside that were relatively highly industrialised before 1978.

² I have chosen not to mention the name of the county in order to protect, as much as I can, the identity of my interviewees.

The ethnographic fieldwork

The local case study has the lion's share in my research design. This is because the local case study allows for fine-grained ethnographic fieldwork which, following Randall Collins, I consider as the "ground zero of all social action and all sociological evidence." Micro-social data, in my research, has conceptual priority because "nothing has reality unless it is manifested in a situation somewhere" (Collins 2014:259).

I have used two main ethnographic methods: interviews and participant observation. Interviews have allowed me to analyse everyday discourse by my informants, while (participant) observation has provided insights into the links between discourse and practice in local areas. Drawing on Richard Ocejo's methodology, the objective of observation research has been to immerse myself in the sights of everyday life (Ocejo 2012). Direct observation has allowed me to identify social actors and social situations, and to analyse acts, linguistic interactions, implicit codes and role elements that convey and reflect social relations.

My interviews were mainly of two sorts: informal, and semi-structured. Informal interviews have been defined by Russel Bernard as "characterised by a total lack of structure or control, but that the ethnographer simply tries to remember and record conversations during the day," whereas unstructured or semi-structured interviews are "based on a clear plan that the ethnographer constantly keeps in mind" (2011:211). At the same time, Bernard says, the ethnographer maintains a minimum of control over peoples' responses, with the purpose of getting people to "open up and let them express themselves in their own terms, and at their own pace" (Bernard 2011:157).

The reasons for the choice of informal rather than structured interviews have been outlined in previous accounts of ethnographic endeavours in China, where researchers have found it difficult to conduct official interviews or surveys. This is true for interviews with officials or in the presence of officials: Joanne Smith's account of her methodological issues during her fieldwork in Xinjiang is one such example (Smith, 2006). It is also true for interviews with lower-level informants, for different reasons. My informants talked more freely and provided more interesting (and more accurate) information in more informal settings.

Semi-structured interviews were chosen for their potential for opening up new perspectives. In contrast to survey questions and structured interviews, this method allows for freer-flowing encounters, in which respondents are able to partially shape the directions the interview takes, to articulate their answers to the interviewer's questions within their own framework, and work through their answers at their own pace. This flexibility can lead to new avenues of enquiry and suggest unexpected perspectives.

For personal reasons, I divided my fieldwork into several short trips. This arrangement proved intellectually fruitful as well, as it allowed me to "go from question to hypothesis to prediction to data exploration (plausibility probe) to revised hypothesis to prediction to larger data exploration to conclusion" (Van Evera, 1995:105).

From 2015 to 2016, I conducted three introductory field trips of two to four weeks, which received approval from the Human Research Ethics Committee of ANU. These trips were mainly intended to earn interviewees' trust and get a sense of the issues that matter in their lives. During this period, I visited participants in their homes, went to dinners and lunches with them, and tried to meet as many people, including entrepreneurs and non-entrepreneurs, as I could. Altogether, I conducted informal interviews of one-hour duration on average, with 87 interviewees, including 42 entrepreneurs and 45 non-entrepreneurs.

The second phase of fieldwork was then conducted during a five-week trip to X County in March 2017. Along with a Chinese research assistant, I conducted structured interviews with 30 entrepreneurs in the car-parts industry. Interviews generally lasted one to two hours. For about a third of the interviewees, I interviewed the same person twice or three times. In order to obtain more accurate information about entrepreneurs' background and business career, I triangulated the interviews as much as possible by asking interviewees to confirm details provided in previous interviews with other interviewees. I also asked similar questions in different ways, and asked interviewees to give as detailed information as possible.

I went to interviews with a questionnaire in hand including about 150 questions and used it to ask interviewees about the topics in Table 1 below. Depending on the course of the interview, I chose to ask, or not ask, the questions prepared beforehand, and I

also complemented them with additional questions prompted by the interviewees' answers.

The third phase of fieldwork was conducted through a two-month field trip in February-March 2018. I conducted additional informal interviews with five entrepreneurs and seven non-entrepreneurs, whom I had interviewed previously. I also conducted interviews with eighteen non-entrepreneurs (mostly workers and shop employees) and five local officials whom I had not interviewed before. I followed entrepreneurs during their days at work, observing group behaviour, recording activities, interactions and events, sharing their day-to-day life and participating in their activities (meals, leisure time, visiting friends etc). Interviews with local officials helped me understand how public policies are being implemented at the county and township level. In particular, I gained valuable data on local industrial policy, credit institutions and business associations, as well as official ideology on entrepreneurship and capitalist practices.

Table 1 - Interview questionnaire topics

<ul style="list-style-type: none"> ● education, marriage patterns and <i>hukou</i> (household registration) ● emergence and development of the car-parts industry in X County ● family background and lineage ● individual career path ● ownership and shareholding in their company ● relationship with their workers ● perceptions of entrepreneurship and social mobility ● perceptions of fellow villagers and power relations in the village ● perceptions of fellow entrepreneurs ● relationship with local officials 	<ul style="list-style-type: none"> ● philanthropic activities ● perceptions of social capital ● access to banking and loans ● perception of what is a successful entrepreneur, and how one becomes a successful entrepreneur ● values and beliefs ● land, place of residence, and perception of space ● leisure time and friendships ● purchases and consumption ● professional ideals and wishes for the future
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During this phase of fieldwork, I was also able to conduct first-hand, in-depth participant observation by working as a factory worker in a car-parts factory in X County for about two weeks. The company was run by a local business owner, whom I had interviewed during my previous fieldwork trip and with whom I had got on well. We had a common friend, which encouraged him to trust me. The factory had about fifty workers, mainly women. This work provided me with fine-grained data about management and supervision in the factory, interactions between bosses and workers, salary negotiations, as well as implicit codes and role elements in the workplace. Although I did not live onsite, and neither did the workers, this work also allowed me to gain the trust of several of my co-workers and to interview them informally.

Throughout my fieldwork, all interviews were conducted in Mandarin Chinese. Only formal interviews in the second phase were recorded, with the consent of the interviewees. This proved sometimes challenging. I speak Mandarin well, but the population in X County generally speaks a local dialect that I cannot understand. Besides, communicating in a second language meant that there was always a gap in terms of cultural meaning (Hole 2007, Temple 2002, Tsai et al. 2004). I overcame these difficulties with the help of young local informants who, on several occasions, accompanied me during my interviews and who could explain to me the meaning of words and sentences that I did not understand. During the second phase of interviews, I also used the help of a Chinese assistant, who was originally from Henan.

Quantitative and textual data

In addition to ethnographic data, I have analysed a wide range of official documents, speeches, policies, newspapers articles, and interviews. This data provides invaluable insights into the different concepts, arguments, evaluations and sensitivities relating to entrepreneurship and entrepreneurs among the central leadership, the local government, and the local population, and has allowed me to analyse how they sit together, iterate in various contexts, and resonate with each other.

In particular, I have analysed hundreds of articles on entrepreneurship from the *People's Daily*, an official newspaper of the Chinese Communist Party and arguably the most authoritative newspaper in China. Since its inception in 1946, the newspaper has been used by observers and analysts as a barometer of the Chinese

political climate. The archives of the newspapers' daily issues, available and searchable online, provide an extraordinary trove of data for students of Chinese ideology. I have also analysed policy documents and articles related to entrepreneurship, published on X County government's website. Most of these documents are either written by local officials, or by a local newspaper affiliated to the local government. Some are central directives or speeches by top leaders such as president Xi Jinping and premier Li Keqiang. In addition to these documents, I have analysed propaganda texts, images and maps on walls and posters in villages.

Nationwide quantitative analysis, as well as secondary scholarship and media coverage at several levels, provide a context for my fieldwork research. County annals and other local government documents give valuable information regarding the transformation of the local economy and society since 1978. Although the statistics contained in local annals and other local government publications may not always be accurate or reliable, they highlight major historical trends and sometimes provide interesting insights into the development of local companies and industries. Local government documents are also a fascinating primary source with which to analyse the evolution of official discourse over the last few decades.

Quantitative analysis of nationwide survey data has also allowed me to situate my case study in relation to broader trends. I have used the CHIP (Chinese Household Income Project) 2013 survey on China's rural population, carried out as part of a collaborative research project on incomes and inequality in China organised by Chinese and international researchers, with assistance from the National Bureau of Statistics (NBS). As noted by Azizur Rahman Khan and Carl Riskin, CHIP remains "the only available source of (almost) nationwide household-level data on income and other individual and household characteristics" in China (2005:356). I chose the 2013 CHIP survey, which contains 160 thousand households in 31 provinces. In this survey, I used the "rural population" subset which comprises 39,065 rural residents, of which around 432 are employers in private or individual enterprises, and 1,694 are self-employed in private or individual enterprises. The survey contains information about employment, income, *hukou*, expenditure, education and income among several generations, which makes it very useful for describing inter-generational social mobility. I chose to consider as "entrepreneurs" the persons categorised as "employers" in the survey. In the survey, an "employer" is defined as any individual, who employs other people and directly benefits from their labour. An "employer"

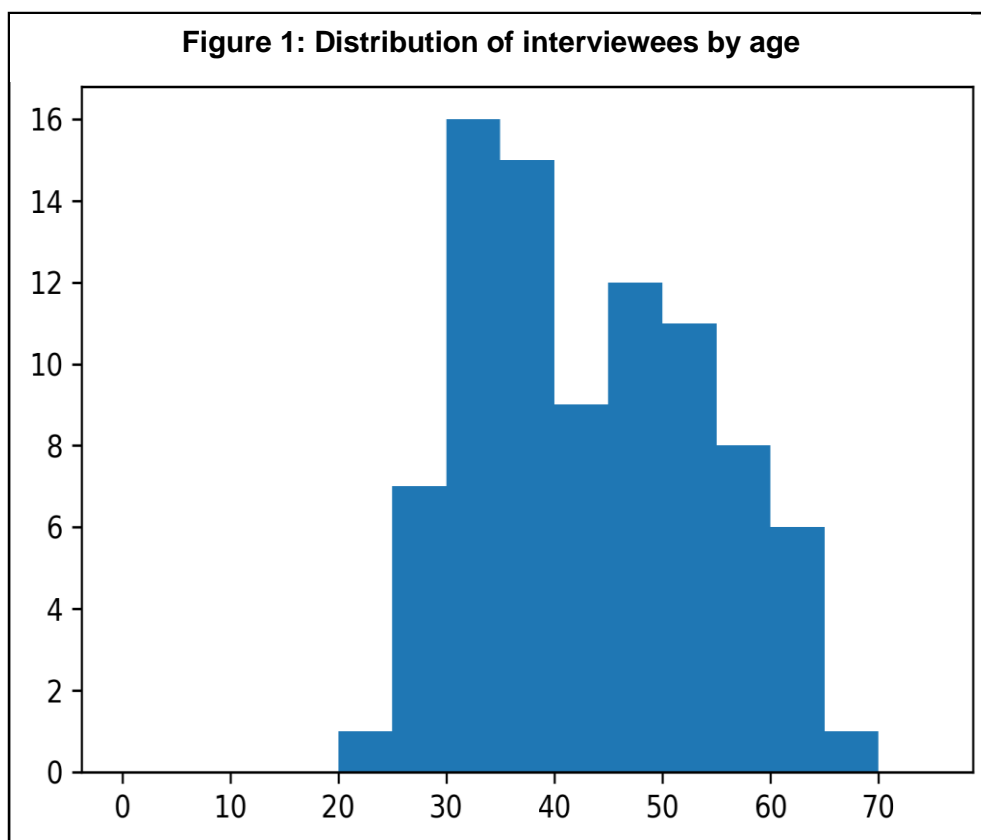
need not be formally registered as an enterprise and can run a business alone or with partners. In the survey, "employers" do not include the self-employed. This is why I do not consider self-employed individuals as entrepreneurs in this study.

The interviewees

The table in Appendix 1 shows the age, occupation, gender, and location of my most significant formal interviewees. The table does not include the informants with whom I spoke informally (but sometimes very fruitfully) in my time in X County, but for whom I have no record and have not written down the age or location.

Figure 1 shows the distribution of interviewees by age. As the figure makes clear, many of my interviewees were between 30 and 40 years old, with another significant number at about 50 years old. This reflects the two ways in which I conducted interviews. Interviewees aged between 30 and 40 years were people with whom it was easiest to chat informally and create friendly relationships during the first and third phases of my fieldwork. Most of my interviewees around 50 years old are car parts business owners, whom I interviewed during the second phase of my fieldwork.

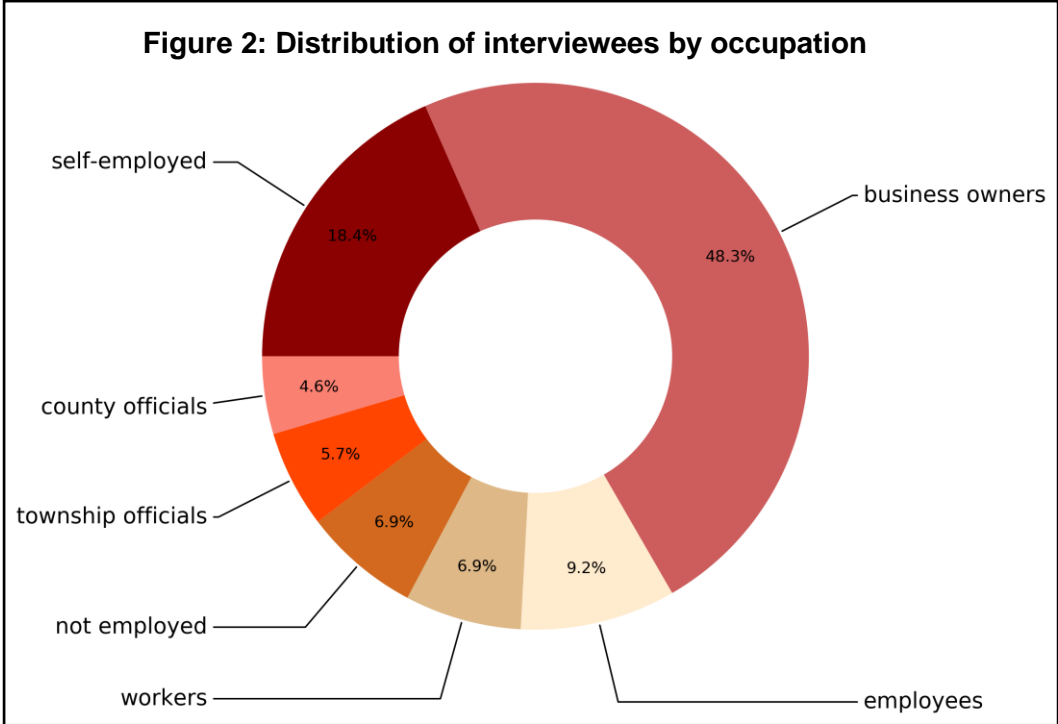
Figure 1 - Distribution of interviewees by age



The age distribution is important for understanding the role of generational change in the evolution of local mentalities. As much as possible throughout the thesis, I have adopted a comparative approach, observing differences between two generations of entrepreneurs, aged under 40 and over 40 respectively. My comparative findings are most systematically presented in Chapters 3 and 4.

Figure 2 below shows the distribution of interviewees by occupation. Almost half of them (42) are business owners, most of them working in the county's two pillar industries: car parts, and feather down. Three quarters of entrepreneurs interviewed are car parts business owners. These are the interviewees with whom I conducted the most structured interviews. Other interviewees own businesses in various other fields. I use the terms "entrepreneur" and "business owner" interchangeably in this thesis. Except for one individual, who belonged to the *fuerdai* (second rich generation), the business owners I interviewed were also entrepreneurs because they created their own business. The Chinese word "laoban" (老板), which is most often used by local people, does not match either the English term, "entrepreneur" or "business owner." It is a broader term, best translated as "boss."

Figure 2 - Distribution of interviewees by occupation



Self-employed individuals (whom I do not consider as entrepreneurs in this thesis), who run a one-person business, make up 20 percent of my interviewees (16 people). They constitute the most diverse population among my interviewees, undertaking a range of activities, including collecting and selling used clothes, farming, and driving a private taxi. These are people with whom I had mostly informal, but repeated and deep conversations. My sample of non-entrepreneur interviewees also comprises eight white-collar workers, working in sectors as diverse as banks, insurance, and petty retail, and six blue-collar workers. I met the latter six workers in the factory where I worked during the third phase of my fieldwork. During that time, I also talked to many more workers in a more informal way.

I also interviewed six retired interviewees who provided me with valuable information about the history of entrepreneurship and social mobility in the county. Of the six workers, one is a skilled worker, or "*shifu*" (师傅), whose role will be detailed in Chapter 7.

In addition, I interviewed government officials at all levels (four county officials, five township officials, as well as one entrepreneur, who was also a township official and three entrepreneurs, who were also village officials). Most of my interviews with these officials were informal and took place over a meal. On only one occasion did I visit an official in his office. I asked officials about their opinions on entrepreneurship, market economy, state intervention in the economy, and the social responsibility of entrepreneurs.

It is important to note that there is a strong gender imbalance in my sample. Of 79 interviewees, only 12 are women. This reflects, first of all, the fact that most business owners are men. It also reflects the fact that men were more willing to talk to me about topics relating to my thesis.

This gender imbalance has prevented me from undertaking a complete analysis of the impact of gender on social identity, the formation of entrepreneurs' social identities, and social perceptions of the fairness of the social hierarchy and legitimacy of entrepreneurs' social status. In Chapter 7, however, I do examine how gender, in intersection with other social divisions, shapes the patterns of authority and employer-employee relationships that define X County factories' labour regime, and the ways in which the social identities of X County's entrepreneurs are shaped by this labour regime.

Chapter Outline

The thesis starts with a preliminary chapter providing background information on the history of entrepreneurship in X County from the 1950s to the 2000s. This is followed by six empirical chapters. Chapters 2 to 4 focus on the first research question: Why has the rise of entrepreneurs as a privileged group in the rural social hierarchy been perceived as legitimate and fair by the local population? Chapters 5 to 7 focus on the second research question and examine the formation of social identities linked to entrepreneurship and entrepreneurs since 1978.

Chapter 2 looks at stories of entrepreneurship in the 1980s and 1990s. It analyses how a collective narrative of entrepreneurs as "self-made" has emerged in the post-Mao period, and has contributed to the formation of a collective entrepreneurial identity. In X County, many successful entrepreneurs in the early part of the reform period came from unprivileged backgrounds and their initial successes were achieved through their own initiative and hard work. These experiences of social mobility through entrepreneurship have contributed to the formation of a collective identity for entrepreneurs, which is based on the understanding that they are "self-made."

Chapter 3 examines how the self-made entrepreneur narrative has shaped perceptions in the local population of whether or not the new social hierarchy is fair and the entrepreneurs' position in this hierarchy legitimate. It also explains why the belief in a fair and legitimate social hierarchy, allowing for high social mobility, is widely shared among people who experience a lack of opportunities to move up the social ladder. The chapter makes the argument that the self-made entrepreneur narrative has had profound repercussions on local perceptions of the fairness and legitimacy of newly-emerged social hierarchies. It also explains the strengthening belief in the possibility of social mobility through entrepreneurship.

Chapter 4 investigates how state practices and the discourse of picking winners in the market economy have affected entrepreneurs' self-perceptions of being "self-made," their own sense of legitimacy, and their perceived legitimacy among the rest of the population. The chapter suggests that entrepreneurs' own sense of legitimacy is not affected, because they view "national policy" and "state support" as an ineffable, essentially neutral arbiter of value. But it also gives a nuanced picture of the state's

influence in shaping how local entrepreneurs perceive their position in society and shows that there is much contradiction and debate among them as to how strongly the state should intervene in their business. Lastly, the chapter uses the case study of poverty alleviation policies in X County to show how entrepreneurs' legitimacy among the local population is, in fact, reinforced by state policies of picking winners in market competition.

Echoing a long-standing theoretical debate about the relationship between social class and cultural differentiation, Chapter 5 focuses on the rural-urban divide, wealth, and education, and examines how these three factors have shaped the culture and lifestyle of X County's entrepreneurs. It discusses the respective value of Weber and Bourdieu's theoretical frameworks for understanding the relationship between economic and cultural realms. The chapter argues that cultural differentiation between rural entrepreneurs and non-entrepreneurs along wealth lines has mostly occurred in the second generation, rather than the first generation. A lack of cultural differentiation in the first generation, the chapter argues, is due to the maintenance, until very recently, of the rural-urban divide as the major polarising line along which group identity, memories, culture and lifestyle were organised, eclipsing lifestyle and cultural identification patterns linked to wealth. This chapter further argues that growing differentiation in the second generation was not grounded in higher education and cultural capital on the part of entrepreneurs. On the contrary, in this county, entrepreneurs have remained associated with lower education and cultural capital, throughout the period from the 1980s until the mid-2010s.

Chapter 6 investigates the role of a professional "ethos:" a Weberian concept, referring to a shared set of values and norms, which provides the basis for collective self-identification within an occupational community. It investigates the formation of an occupational group identity among local entrepreneurs, through a case study focusing on online retailers and e-commerce in X County. The chapter argues that e-commerce has contributed to the emergence of a shared business ethos based on technical skills, quality and professionalism, rather than the ability to build strong interpersonal ties. It also suggests that changes in business culture have entailed the emergence of geographically further-reaching business networks and have reinforced a broader trend of increasing industrial concentration and social differentiation.

Last, Chapter 7 explores how the relationship between employers and employees in the factory shapes the formation of entrepreneurial identities. The chapter identifies two changes that X County company owners have strived to bring about. The first change is a shift from a paternalistic relationship, in which bosses employed their relatives and neighbours, to a more distant and impersonal work relationship. The second change involves moving from loose and flexible supervision of workers towards a stricter monitoring and control of the labour process. Through these transformations, the chapter shows, the distance between employers and employees from a similar farmer background has widened. Through the intentional distancing and depersonalisation of labour relationships, as well as through disciplinary measures and the corresponding resistance of workers, two social identities, as workers and as bosses, emerge.

The thesis' Conclusion provides a summary of the thesis' findings and arguments, and explains the nature of the original, substantive contribution the thesis makes to global scholarship on social mobility, social differentiation, and the formation of social identities.

Chapter One: The history of entrepreneurship and social mobility in X County

This preliminary chapter weaves together academic literature and interview data to relate the history of entrepreneurship and social mobility in X County from the Maoist era to the 2000s. The chapter is divided into four broadly defined time periods: the Maoist period, from the 1950s to the 1970s, the 1980s, the 1990s and the 2000s. Comparing primary and secondary sources enables me to contextualise X County's history in the broader history of China's development and to highlight some particularities of X County that are important for understanding subsequent chapters.

1950s to 1970s: Entrepreneurship and social mobility under Mao

Chinese leaders' attitudes toward entrepreneurship evolved during the three decades of Maoist rule. In 1950, Chairman Mao Zedong assured entrepreneurs they would be encouraged to participate in the economy during the first stage of the revolution, and small-scale entrepreneurship was allowed in the countryside. This attitude was summarised in Mao's claim that "*the national bourgeoisie will eventually cease to exist. But at this stage, we should rally around them and not push them away*" (Mao in 1950, cited by Huang 2006:168).

The stage of destruction of China's private entrepreneurship began in 1952, with the Five Anti Campaign. This marked the beginning of more than two decades of mental and physical abuse of the bourgeoisie and the businesspeople (Huang 2006). By the 1960s, the market economy and the private ownership of property were largely eliminated and replaced, in rural areas, by collective production teams, brigades and communes. Farming was collective and organised by the leaders of production teams, which were groups of around ten to twenty households who collectively owned the land. Allocation of income was decided on the basis of work points within each production team. Meanwhile, the rural collectives at the production brigade (village) and commune (marketing district) levels were responsible for healthcare and

education and shared with the production team responsibility for social relief and assistance for vulnerable people. Even though the social benefits system was much less developed than in urban areas, rural education and health improved dramatically during this period, and there is evidence that large portions of the population gained substantially from collective welfare (Gao 1999).

Equality at the local level, however, concealed massive disparities between and within regions. A fundamental factor of inequality during the Maoist era was the institutionalisation of the rural-urban divide. Three key mechanisms, the household registration system (*hukou* 户口), the state monopoly over purchases of oil, cotton and grain (*tonggou tongxiao* 统购统销), and of other commercial food crops (*shangpinliang gongyingzhi* 商品粮供应制) had a huge impact on social and geographical mobility (Pan 2012). The household registration system, established after 1951, made it extremely difficult for rural residents to move to cities and access urban jobs, food rations and welfare systems.

These three policies bound rural residents to the land and restricted both their geographical and social mobility prospects. In the early 1950s, at the time of land reform, the residents of urban areas were on average only slightly wealthier than in rural areas. But they had become two completely separate societies by the 1970s, and the level of inequality between them had increased (Selden 1993).³ But the rural-urban divide was not only economic. The urban population relied on public-sector jobs, welfare, and subsidies, while in rural areas, the emphasis on agricultural self-subsistence meant that well-being was closely tied to success in farming, benefiting some regions while starving others (Lyons 1999).

Intra-rural, as well as intra-urban social mobility was also limited under Mao. A new political elite emerged in the 1950s through war and underground mobilisation, but social hierarchy tended to ossify in the 1960s, as Mao effectively transformed society

³ Selden cites estimates from Roll (1980:117,119) concluding that in 1955, per capita rural consumption was as high as 87 percent of urban levels, and from Thomas Rawski and the World Bank (Rawski 1982), suggesting that in 1955 per capita rural consumption was no less than 50 percent of urban levels. Another study by Dennis Tao Yang and Fang Cai concluded that the per capita consumption ratio rose from 2.5 in 1955 to 2.9 in 1978.

into a "virtuocracy" based on class background and political loyalty (Shirk 1984). The Cultural Revolution (1966-1976) had contradictory effects on social mobility within rural China. On the one hand, it further reduced inequality across a wide range of educational indicators (Bramall 2008) and succeeded (at least temporarily) in dismantling a re-emerging bureaucratic elite (Deng and Treiman 1997). On the other hand, there is some evidence that families of rural cadre families benefited from the policies of late Maoism, because they were able to use their contacts and connections to get their children into higher education (Giles et al. 2008). It is also important to note that even a political era as long and extreme as the Maoist regime did not succeed in uprooting deeply entrenched cultural capital. Home schooling and family traditions ensured that many high-status families regained their dominance after 1978, together with the families of cadres promoted during the Maoist years.

When asked about that period, local people in X County mostly recall very negative memories of poverty and oppression. They also remember terrible famines, due, in particular, to floods of the Yellow River, which continued with a daunting regularity until the 1980s. An interviewee recalled, for example, that:

*"We were all extremely poor here, because we are located on the Yellow River, and there was nothing to eat, there was only Yellow River fish [. . .] Back then, there used to be floods all the time. [During these floods] there were Yellow River fish everywhere. When it happened, we caught the fish [to eat]."*⁴

Local people remember the late Maoist period as a time of equality within villages, but of immense county-wide and nation-wide inequalities. Among young interviewees, perceptions of this era they did not experience were often simplified or not consistent with historical accounts and emphasised the constraints and inequities of that era. A 30-year-old interviewee explained that:

"In villages, there was usually no inequality. You see, during the Cultural Revolution all villagers were peasants, they all cultivated the land, right? Furthermore, land was collective at that time, so there was no inequality"

⁴ Interviewee 25.

[. . .] *Within the county, yes, there was a lot of inequality. Within the township, not so much, because back then there were very few enterprises.*"⁵

He then explained that:

"Before the reforms, Mao did not allow people to do business [. . .] But official enterprises existed [. . .] During the ten years of the Cultural Revolution, inequalities were even greater [. . .] For example, if you had an enterprise⁶, but you already had it by the time of the Cultural Revolution, you could still keep your enterprise [. . .] But an ordinary person could not start a business [. . .] They didn't allow people to go to the streets and sell their vegetables, because there was only one enterprise allowed. For instance, if I produced clothes — we always need enterprises producing clothes, right? But ordinary people, the poor and lower-middle peasants⁷, could not sell these things. They could only farm."

This account refers to the Cultural Revolution, one of the most radical periods of the Mao era. In other periods, most peasants would have been able to sell vegetables from their small private plots to others in the village. Nonetheless, what is interesting for the purpose of this study is the widespread perception of inequity and lack of freedom that characterises young local interviewees' perceptions of the Maoist era. In hindsight, for many rural people, old and young, the reform era that started in the early 1980s marked the end of an oppressive and socially rigid regime. Their understandings of the re-emergence of entrepreneurship must be placed in this historical context.

1978: Deng's reforms and the re-opening of geographical mobility

After 1978, liberal economic reforms initiated by Deng Xiaoping's administration progressively established the conditions for increased public and private

⁵ Interviewee 46.

⁶ He is referring to managers of collectively owned enterprises.

⁷ Lower-middle peasants meant those families who before the revolution owned a bit of land, but not enough to survive, and had to rent some land from landlords.

industrialisation. From 1980 to 1984, the reforms circumvented the cities, bastions of the communist bureaucracy, focusing instead on the relatively autonomous and less crucial rural areas (Chevrier 1985). First started as a bottom-up "silent revolution" through local experimentations, especially in Sichuan under Zhao Ziyang and in Anhui under Wan Li, the "household responsibility system" was then implemented nationwide in the early 1980s (Zhang and Liu 2019). Under this system, farmers could contract the collective land and carry out independent production on it, earning the income from farming their plot. The government also raised agricultural prices, reduced taxes, and commercialised agriculture, enabling a steady improvement in rural income (Chen 2017, Gao 1999:72). From 1978 to 2002, farmers' net income grew by an average annual increase of 7.2 percent after taking account of inflation, arguably leading to the greatest increase in economic well-being ever seen in the world within such a short period (Li and Zhu 2003).

Farmers' situation, however, started to worsen again in the 1990s, as agricultural prices failed to keep up with inflation and heavy agricultural taxes were reintroduced. The urban-rural income gap, which narrowed substantially in the early 1980s, began to widen again in the 1990s. Between 1979 and 1994, an estimated 1,500 billion yuan was transferred from agriculture to industry through price scissor mechanisms, and 175.5 billion was collected as agricultural taxes⁸. Starting in 1984, peasants were allowed to move into cities and towns for work, but they could not change their rural household registration and did not have access to the urban welfare system (Solinger 1991).

In X County, much of the post-1978 economic development occurred through migration. Statistical yearbooks indicate that significant rural-to-urban migration, led and organised by the local governments' Labour Bureaus, took place after 1978, especially in the 2000s. In one township, 9056 people, or about one-fifth of the population, were noted as working outside X County by 2005. In another township, out of 32,600 people, 9,100 were noted as being outside of the county: almost a third of the population. The total revenue received by the Labour Bureau from migrant

⁸ According to agricultural experts in the Central Committee's Policy Research Office, quoted by Pan, Yi, *ibid.*

labourers amounted to 26 million yuan in 2005 for that township, the yearbook indicated.

These are likely to underestimate actual numbers of migrants from X County, as the vast majority of villagers who became migrant workers migrated individually, and not through local government channels. My interviews suggested that many of the first entrepreneurs to emerge in X County were pedlars who cycled around China to sell products, at a time in the 1980s when barriers to geographical mobility were gradually disappearing and local markets were starting to open up. Many of the early entrepreneurs I interviewed went to the provinces of North-East China (*dongbei*, 东北) and to Shandong in an attempt to avail themselves of opportunities they could not find at home.

1980s-2000s: The golden age of TVEs, followed by privatisation

Meanwhile, in the countryside, industrialisation started booming. Scholars have observed that the first rural enterprises to emerge after 1978 were township and village collective enterprises (TVE), which evolved from brigade-run industries initiated during the Great Leap Forward (1958-1960). While most enterprises in urban areas were state-owned, rural areas developed a model of collective ownership, granting ownership rights to an administrative unit lower than a county government.

Researchers have pointed out that the period from the early 1980s to 1996 was a golden era for TVEs. After 1980, the political and fiscal environment gave local governments an incentive to develop collective enterprises. Employment in TVEs grew from 28 million in 1978 to a peak of 135 million in 1996, most of which was concentrated in coastal areas (Saich 2010, Kung 2007, Wong 1988, Oi 1992, Park and Shen 2003). Production similarly increased to 1.8 trillion yuan in 1992 from 49 billion yuan in 1978 (Vogel 2011). In practice, most supposedly collective enterprises were private enterprises in disguise, a practice known as "wearing a red hat" (*dai hong maozi*, 戴红帽子) (Oi and Walder 1999, Tsai 2007, Chen 2007). Yasheng Huang estimates that real collective TVEs were only 1.5 million of the 12 million TVEs, the rest being de facto private enterprises (Huang 2008:73).

Numerous TVEs sprung up in X County. According to official statistics, in one of the wealthiest townships of the county, the gross output value of TVEs in 1995 was 130 million yuan. In one of the poorest townships, it amounted to 26 million yuan in the same year. Statistical yearbooks indicate that TVE's annual growth in output was above 15 percent in all townships in X County throughout the 1990s.

However, in X County as in China as a whole, collective TVE number and output stopped growing at the end of the 1990s and the economy shifted to the private sector. This resulted, in part, from modifications of the national political and market environment, including the fiscal system, the cadre evaluation system, and property rights, from 1994 onwards (Whiting 2001). An amendment to the constitution in 1999 stipulated that a private economy was part of the socialist market economy. In 2002, the ratification of Jiang Zemin's theory of the "three represents" (*sange daibiao*, 三个代表) by the Sixteenth Party Congress further contributed to the growth of the private sector, and in 2005, the State Council promulgated a directive called the "36 articles" to encourage the development of the private economy⁹.

Paradoxically, this shift to the private sector was part of a major reversal in economic policies, which put the emphasis on top-down state action, recentralisation of power, and reform of the publicly owned corporate sector (Huang 2012).

The rise of private enterprises in the 1990s mainly took the form of the privatisation of former collective industries, more often than not led by and with ownership ending up in the hands of officials and their families. Using national statistics, Jean Oi estimated that local leaders had privatised more than half a million firms by the mid to late 1990s (Oi 1999). Social factors have also been invoked to explain the shift towards private enterprise. Privatisation clearly benefited government cadres and their families, as well as collective enterprise managers, often closely linked to the political elite (Unger 2002, Li and Rozelle 1998, Li and Rozelle 2003).

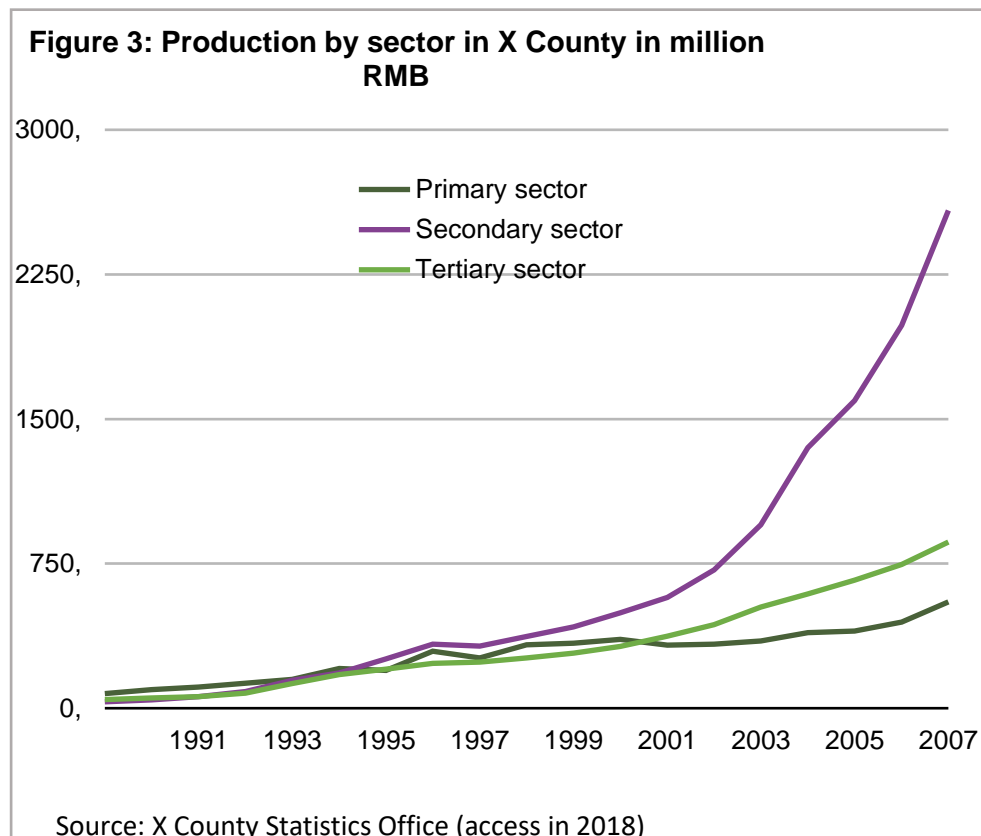
Although we lack reliable statistics on X County's economy, there are signs that a few collective enterprises were privatised by insiders in the late 1990s and early 2000s, in

⁹ The directive encouraged private investment in a number of sectors previously reserved for state enterprises such as electric power, telecommunications, railroads, etc (Lardy 2014:91).

particular in the sectors of food processing and chemicals. Several interviewees indicated that some of the largest enterprises in X County today are the inheritors of collective enterprises that were created in the 1980s. However, interviews with officials and villagers from the older generations suggested that most of the collective enterprises collapsed, with no-one taking over. Interviewees also explained that the collective sector in X County was much less developed than in the southern coastal areas described by researchers.

In fact, economic and industrial development really started only later, in the 2000s, and was entirely led by the secondary (industrial) sector, as Figure 3, based on data that I was allowed to copy from the local government Statistics Office, shows.

Figure 3 - Production by sector in X County in million RMB



The development timeframe indicated here was confirmed by interviewees. One of them, for example, recalled that:

"Development has been the fastest during the last few years, especially the last five or six years. Economic growth was stimulated, and from that time

onwards, China really had rapid growth. Take the cars for example: cars can symbolise (growth); cars, apartments in buildings, these all developed only recently. [. . .] Cars were not that common even six years ago. [. . .] When I got married, they were not that common, in 2011. [. . .] Now in X County seat, it is even hard to park your car to buy something."¹⁰

By the 2000s, economic development in China as a whole had in fact been fast for several decades. Cars were also very common by the 2010s, especially in coastal China. The interviewee may not know that because he stayed in X County and observed only local development. Around that period, Henan attracted investment because of rising costs and labour unrest in coastal regions and because of its own heavy investment in infrastructure. The national economy rebalanced towards inland and western China after 2005, as a result of the "Go-West policy" (*wang xi zou*, 往西走) launched in the late 1990s by the Chinese government (Singh 2002).

1990s: The rise of private entrepreneurs

In parallel with the collective-turned-private sector, the petty private economy grew in the 1990s at a much quicker pace than during the previous decade and allowed many ambitious individuals with few connections to officialdom to start successful businesses.

In the early 1980s, only individual operators (*getihu*, 个体户), with less than two employees and five apprentices, were allowed. According to John Osburg, these were petty shop owners, taxi drivers and restaurant owners who made their own production decisions and received few or no state-sponsored benefits such as medical care and housing (Osburg 2008:5-6). According to Yan Yunxiang, the *getihu* mainly came from the lowest social status, in terms of family and political background, education, wealth and employment. They had "nothing to lose" by trying to improve their social position and were ready to accept the inherent risks of entrepreneurship at a time of great political uncertainty (Yan 2000).

¹⁰ Interviewee 41.

More than other areas in China, industrialisation in X County relied on private entrepreneurship rather than collective enterprises. Local statistics indicate that from the late 1990s, private industry outgrew the collective sector. One township's statistical yearbook notes that private industry in the township accounted for 242 million in 1997 and 580 million yuan in 2005 (X County statistical yearbook, 2007). Although county-level statistics about private industry are scarce, X county was named "the province's most advanced county for self-employed and private enterprises" in 1998.

Private industry in X County started in the artisanal and small manufacturing sectors. The brick, cloth, wood, and agricultural industries were among the sectors in which the first successful entrepreneurs made a fortune in the 1980s. In one of X County's townships, many local people chose the brick business, because the profits it generated were higher than average. An interviewee recalled, for example:

*"The ten-thousand-yuan households (wanhuanhu, 万元户),¹¹ when I was young, do you know what they did? Do you know about the kilns? It's bricks that you use to build houses. The kiln master who made bricks had a slightly better [than average] financial situation, and he could often order several dishes at a restaurant."*¹²

Another recalled:

"It must have been in 1996, after the flooding. [. . .] I left [the county] that year. Back then, this countryside mainly relied on working for other companies; very few people worked in car parts. [. . .] There were people who produced bricks for houses, you know. Red bricks. They made a kiln to produce red bricks. At first, it could make a lot of money. [. . .] The brick industry was a skill, people would work where there was money to be made, for example, if one place offered a better wage, people would change jobs to go there. [. . .] To be honest, people would often change jobs. [. . .] It's

¹¹ "Ten-thousand-yuan" households, that is, households with an income of ten thousand yuan, became pervasive in the popular imagination and in official slogans in the 1980s, as a measure of the efficacy of the reforms (Croll 1995: 204). Ten thousand yuan was considered a very high income at that time.

¹² Interviewee 39.

*only later that people slowly started to have small businesses, for example get small three-wheeled vehicles or travel outside [the county] to sell car parts. Actually, it's these people that led the car parts industry, the ones who went out to sell. There were more and more people who went to other provinces to sell, so more people like us [i.e entrepreneurs] decided to stay at home [rather than travel away from home to do business]."*¹³

In another of the county's townships, the cloth production business was a major industry. One interviewee explained:

*"I think it was in Y Township in the 80s. [. . .] X County people were good at the cloth business before; the business of cloth was quite developed. In our township there were several people named Li who bought cloth at a wholesale price and went to markets with their ruler to sell cloth, piece after piece. [. . .] Before, country people all made their clothes themselves, they bought cloth and made their own clothes using a sewing machine. Then people realised that buying wholesale and selling small pieces was not the most profitable, so they wanted to understand where the source of this industrial chain was. From our municipality, they went to Zhejiang. In Zhejiang lots of businesses were doing printing and dyeing. [. . .] So, they realised this print and dye business was more profitable, and they went there to open print and dye factories. Then they realised it would not work, because all the people in this business were local people. [. . .] After that they started to be successful, and until now they have been doing this [printing and dyeing] for 30 years. [. . .] Now many people from the township are doing business outside. In the county seat, and also in our township, you will see many cars with a number plate from Zhejiang. Usually there are very few, but they all come back for New Year. If you come at that time of the year you will see, everywhere in the streets, cars with a number plate with a D, from Zhejiang."*¹⁴

The carpentering business was also very popular, not least because it could be done locally, in villages. An interviewee recalls, for example: *"Before, selling wood was a*

¹³ Interviewee 23.

¹⁴ Interviewee 50.

very popular business in our countryside."¹⁵ Several of the entrepreneurs who later turned to more profitable sectors first started with a wood business. One of them recalled that, aged 19, he started working as a carpenter in his village, making chairs or benches for people in his village for a few yuan for a day's work, before he heard of the car parts opportunities in Shandong.

Among the sectors that then developed in the 1980-90s, two became the main local industries three decades later: feather down, and car parts. Both were originally developed at the end of the 1980s by pedlars who cycled around China to sell products. In the car parts industry, pedlars bought their products from factories in Hebei and Shandong and cycled around China to sell them. The feather down industry was a bit different: at first whole villages in X County raised ducks and gathered feathers, which were then sold at purchasing stations within the County. As one interviewee explained:

*"At that time [in the early 1980s] we started going from home to home to buy duck and goose feathers. [After buying] feathers we went to the purchasing station. Every commune had one. [. . .] At that time, all farmers raised ducks and goose. After 2003, it developed into greenhouse breeding. [. . .] In 1988 and 1989, my elder brother and I had a down factory in Shandong."*¹⁶

Then, villagers started to go to the North-East provinces to buy the feathers and sell them to factories at home.

2000s: Growing industry concentration and social differentiation

Around the turn of the 21st century, the car parts and feather-down industries started to attract many new people and to develop locally, instead of outside the county. Meanwhile, many other sectors collapsed as they provoked business frenzy and excessive competition, which ultimately shattered the prospects of their initiators.

¹⁵ Interviewee 24.

¹⁶ Interviewee 36.

In the car parts and feather down industries, success built on itself, as some entrepreneurs accumulated profits and moved up the value chain. Some of the earlier entrepreneurs in the car parts business were among the earliest to shift to production and to employ other people. This was especially the case among some networks of entrepreneurs who knew each other from the beginning. For example, one entrepreneur told me that: *"The people who did business with us (back then), they all became bosses, the vast majority became bosses."*¹⁷

While some companies grew bigger, they also became more competitive and forced smaller businesses out of the competition. The industry became more concentrated, with only a few large enterprises. By the late 1990s, a large proportion of entrepreneurs who were successful during the first two decades of the post-Mao era had lost money and gave up business altogether. According to an interviewee:

*"A lot of people failed. How did they fail? They could not sell the products they had made, or they could not reimburse the money they had borrowed, or they didn't earn enough money to make a profit, that's how it is. [. . .] They left the village, they went away. [. . .] We don't know what they did after they left, but they could not stay at home, because people would come and claim their debts, so they just could not stay."*¹⁸

That phenomenon appeared earlier and to a greater extent in the feather down factories than in the car parts factories, because, according to my interviews, processing feathers required more capital investment in expensive machinery than producing car parts. Feather down companies also started selling to clients nationwide and worldwide much earlier than the car parts industry. This encouraged early industry concentration. Today, the county only has about twenty feather down companies, compared to hundreds of car parts businesses. The following exchange between two interviewees working in the feather down business illustrates this point:

"I1: Only a small number of people have succeeded in this industry.

I2: Not even one third; only five percent.

¹⁷ Interviewee 22.

¹⁸ Interviewee 12.

*11: Five percent is even too much. I would say at most one percent.*¹⁹

This explains why many entrepreneurs who started their career in the feather down industry shifted to the car parts industry in the 1990s, as this interview indicates:

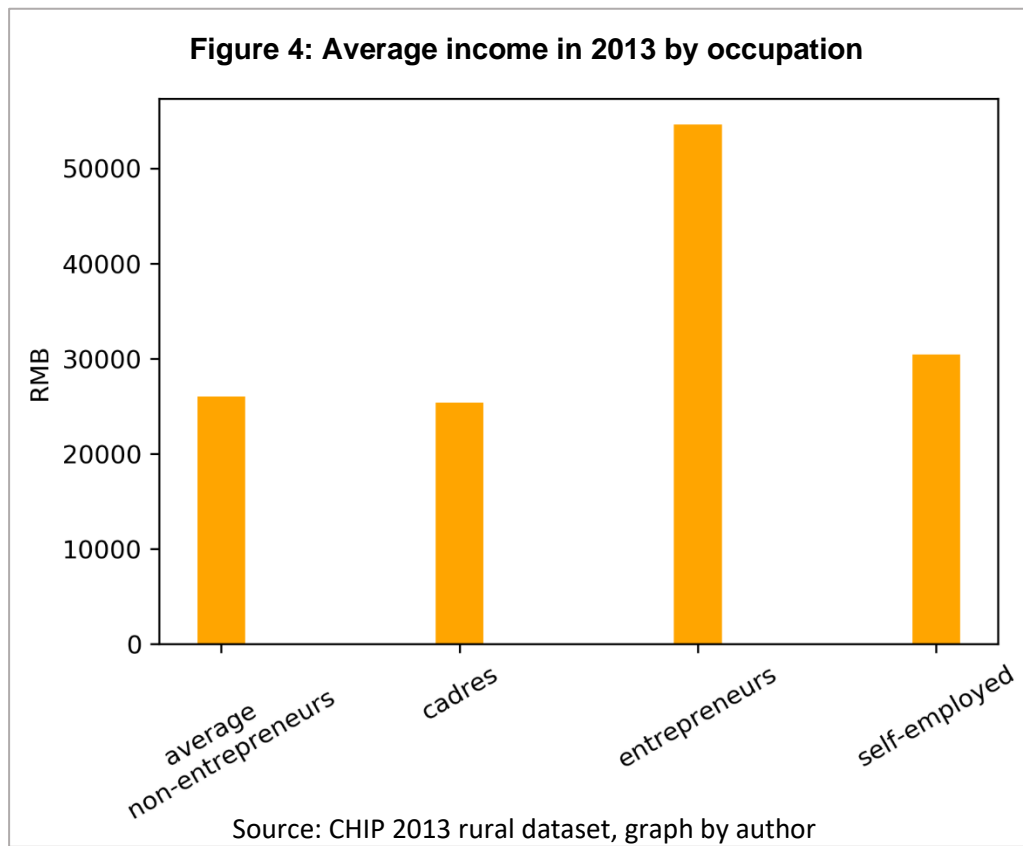
*"My father worked hard, he has worked as a carpenter, he has sold duck feathers. Afterwards, he has also sold car parts, but rather late. When I was at school, my father's business was not going well. He was not among the middle-class, but below it."*²⁰

As entrepreneurship developed, social differentiation also grew in the 1980s and 1990s. In rural areas, basic collective welfare systems shrank, and by the early 1990s money spent on urban welfare was 29 times more than on rural welfare (Pan 2012). Although schools continued, barefoot doctors largely disappeared. In most areas, the *Wubao* (五保, welfare for poor widows, childless men and others with no close family members to support them) continued, but often with inadequate funds. Many poor rural households that previously relied on collective support found themselves worse off. Declines in collective welfare provision had an impact on inequality and social mobility in rural areas. As Unger has observed, inequalities were intensified by the "bet on the strong" bias in local governments' policies towards entrepreneurs (Unger 2002). Better-off households that already had an economic and business edge enjoyed preferential treatment, in terms of improved access to subsidised inputs, favoured loans from the bank and proportionally lesser taxes, which resulted in an increased concentration of wealth in the hands of the most prosperous households.

Data from the CHIP survey, summarised in Figure 4, confirms that entrepreneurs were the primary winners of the economic growth in rural China in this period.

¹⁹ Interviewee 37.

²⁰ Interviewee 23.

Figure 4 - Average income in 2013 by occupation

X County interviewees also confirmed the presence of large wealth inequalities and the fact that successful entrepreneurs had benefited most from economic development. I was told, for example, that: *"There is a big difference between the richest and the poorest. The poorest don't have money, some even have debts. Chinese society nowadays has huge wealth inequalities."*²¹

Peng, a car part entrepreneur, argued that:

"Inequalities are greater than before; this is a fact. Generally speaking, living conditions have improved, but they have improved to different extents for different people. They have risen a lot for some people, and not very much for other people. Even though the country has increased poverty-alleviation

²¹ Interviewee 17.

*programs towards poor households, people like us who have successful businesses have higher living standards than ordinary people."*²²

Competition among entrepreneurs also increased. On the one hand, the opening of the Chinese domestic market in the 1980s benefited individual entrepreneurs who were able to overcome problems associated with poor communication and transportation at that time. On the other hand, the integration of domestic markets and the improved efficiency of transportation and communication in later years increased competition for small-time pedlars. One interviewee, for example, recalled that: *"Before, when we did business, there was no access to information, so money was easy to earn. Now, communications are too easy, so it has become hard to earn money [. . .] Back then, there was no telephone [. . .] Now if you are not educated, you cannot get ahead."*²³ Entrepreneurship also required increasing amounts of capital, in an economy that has profoundly changed since 1978.

Conclusion

This preliminary chapter has highlighted several differences between X County and the industrialisation patterns identified by previous research (Naughton 2006). X County's economic growth took off later than models in coastal areas. Henan lagged behind in terms of growth rates and industrialisation and started to experience high economic growth only in the 2000s. Because of its late industrialisation, collective enterprises played a very weak role in X County's economy. Industrialisation was, at first, essentially driven by workers and entrepreneurs outside the county, who migrated to China's Northeast provinces in search of better opportunities. Private industrial enterprises, first created by petty entrepreneurs and then developed into relatively big companies, led economic growth.

This is the historical context in which the entrepreneurs of X County grew up and developed their business. It has important consequences for social perceptions of entrepreneurs and for the formation of their social identities. These topics constitutes the focus of the following chapters.

²² Interviewee 6.

²³ Interviewee 29.

Chapter Two: Entrepreneurship and social mobility in X County after 1978

Have you heard of the people who braved the journey to Northeast China? At the very beginning, lots of people went to the Northeast provinces and to Shandong. They went to make a living, to survive. This is why they went away. [. . .] They worked and started small businesses, as petty salesmen. [. . .] Because this area is relatively underdeveloped in China. [. . .] Then, on the one hand, they earned a certain financial basis because of their hard work. On the other hand, their experience has opened their mind and broadened their vision. [. . .] Then they came back, and today they are very influential people in our county. [. . .] But originally, they did this purely because they were too poor, because they had to survive." (Interview with a car parts entrepreneur in X County).²⁴

This chapter discusses the emergence of entrepreneurship in rural China in the post-Mao period, and the factors contributing to individuals' success in becoming entrepreneurs. When asked how entrepreneurship emerged in their county and how they themselves became entrepreneurs, X County business owners emphasised that they owed their success to their own hard work and intelligence. They portrayed themselves as tough and adventurous, uneducated, and raised in the most unprivileged environments. Being "self-made" was at the core of the stories they told. But why did that narrative emerge and how faithful is it to the reality of how entrepreneurship developed locally? These two questions are the focus of this chapter.

The literature, both on China and on other fast-transforming societies, gives us reasons to doubt the accuracy of Chinese entrepreneurs' self-description as self-made. Eric Hobsbawm, working on the industrial revolution period in the United Kingdom, pointed out that, although business "was the most obvious career open to talent, and in a rapidly expanding economy business opportunities were naturally great [. . .] neither the material nor the social and cultural conditions were

²⁴ Interviewee 17.

propitious for the poor" (Hobsbawm 1962:195). In China, proponents of the "power persistence theory" such as Andrew Walder have successfully demonstrated that many of the winners in China's transition to capitalism benefitted from a favourable family, education, or political background (Walder 2006).

The history of how individuals have succeeded in becoming entrepreneurs in the post-Mao period raises questions about social mobility. Broadly speaking, literature on social mobility considers society to be essentially hierarchical and aims to describe the degree of flexibility of this hierarchy over time, as well as the strategies employed by individuals and collectivities to change their social status. Social mobility can be either intra-generational (entailing changes in social position within a person's lifetime) or inter-generational (entailing changes in social position between parents and children). It can also be relative (individual change in social position within a fixed hierarchy) or absolute (collective change in social positions that transforms the whole social structure). When narrating their ascent from being poor farmers (and children of poor farmers) to being wealthy business owners, X County entrepreneurs describe absolute social mobility, both intra and inter-generational. When saying that they only relied on themselves to ascend to a relatively high position in the contemporary local social hierarchy as entrepreneurs, they imply that their parents did not hold an advantageous position in society that could have helped them, and so they describe relatively high inter-generational social mobility.

The accuracy of rural Chinese entrepreneurs' self-description as self-made, however, is difficult to assess, due to a lack of objective data on the emergence of entrepreneurs in rural China. In this chapter, I circumvent this problem by looking at contradictions within interviewees' responses. More specifically, I look for divergences between interviewees' responses to two different sets of questions. The first set includes very general questions, such as: "Could you explain to me how entrepreneurs emerged in your county? Could you recall how you became an entrepreneur yourself? How do you explain your success as an entrepreneur?" The second set includes more detailed questions about interviewees' family backgrounds, such as: "What profession did your parents engage in? How much did they earn? Has one of your close relatives worked as a local official? Did a relative lend you money when you started your enterprise?" I make the hypothesis that divergences between responses to the first and second set of questions are a good indicator of discrepancies between the

narrative and the reality of how entrepreneurship emerged locally. In addition, whenever available, the chapter also makes use of the little statistical data that is available in local county yearbooks.

In the academic literature on social mobility, several factors are identified as potential vectors through which social hierarchies are maintained over generations. Having relatives connected to the public sector, being born in a wealthy family, having family traditions of entrepreneurship, possessing cultural capital through education, and belonging to a powerful lineage, are all factors through which social hierarchies are known to be transmitted and continued. I examine all five factors in this chapter.

The chapter is divided into three sections. In section one, I provide evidence for the existence of the "self-made" narrative among X County's entrepreneurs and its importance to entrepreneurs' understanding of how a new social hierarchy based on business success came about. In section two, I contrast this narrative with detailed interviews with first-generation entrepreneurs about their family, lineage, and educational background. I give a nuanced picture of the relation between the reality of entrepreneurship and the dominant narrative about it. While many entrepreneurs are indeed "self-made" to a great degree, many also benefited from a favourable family, education, or lineage background. In section three, I draw on Alfred Schütz' theory of exemplarity to suggest explanations for the rise to prominence, among entrepreneurs, of the "self-made" narrative. I argue that the core elements of entrepreneurs' stories of the early post-Mao period — poverty, little education, courage — have gained salience not because they reflected the reality of all entrepreneurs' lives, but because they were both typical and exemplary of the first generation of entrepreneurs during the first two post-Mao decades.

The self-made entrepreneur narrative

When enquiring about today's entrepreneurs in X County, I was frequently told that Wang was representative of local entrepreneurs in terms of his background, his skills and character, and the way he started and developed his business. The story, narrated to me by many entrepreneurs (including Wang himself), both in the car parts and in the feather down industries, always followed similar lines.

Thirty years ago, Wang explained, he was struggling to put enough food on the table. He was born in a village that was flooded every year by the Yellow River. Other entrepreneurs described him as descending from a family labelled as "rich peasants" under the Maoist classification.²⁵ As a result, I was told, his parents had to endure the hardships and repression linked to this category. Wang himself insisted that his family was very poor: "*We were not doing well; our family, in particular, was not doing well,*" he recalled. "*Otherwise, where would I have found this drive to start [my business]?"*²⁶

In 1987, Wang heard of a huge market in Tangshan, Hebei, not far from X County, that sold small machine parts to private peddlers. He invested his meagre savings in buying some parts and started selling them in South China, before coming back to buy more. Over several years, he cycled around China, at a time when local markets were slowly starting to open up and transportation was still very unreliable. Back then, he recalled, he did not deal with the factory directly, but with representatives of the factory who sold him car parts at the market price.

He also started to hire people to work under him. First, he hired a relative, then another, and they, in turn, brought more people: "*It developed quickly: one person brought four people, four people brought eight people, and we quickly became an army [. . .] As every person brought seven or eight people, the army expanded. I brought seven or eight people, the eight of us brought sixty-four people, that is how we expanded.*"²⁷ As Peng, another car part business owner in his 50s, recalls: "*At first, it was Wang who was the leader. [. . .] He bought some small parts, then sold them across the entire country [. . .] and he made a small profit that way. Later, he changed his bicycle for a tricycle, then for a truck.*"²⁸

²⁵ The label, "rich peasant" meant that before the revolution, the family had enough land to hire labour in addition to working physically on the land themselves. After collectivisation of the land, these people were often very poor and suffered discrimination.

²⁶ Interviewee 5.

²⁷ Interviewee 35.

²⁸ Interviewee 6.

Soon, Wang earned enough to scale up his activities. In 1997, the factory started to deal with him directly and send car parts to his village. He started to buy wholesale and established his business in the village, leaving retail activities to fellow villagers. Several of his partners progressively separated from the group and started their own wholesale business. In 1998, Wang started to build a workshop in his house to start producing similar parts as those he was selling. Benefiting from his already established network of clients, he was able to establish a successful business producing car parts in 2000, and others quickly followed:

"The seven or eight people who were with me from the beginning also started to build factories. [. . .] Later, the government got involved, to encourage us to use the labour force remaining in our villages. [. . .] They wanted us to pave the way, each businessman to hire more workers."²⁹

That workshop, a few years later, turned into a much bigger factory when Wang was given a big piece of land outside the village and started hiring workers from around his village. Meanwhile, the whole village had moved up the industry chain. Many had become industrial producers themselves or had set up wholesale networks across the country.

Is it possible that the first local entrepreneurs actually travelled from Henan to Manchuria by bicycle? I was sceptical and asked interviewees to confirm that it was not in fact motorcycles that they rode, which would have been much easier for such long distances. Although they confirmed that they did indeed ride bicycles, memories might differ from what really happened thirty years earlier. As I haven't been able to recover photographs from this period, there is no way to know for sure; but what is interesting for the purpose of this study is, first of all, that interviewees all emphasised their heroic effort in cycling around China, and secondly, that this memory goes now unchallenged and seems to be accepted as a historical fact.

If, as interviewees told me, Wang's story is representative of early entrepreneurship in the county, in what ways is it so? Asking interviewees to narrate the broader story of the development of entrepreneurship in their county allowed me to understand

²⁹ Interviewee 5.

what Wang's story was representative of. All stories followed similar lines. For example, an interviewee recalled the emergence of the feather down industry as follows:

"How did the feather down (industry) develop? Back then there were twenty thousand people who went to the Northeast by bicycle. In the Northeast there is goose feather, duck feather, and other feathers, right? Feather down is made with that. So, they went to collect goose feathers, in winter in the snowfields, several people shouting they were collecting goose feathers. They brought back the goose feather and then started to develop (their business) — twenty-thousand people. And now you see the second-generation rich people, rich people who drive BMW and Mercedes-Benz. The older generation are these people who cycled (to collect the feathers), they are my parent's generation. This is (the story of) feather down."³⁰

Stories about the development of other industries also followed similar lines. Here is, for example, how an interviewee narrated the development of the construction industry in X County:

"The earliest group of people in our country [to start this industry] went to some old industrial bases in Northeast China to start construction, starting with the most basic masonry. Later, they gradually started to bring a small engineering team with them. Gradually, their business expanded like a snowball and they became construction entrepreneurs, then finally they became [real estate] developers, and in the process of growing up, they constantly expanded their horizons and enriched their vision. The industry slowly snowballed, and they developed into successful entrepreneurs."³¹

All these stories featured similar characters: poor farmers in their early twenties, eager to succeed, characterised by poor social background, low education, personal qualities such as courage and risk-taking. All experienced high upward social mobility, both absolute and relative, and both inter and intra-generational. In all stories, business success has a similar starting point: leaving the village and going far

³⁰ Interviewee 39.

³¹ Interviewee 17.

away, to China's wealthier provinces. They also all included cycling around China to sell products, at a time when domestic markets were still little developed. Overall, at the core of all these stories was the idea that first-generation entrepreneurs in X County were "self-made" and that they only relied on themselves to succeed.

Were local entrepreneurs in the 80s and 90s self-made?

Does this narrative accurately reflect the reality of entrepreneurship in the early decades of the post-Mao period? To answer this question, I examine whether the self-made entrepreneur narrative presented above is aligned with the details of early entrepreneurs' lives, as gathered during my interviews and in the available local statistical data. In particular, I examine whether or not detailed interviews and available local statistical data can reveal that entrepreneurs either benefited from having non-agricultural household registration³² or relatives connected to the public sector, were born in a wealthy family, had entrepreneurial family traditions, possessed cultural capital through education, or belonged to a powerful lineage that would have helped them succeed. If so, such details would challenge the accuracy of the self-made entrepreneur narrative.

Possessing non-agricultural household registration (hukou)

Possessing a non-agricultural *hukou* was a considerable privilege for people living in a rural county in the 1980s and 1990s. Although the whole county was categorised as rural, families who had lived in the county seat, and some who had lived in township seats since before the Great Leap Forward were endowed with a non-agricultural *hukou*, which gave them access to certain privileges. While an agricultural *hukou* guaranteed land use rights, a non-agricultural *hukou* guaranteed access to non-agricultural occupations, the provision of food rations and access to a better healthcare and education system (Zeuthen 2020).

³² The *Hukou* (户口), or household registration system, confers three attributes upon every Chinese citizen: an "urban" versus "rural" status distinction, a municipal affiliation, and a provincial affiliation. These formal affiliations are hereditary and determine a citizen's welfare entitlements. In the post-Mao era, the *hukou* system, originally intended to prevent population movement and tie Chinese citizens to their places of origin through a hereditary registration system, has become a means of reducing cities' financial and demographic burdens by limiting migrants' access to welfare services in the cities they move to.

Of the dozens of entrepreneurs (both first and second generation) that I interviewed in the car parts industry, only one held an urban *hukou*. As he recalled:

"When I was 16 years old, I worked at the post office [. . .] But I don't like fixed jobs where I have to sit all day in an office. I felt oppressed [. . .] I stayed two years at the post office [. . .] And at 16 I started a business [. . .] I was doing business and working at the same time."³³

Although it may have helped this individual entrepreneur, the case is so rare that possessing an urban *hukou* has not been a significant factor in explaining the success of X County's first-generation entrepreneurs.

Having relatives connected to the public sector

According to Akos Rona-Tas and others, the post-1978 transition to a market economy gave cadres across China an enormous advantage in taking over the new private sector and becoming the new economic elite (Rona-Tas 1994). Is this pattern borne out by interviews with early rural entrepreneurs in X County about their life and the development of their business?

I did note the existence of a few entrepreneurs who successfully transitioned from political to economic power, either by taking over state-owned enterprises or by "jumping into the sea." One of the county's statistical yearbooks mention, for example, a collective enterprise of feather down, owned by a township department of transport, which went bankrupt in December 1994, was auctioned, and soon reappeared under another name (X County statistical yearbook 2013). It was bought by four people, including the former Department of Transport deputy secretary (who was also deputy director of the state-owned firm). Today, the firm's deputy chairman is the former Department of Transport secretary (who was also director of the state-owned firm). Both had the same surname, and the same second name character, which indicates a similar position in the lineage. Today's CEO also shares the same name. In 1997 the company counted 38,000 square meters and 1080 workers. The firm has now expanded and become one of the county's leading companies.

³³ Interviewee 27.

I found another example of cadres taking over collective companies in my interview with Yu, the CEO of one of the county's leading processed agricultural products companies. The oldest of seven children, he was born to a poor rural family. A good student, he was recruited into the local township government's Bureau of Water Resources. In 2003, he was appointed by the township government to develop a dairy business using the facilities of a former state-owned enterprise. The enterprise had opened in 1999 and produced construction material. Yu understood that the enterprise was losing money and partnered with ten colleagues to buy 20 cows with the factory's money and start milk production. Milk was also hard to sell, so Yu invested 30,000 yuan of his own savings to transform the factory into a milk processing enterprise. The business then started to make a profit. The township government requisitioned land and invested in another building to expand the enterprise. At that time, Yu assured me, he already owned the company, but the township supported it. As in many companies in China, ownership rights were still ill-defined. Yu also argued that this kind of business required a state-supported monopoly. In any case, the government never paid what they promised, he added. Funds were scarce and the company had to partner with another firm in Hebei in order to finish the construction. The Chinese milk scandal hit the company again in 2008. The partnership was stopped, and the company almost went bankrupt. The government, again, requisitioned more land to develop a corn and soy processing business. Today, the company is one of the county's leading enterprises.

Thus, public officials-turned-businessmen have certainly existed in X County. Nonetheless, my research suggests that these cases were rare. In particular, they seldom existed in the county's two leading industries: feather down and car parts. The following interview extract shows that entrepreneurs who drew upon contacts with the public sector were relatively rare:

"There are also several entrepreneurs in our local area who are not pure entrepreneurs, to some extent, that is: they have uncles or relatives in relatively senior official position in our government. If their uncle is a chief official, [it is easy for] the entrepreneur to bid for some projects and to do engineering construction, roads, and bridges for the government. It is also more convenient for quality inspections and certifications, and also to receive certain discounts. [. . .] This situation is very common in China. [. . .] But

*it is less common in our local area. In our local area, the thinking of the local government is still quite official-centric. [. . .] That is to say, because the Chinese have been influenced by feudalism for two thousand years, [people still think that] if you study well, you must become an official, not an entrepreneur."*³⁴

A more common background among the most successful entrepreneurs has been to have a father who worked as a village cadre. In some cases, the father's success as village cadre may have contributed to their children's career. The car parts entrepreneur Peng explained about himself and a colleague, that:

*"(Our families) were relatively well-off because our fathers were village leaders. Since the Cultural Revolution, including immediately after the Cultural Revolution, they were both local cadres, village leaders if you want. [. . .] Our grandfathers were all common peasants."*³⁵

But other interviewees insisted that being a village chief was not a privileged position and would not account for the business success of the village chief's sons and daughters. One first-generation entrepreneur explained that his father:

*"was the village chief in our village; basically, nobody would do it. [. . .] At that time, nobody wanted to be a village cadre. First, you couldn't leave home, you couldn't go out, the salary was very low, only a few dozen yuan every month. Besides, the village was poor and it was not possible to have external revenues [by working outside the county: village chiefs had to remain in the village]."*³⁶

Whether it helped or not, having one parent working as a government official was not common among my interviewees, and therefore cannot be viewed as a significant factor in explaining the success of X County's first-generation entrepreneurs. As Figure 5 illustrates, in a sample of ten first-generation entrepreneurs in X County for

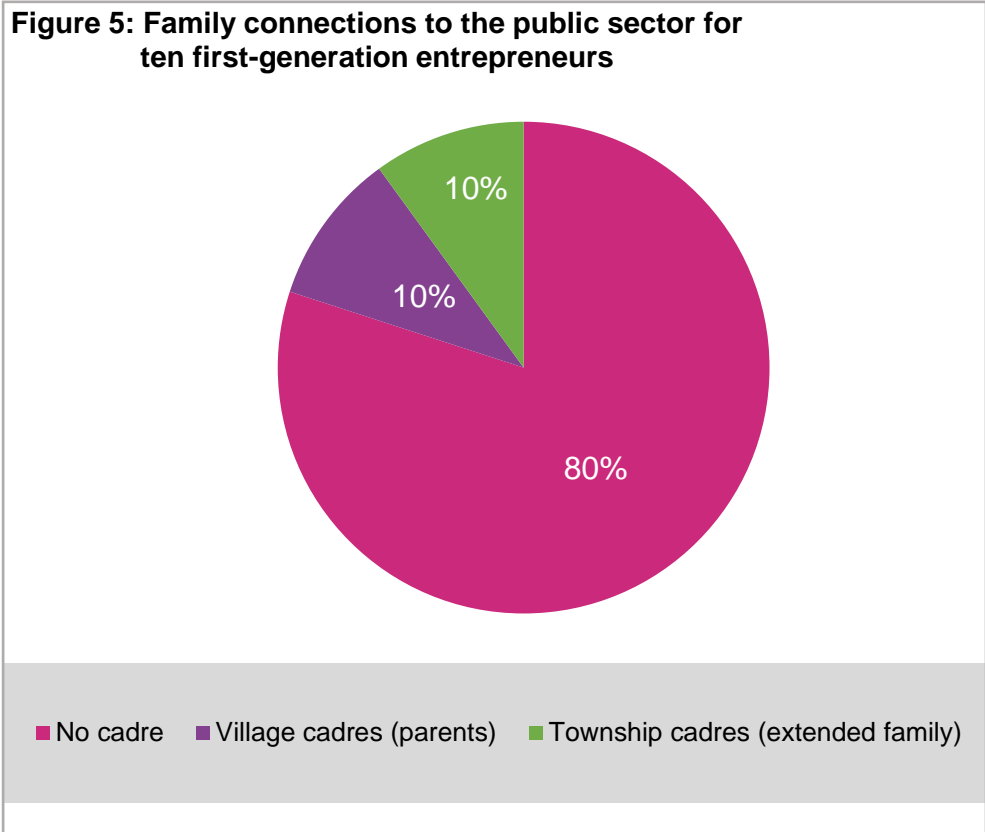
³⁴ Interviewee 17.

³⁵ Interviewee 6.

³⁶ Interviewee 23.

whom I could gather all the necessary information, only one had a father working as a village cadre (village chief), and one had a township official in his extended family.³⁷

Figure 5 - Family connections to the public sector for ten first-generation entrepreneurs



Being born in a well-off family

Having wealthier-than average parents or family members may also have helped budding entrepreneurs. But all the first-generation entrepreneurs I interviewed insisted on their poverty and relatively low social status before undertaking business activities. For instance, one told me:

"When I was young, our living conditions were not good. I was envious of a lot of people from my generation, they had much better things to eat and drink than me. [. . .] I was good at school, I was usually among the three best students, but the family conditions were not good enough, so I had to quit school. [. . .] Only very slowly, our family's living conditions improved,

³⁷ This sample was chosen because of their industry (feather down and car parts, the two major industries of the county), the availability of information gathered through detailed interviews with them, and the fact that they are the earliest entrepreneurs to start a business among my interviewees.

every year there was some progress, every year there was a new step forward."³⁸

First-generation entrepreneurs were unanimous in insisting they had previously lived in poverty. A successful car-parts businessman recalled: *"In the 70s, our family could be counted as one of the worst-off in the village, because of our poverty. Because back then, we were many sisters and brothers, but we did not have much labour power, and my parents were not educated."* Another successful car-parts businessman similarly recalled: *"There was just enough food on the table, we didn't have good clothes, we didn't eat well."*³⁹ And a third said: *"Before, we were poor to the point that we had to borrow money to go to school. Even for ten yuan, we had to borrow. We were so poor we didn't even have ten yuan."*⁴⁰

Poverty came together with a capacity to endure hardships. One interviewee, today a very successful car parts entrepreneur, narrated the life of poverty and suffering his family experienced:

"Our family was the poorest of our village. [. . .] My father had five siblings. In fact, it was eight siblings, but because we were extremely poor at that time, three of his siblings died. My grandmother took them to beg for money, she went from this place all the way to Linyi in Shanxi, [. . .] begging for money while pushing a handcart. At home, life was hard, so they went out there to beg, and after that slowly we returned home. [. . .] My grandmother often told me that story. [. . .] And it is precisely because she told us these stories since we were young that it led us to our present state of mind, our personality, our ability to endure hardships. So, we have to give her credit. [. . .] At first when we started (our business), it was only me and my wife, after eating we didn't even clear the dishes, we directly put ourselves to work, the children went to sleep themselves, they were very young. We ate and worked, ate and worked, and only when slowly we felt we couldn't handle it ourselves we took on a worker to help us, then another one when we couldn't handle the work. After that we developed little by little until now, just like a

³⁸ Interviewee 29.

³⁹ Interviewee 33.

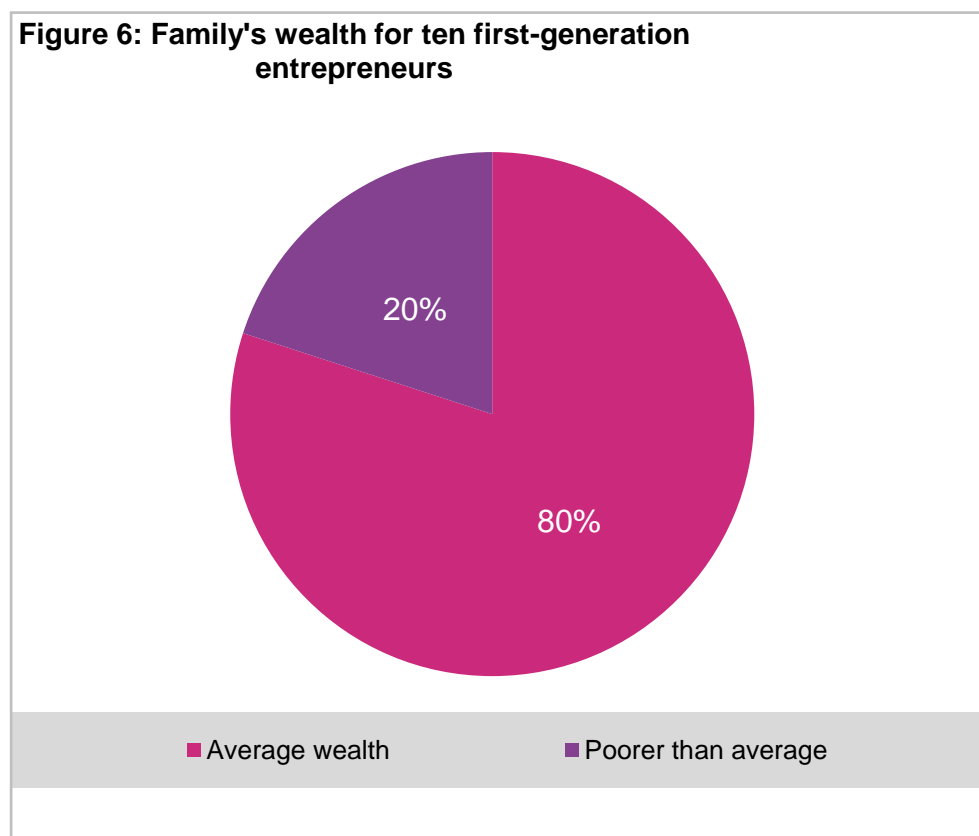
⁴⁰ Interviewee 41.

little swallow that makes its nest bit by bit. . . .] I thought a lot about this and even though we are not very educated, I would like to write our life story one day."⁴¹

Others insisted that poverty and low social status were important factors in their success. As an entrepreneur explained: *"it's because we were poor that we wanted to do business to change that."*⁴²

Indeed, the fact that first-generation entrepreneurs generally came from families who were of average wealth or poorer than average is confirmed for all of the ten early entrepreneurs identified above. Among these ten first-generation entrepreneurs, as Figure 6 shows, eight claimed to come from a family of average wealth, while two were from a poorer-than-average family.

Figure 6 - Family's wealth for ten first-generation entrepreneurs



⁴¹ Interviewee 10.

⁴² Interviewee 12.

Family's cultural traditions

Some China scholars have argued that continuities in class and occupational identity can be traced between pre- and post-revolution dynasties. David Goodman has emphasised the importance of family narratives to individual entrepreneurship (Goodman 2014). Other studies in villages located in the Pearl River Delta indicate that the new economic elite has often come about through the continued influence of a village-dominant family (Whyte 1996, Chan and Unger 2009). Chen's study of an elite family over three generations shows some continuity in the elites in 1949 and 1978 (Chen 2012).

Echoing this research on entrepreneurs' social background, some interviewees in X County emphasised that pre-Mao family tradition may have played an important role in transmitting an entrepreneurial spirit. For example, one of my interviewees, the owner of a large car-part company in a relatively underdeveloped township, was the son of a small "rural businessman" who slaughtered domestic animals. In the 1970s, he explained:

"Only two persons in a whole township were allowed to slaughter pigs, sheep, etc. I heard them say that there was not this concept when I was young, but I heard the older generation say that. If a cow were healthy and you killed it, it was as if you had killed a man, they would sentence you. Back then, agriculture relied on these domestic animals, so we had to wait until they were old and almost dying to kill them. We had to kill them only when they could not work anymore. [. . .] So (the person who killed animals) was not only respected in the village, but also in the whole township. It was very hard to get that position; it was a rare skill. My grandfather himself studied it from the older generations."⁴³

According to him, the lack of business tradition partly explains why only a small number of people became entrepreneurs after the reforms: *"It is mainly poverty, and illiteracy. [Most people] just do not have the idea [of starting a business]. At that time [the 80s] in a whole village there wouldn't be more than ten people doing business away from home."*

⁴³ Interviewee 33.

Among younger interviewees, some posited the existence of elite continuity between previous landlords and contemporary entrepreneurs. One young entrepreneur, for example, told me:

"This is a personal feeling, you know during the Cultural Revolution, when Mao Zedong divided the population into rural and urban? There were landlords, rich peasants, middle peasants, they were all together under the landlord's category; bosses as well were landlords. Well the young generations are still well off, perhaps because of their family's influence. [. . .] [Young people] have this genetic legacy, because of the influence of the older generation. [. . .] A majority of these young people [from landlord families] are doing very well."⁴⁴

Cultural traditions towards learning may also have played a role. In one case, a first-generation entrepreneur explained that: *"My father has taught in a primary school for five years, and my mother was an ordinary farmer. My father is a learned person, because he can help people write couplets (duilian, 对联) during New Year."*⁴⁵ This entrepreneur, perhaps under the influence of his father, graduated from high school (he is the only one among these ten entrepreneurs to have done so), which may have helped him in business.

There may be some confusion in the interviewee's understanding of rich and middle peasants, who were not usually lumped together under the landlord category. Usually, middle peasants were those families who, before the revolution, only owned enough land to support themselves and did not have to be tenants. But it is also possible that in X County during the Cultural Revolution, members of former rich and middle peasant families were lumped together in the same category as landlords and subjected to the same sort of harsh treatment. But what matters for the purpose of this study is the existence of ideas about, and local examples of, elite continuity.

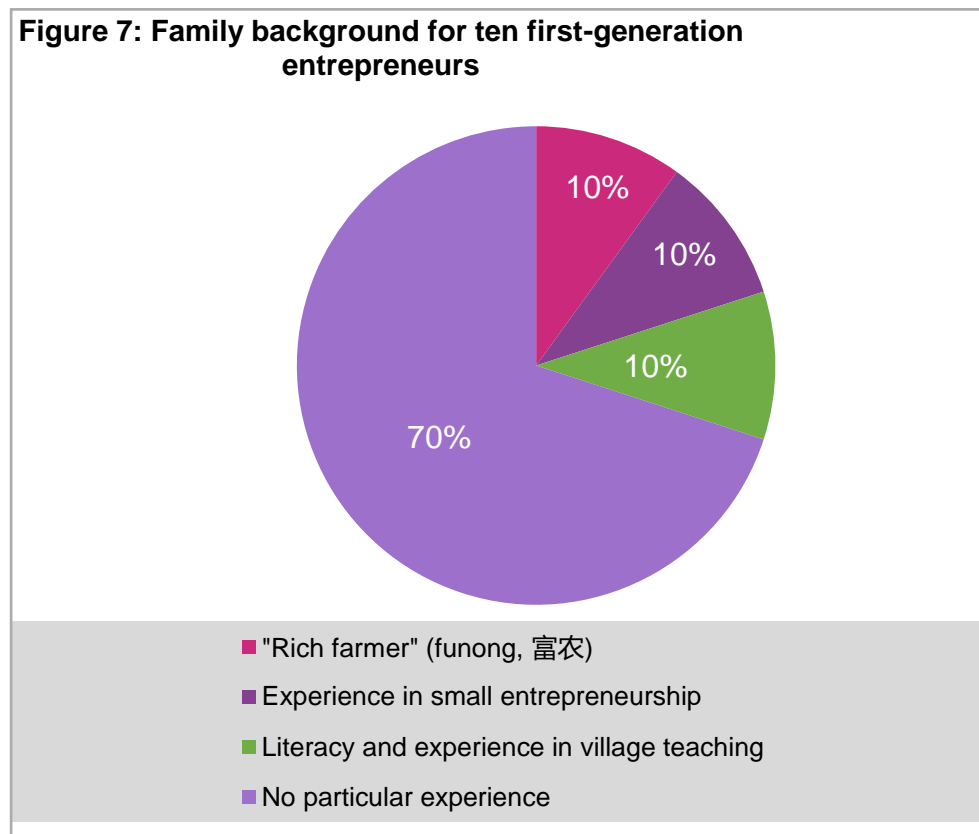
Overall, as Figure 7 suggests, among the ten early entrepreneurs identified above, having a family background that makes them stand out from the general population, such as having a father who worked as the local village teacher, or having parents

⁴⁴ Interviewee 14.

⁴⁵ Interviewee 26.

who had engaged in small-scale entrepreneurship, or having a "rich peasant" background according to the Maoist classification, is more common than the other factors identified in this chapter.

Figure 7 - Family background for ten first-generation entrepreneurs



However, it is unclear which if any of these factors can explain the business success of entrepreneurs. For example, it is possible that rich peasants were literate, and may have passed down certain attitudes, as well as skills, to their children and grandchildren, which may have been useful when starting a business during Deng Xiaoping's era. But it is also possible (and perhaps more probable) that those most persecuted during the Maoist period (especially rich peasants and landlords), were the poorest in the 1980s and therefore the most likely to leave home in search of migrant work. These people may have been the first and most likely to generate enough savings through migrant work to start their own business.

Possessing cultural capital through education

The existing literature on entrepreneurship in the early reform period found that education was an important factor in entrepreneurs' chances of business success.

Carolyn Hsu has pointed out, for example, that in Tianjin: "Those with higher levels of education entered the market with more capitalisation and in more profitable businesses, and they achieved higher rates of business success at a much faster pace than their less educated counterparts." She also has observed an enormous "gulf between the 'haves' and 'have nots' in terms of human capital" (Hsu 2006:12).

I did find a few entrepreneurs who linked their success to the open-mindedness that formal education had given them. For example, one first generation entrepreneur interviewee explained that his relatively high level of education (senior secondary school) allowed him to be among the first to start directly producing goods:

"Back then, I thought there were so many people from X County who bought car parts from Hebei, it was worth investing a bit more, make the products myself and sell them. So, I thought I would not go to the south to sell, it was too hard to ride a bicycle there, too hard. [. . .] When I started to shift and make car parts, of course it was a bit linked to my education. If you do not have a certain education, surely you would not dare to do this thing, right?"⁴⁶

The same interviewee linked social capital to formal education, explaining that education was important because it provided one with key contacts that could be useful when doing business:

"I have many former classmates who are, for example, department directors in the county seat. [. . .] One of my classmates is now at Henan Provincial Commission for Discipline Inspection, he was sitting at the same table as me in class, back then he did not graduate but then he took the exam again and passed it. I also have one who is at Henan's Department of Finance, he was from the village in front of mine, and we were classmates. [. . .] Of course, their family were from an official background."

Another interviewee was a former teacher who linked up with two other public servants to start his private business. Entrepreneur Peng studied physics for more than eight years before starting his business. As he recalled, both his knowledge and contacts facilitated the venture: *"In the beginning, we contacted (people in)*

⁴⁶ Interviewee 14.

Zhongguancun in Beijing, I went there every time when we faced a difficult problem."⁴⁷ One of Peng's partners originally came from a state-owned enterprise, which had to shut down due to government regulations. Although Peng would not give details, it is likely that this partner's contacts were equally useful in the success of their business.

However, few people believe that education was helpful in setting up a business in the early days of entrepreneurship in X County. On the contrary, there is a widespread belief among businesspeople as well as the general population, that entrepreneurs had little schooling, and that education is not crucial to entrepreneurs' success. An interviewee recalled, for example: "*People like us, we don't have knowledge, we can't write, we can't write properly.*"⁴⁸ Rather than education, entrepreneurs emphasised courage: "*In the 1990s, Chinese people only needed guts to succeed, to sell products,*"⁴⁹ one entrepreneur argued. Not only did they need to rely on the market and risk their savings in a business venture, he explained. Doing business in the 1980s and 1990s was also physically risky. It meant leaving one's village and travelling around a country that was, back then, violent, and dangerous⁵⁰. In those days, an entrepreneur recalled:

*"There were no communication facilities, and security conditions were very bad. People going out were also very little educated and they were often maltreated [. . .] When people found out that we were outsiders, they would bully us [. . .] I did not have a phone. And how could I have gone to the police? [. . .] Of course, that made some people very angry. Some endured it, others started fighting. Some gave up because they couldn't keep going like that."*⁵¹

⁴⁷ Interviewee 6.

⁴⁸ Interviewee 5.

⁴⁹ Interviewee 7.

⁵⁰ Yue Ma (2011) claims that China's crime rate rose by 160 percent between 1980 and 1990, with serious criminal offences increasing by 240 percent. Although perceptions of overwhelming criminality may have been inflated (Bakken 2004), there was widespread concern in this period about juvenile violence. Besides this, interviewees may have exaggerated the extent of violence against poor rural migrants as a way of emphasising the heroism of the first entrepreneurs.

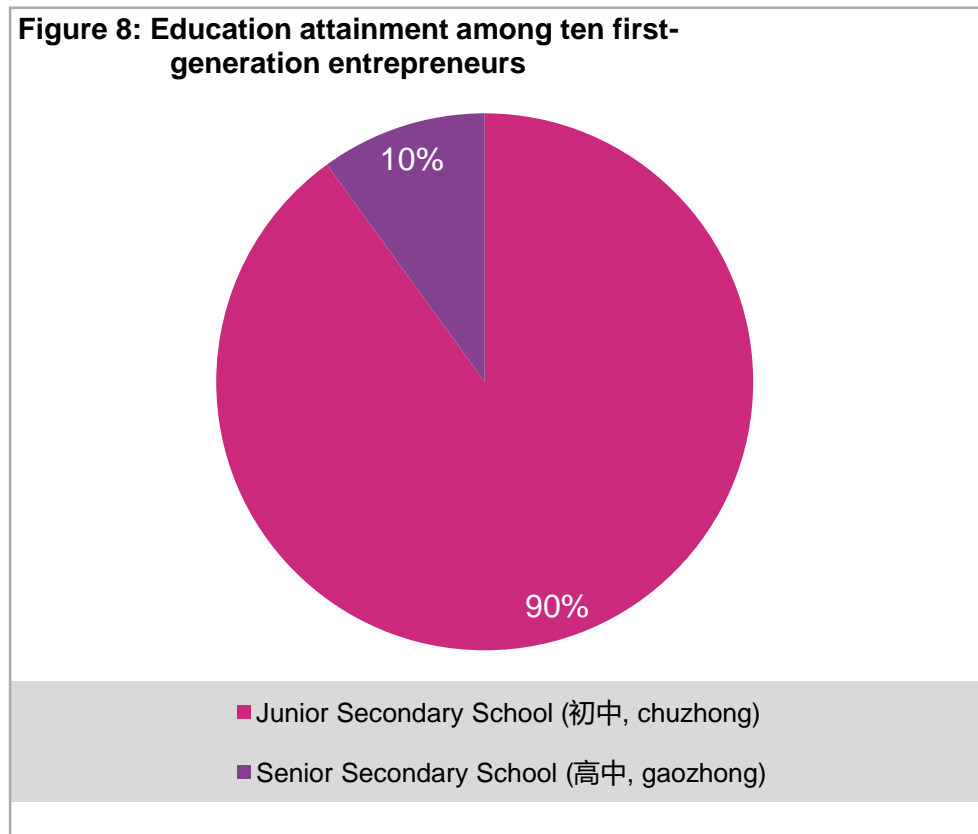
⁵¹ Interviewee 28.

Education and courage often were seen as contradictory by interviewees, who argued that education could sometimes prevent people from becoming entrepreneurs. One told me, for example:

"Educated people would never have the guts to open a business in the 1980s. In the 80s, you needed courage to open a business. You had to be brave to do business, right? Why do people without education in Wenzhou become entrepreneurs? They dared to take that risk. [. . .] Now you cannot do that anymore, if you are not educated it's over, with Internet and all that, you know?"⁵²

Whether or not education helped entrepreneurs to succeed in their business, my research suggests that a higher-than-average educational background is not common among the earliest X County entrepreneurs. Figure 8 shows the distribution of the ten entrepreneurs mentioned above, based on their education. Nine out of ten graduated from Junior Secondary School (*chuzhong*, 初中), while only one graduated from Senior Secondary School (*gaozhong*, 高中), and none from University.

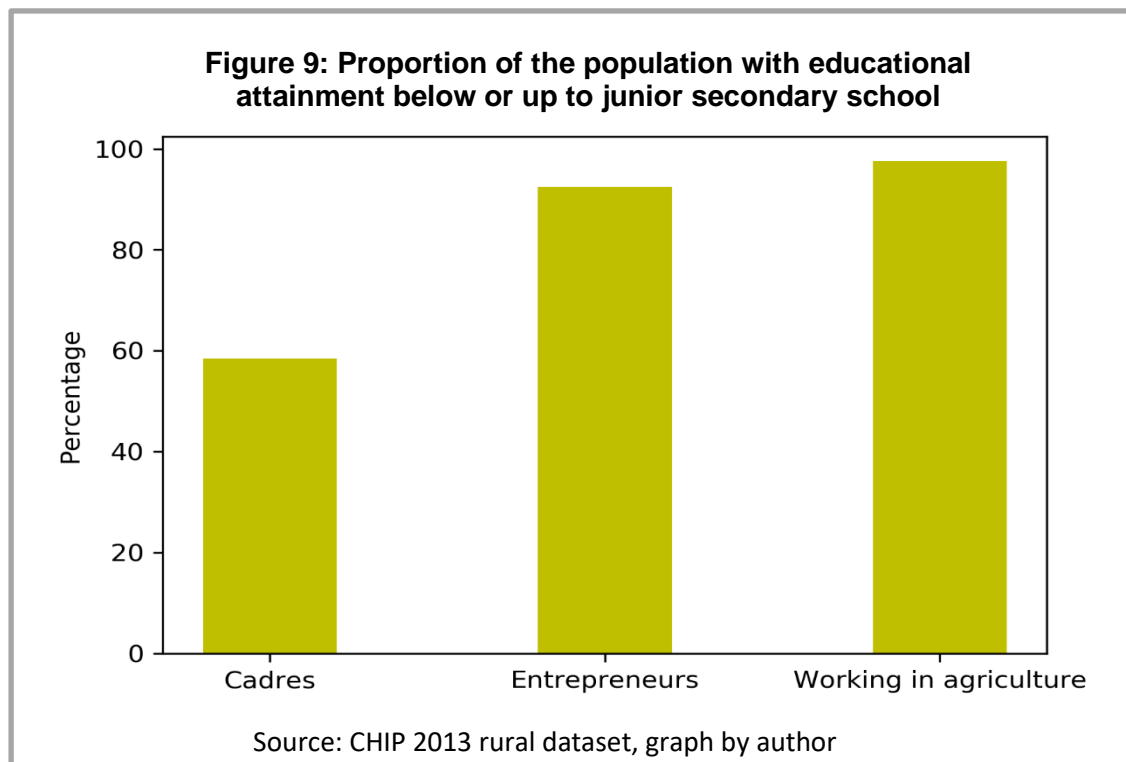
⁵² Interviewee 5.

Figure 8 - Education attainment among ten first-generation entrepreneurs

This distribution is comparable to that of the rural population born in the same period, according to the existing scholarly literature. According to Tsui Kai-yuen, the share of rural literate population not completing primary school for the age cohort born in 1971 was around 10 percent, while the share of literate population attending junior secondary school and above for the age cohort born in 1971 was around 55 percent (Kai-yuen 1997). The illiteracy rate for the population born in 1971 was around 8 percent.

The fact that rural entrepreneurs are, on average, not significantly more educated than the rest of the rural population pattern is confirmed by an analysis of the CHIP dataset as shown in Figure 9.

Figure 9 - Proportion of the population with education attainment below or up to junior secondary school



Rural entrepreneurs, the graph shows, are on average only marginally more likely than people working in agriculture to have an education below, or up to middle-school. This confirms the self-made entrepreneur narrative that entrepreneurs did not rely on formal education to succeed in their business.

Belonging to a powerful lineage

Belonging to a powerful lineage is another key factor that could have helped the early entrepreneurs' success. In research published in 2004, Yusheng Peng argued that kin solidarity played an important role in the development of private rural enterprises in the early stages of the post-Mao transitional economy (Peng 2004).

A minority of entrepreneurs that I talked with highlighted the role of the lineage as being the link between individual success and collective development. One interviewee, for example, explained:

"Of course, it is linked to our jiazú (家族, family group or lineage), they all supported us doing business, their source [of earnings] was all from this

*business, right? We all had to get involved in this industry, and our jiazu formed a group, right? [. . .] In fact, our jiazu, with the name "Xu," was one of the better off in the village, we were a bit better off than the others, precisely because [a jiazu] is wealthier when more of its people do business."*⁵³

But a strong majority of interviewees downplayed the importance of extended family and lineage (*jiazu*) connections in doing business. They argued that the role of *jiazu* is limited to festivals and small-time philanthropy. For example, one interviewee contended that: "*[Business] is not related to jiazu. It is all about struggling for oneself outside (the county), each person doing his own business*"⁵⁴. Another interviewee told me that: "*Usually, people in our jiazu don't do business together. [Jiazu is mainly about] contributing some money if your family is rich, during New Year we give this money to lonely old people*"⁵⁵. An entrepreneur also explained that: "*Success is not related to jiazu, it is only due to personal ability [. . .] . Within a jiazu, there are people who are very successful, and others who are not.*"⁵⁶

The entrepreneur Peng, whose family I knew to be better off than neighbouring families, explained that:

*"[Family background and connections] were not related [to our success]. That time [when family background was important] is already over. When we were students, for example, our [jiazu's] background was slightly better than that of other students, but it did not lead us anywhere. Back then even eating was a problem. Food issues had just been solved when we were kids, and problems of staying warm had also only just been solved. After that, we never benefited from our family's assets, we could not even buy a car wheel. [. . .] It did not really help. We all counted only on ourselves."*⁵⁷

Overall, I found no indication that entrepreneurs I interviewed were from particularly powerful lineages. This stands in direct contrast with top county-level government

⁵³ Interviewee 5.

⁵⁴ Interviewee 12.

⁵⁵ Interviewee 13.

⁵⁶ Interviewee 14.

⁵⁷ Interviewee 6.

officials. I was told in two interviews that powerful lineages were central to these officials' recruitment.

Discussion: Explaining the prominence of the self-made entrepreneur narrative

Can we take the interviews at face value?

Statements about a poor social background and lack of useful contacts among entrepreneurs cannot be taken entirely at face value. Local narratives about local development and entrepreneurship, emphasising self-made success, may have encouraged entrepreneurs to hide the help they may have received from their family's relative wealth or connection to the public sector, for example.

Another reason why these statements cannot be taken entirely at face value is that, when emphasising that they did not have a privileged background, entrepreneurs may have been comparing themselves to the national average rather than the local average. This may be misleading, because in a society characterised by a strong rural-urban divide, being from the countryside means having a less privileged social status compared to being a township or city resident. Some of the factors identified above may suffer from this confusion between different levels of comparison. It is possible, for example, that when respondents said they came from a poor background, they were comparing their backgrounds with those of urban residents. However, I tried, as much as possible, to centre the interviews on intra-village and intra-county comparisons. Moreover, details about the entrepreneurs' education or their fathers' occupations were not as much subject to this comparative problem.

Overall, although not everything can be taken at face value, it is probable that most details about entrepreneurs' background are reasonably accurate. This then partly confirms the validity of the self-made narrative and points to a massive relative and absolute, inter- and intra-generational social mobility during the early decades of the post-Mao period.

Why are X County findings different from those of other studies?

If we accept that entrepreneurs' accounts of their own background reflected reality, at least partially, how can we explain the discrepancy between their observations and other studies, which have pointed to a high degree of inter-generational continuity of

privilege? I argue that the major explanation for this is the rural identity and background of my interviewees. Most existing studies have focused on urban areas.

In X County in the late 1970s, the sons and daughters of the relatively privileged people commonly found work opportunities outside the county. This was particularly the case for those who had acquired a non-agricultural *hukou* by going to university or joining the army, or who had inherited it from their mother.⁵⁸ Until the late 1970s, people with an urban, non-agricultural *hukou* (*fei nongye hukou*, 非农业户口) were automatically assigned work by the state (*fenpei gongzuo*, 分配工作). Zhu, the director of a credit agency in X County and urban *hukou* holder, explained: "*At that time, [non-agricultural hukou holders] were not allocated any land [. . .] and of course they were allocated a job, you can't leave people with nothing to do. [. . .] Before 1980, it was possible to inherit the job of your parents.*"⁵⁹ Another interviewee explained that: "*At that time, of course, people who got jobs were people with good family backgrounds, with a non-rural hukou.*"⁶⁰

Interviews reveal that urban, non-agricultural *hukou* holders were more prone to stay permanently in cities, leaving business opportunities in the countryside to rural *hukou* holders.⁶¹ "*With State allocation of jobs,*" one interviewee explained, "*you had to change your hukou to your new unit (danwei, 单位) [. . .] Administrative units would require that you do.*"⁶² Another recalled that these people are "*now all doing well, some of them are [government] department directors [. . .] They do not come back.*"⁶³

A similar choice (salaried work instead of business, cities instead of countryside) was made by people with a higher education. "*Above vocational schools, from the revolution to the 1990s, they were allocated jobs,*" an interviewee recalled. And

⁵⁸ Until the early 2000s, one's *hukou* was always inherited from one's mother, rather than one's father. After that time, either parent could transfer their *hukou* to their son or daughter.

⁵⁹ Interviewee 15.

⁶⁰ Interviewee 18.

⁶¹ I am referring here to the few individuals who, despite being from a rural county (县), had a non-agricultural *hukou* (非农业户口) because they were born in the county seat (县城) and/or because their mother had a non-agricultural *hukou*.

⁶² Interviewee 11.

⁶³ Interviewee 9.

another one told me: *"Those who had a good social background, who were good students, who went to university, they would never stay here. They all went to the municipality or elsewhere."*⁶⁴ Entrepreneur Peng said:

*"Those people would not always come back; it's very different from doing business. [. . .] They have a non-rural hukou, and for most of them, they could leave because they passed the entrance exam to university. Our system reinstated the exam in 1977, and after that those who passed the exam and were allocated a job could get a job outside and leave (the county). Almost all of them settled elsewhere, with their wife and children. [. . .] These people all transferred their hukou, when they left (the county) after graduating from university."*⁶⁵

Overall, the continued attraction of the "iron rice bowl" of employment in the state sector prevented large numbers of the local bureaucratic elites from "plunging into the sea" of business during the first decades of the post-Mao period.⁶⁶ Until well into the 1980s, people with an urban or non-agricultural *hukou* were reluctant to start businesses and preferred the safe, stable positions that their social background offered them. This is consistent with the fact that being an entrepreneur in the first decades of the post-Mao period was a tough, physically demanding, and risky business. Business opportunities thus remained open for those, less privileged, who did not hold an urban *hukou*. As an interviewee explained: *"Those who went to work in a unit were very few [. . .] this is why after the reforms, people started farming their land, doing business, being self-employed."*⁶⁷

There is, then, a widespread perception that educated individuals, individuals born in the county seat, and those linked to the former political elite at the township and county level, were less likely to become entrepreneurs because they had other, better opportunities. This enabled many from a lower social background to reach top local entrepreneurial positions within a few decades. It left business opportunities almost exclusively to rural *hukou* holders and may explain why social mobility through

⁶⁴ Interviewee 5.

⁶⁵ Interviewee 6.

⁶⁶ "Xiahai" (下海), literally plunging into the sea, meant abandoning one's position in state-owned companies to become a private entrepreneur.

⁶⁷ Interviewee 49.

entrepreneurship was higher in X County than what has been observed in other areas of China.

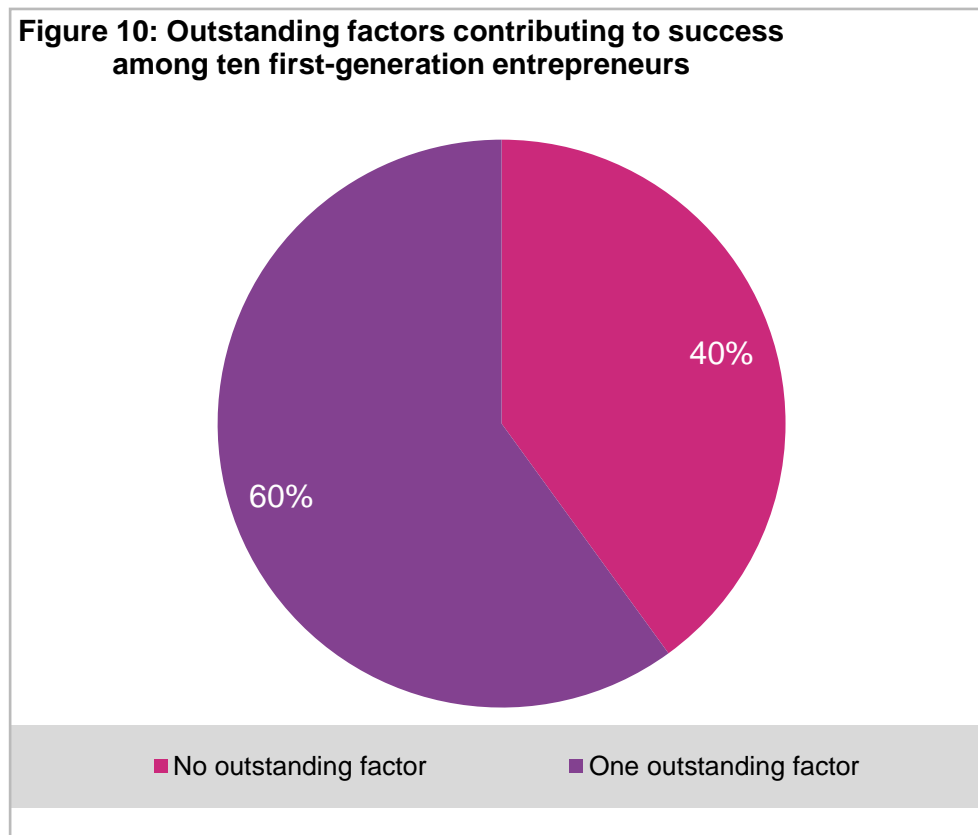
Why is the self-made entrepreneur narrative so prominent?

Despite this high social mobility, we have observed that a few of the earliest entrepreneurs in my interviewee sample had at least one factor that gave them an edge over the rest of the population. Among the ten entrepreneurs identified above, four had at least one such factor, while six had none, as Figure 10 shows.

Why, then, does the generally accepted narrative about the development of entrepreneurship in X County only focus on those stories that correspond to the 60 percent of entrepreneurs who did not benefit from their advantageous background? In other words, why have self-made entrepreneurs become more "exemplary" than other types of entrepreneurs, to use the concept of Eleanor Rosch (Rosch, 1978)?

I argue that there are two reasons for this. First, although being self-made is not the only profile of early entrepreneurs in X County, it is a rather common one. The self-made description fits a large proportion of early entrepreneurs. Secondly, the prowess of successful self-made entrepreneurs with no advantageous background to help them may have especially captured the imagination of local entrepreneurs. As stories of these self-made entrepreneurs started to circulate, they became "typified," to use the framework elaborated by Schutz and Berger and Luckmann, which describes how, due to the routinised character of human behaviour, individuals attribute a certain set of habitual, "taken-for-granted" behaviour to each other (Schutz 1932, Berger and Luckmann 1966).

Figure 10 - Outstanding factors contributing to success among ten first-generation entrepreneurs



In this context, it is striking that even entrepreneurs who do not strictly correspond to the ideal type of self-made entrepreneurs still strive to present themselves as such. For instance, no interviewee admitted that having a relative who worked as a village cadre had had any impact on their business success. They insisted that they owed their success to themselves only. When asked who was the most influential person in the village, Zhang, an entrepreneur whose father was a village cadre, answered "*my father, of course.*" But he then denied that his family was of any help in his business: "*Actually, my father didn't have a big social circle, so for example he didn't know anybody from the bank or the quality check departments. So, I had to rely on myself.*"⁶⁸

Another entrepreneur explained that:

⁶⁸ Interviewee 24.

"In China there is a saying, which is that after getting married, you start your own small family, and nobody will help you anymore, because you have younger sisters and brothers and [your parents] have to marry them off as well. [. . .] So, I started my business entirely alone. My father was only responsible for helping me get married. After that, every step that I took was my own and only my own."⁶⁹

My interviewees went to great lengths to demonstrate that none of the details I suspected had contributed to their business success had, in fact, anything to do with it, and stressed that they owed their success only to themselves. That so many of my interviewees tried to conform with the self-made entrepreneur narrative proves the extent to which it has become important among the local entrepreneur community.

Conclusion

How faithful is the self-made narrative to the reality of how entrepreneurship developed locally? This chapter has demonstrated that it was at least accurate for some of the early entrepreneurs, although not for all of them. Relative social mobility in X County during the 1980s and 1990s, both downward and upward, was particularly rapid. It was possible to become rich, but also to lose everything, in a lifetime. X County also underwent a rapid process of structural and absolute social mobility, as the local economy massively expanded during that period and allowed the category of middle-class and upper-middle class to dramatically grow in size.

Although education, lineage, family background, parents' relative wealth and connections with government officials probably helped some entrepreneurs, many of today's successful entrepreneurs did not enjoy any of these privileges.

But if it was not accurate for all entrepreneurs, why did the self-made entrepreneur narrative become universally accepted among the entrepreneur population as a description of how entrepreneurship emerged in X County? This chapter has argued that the poorly educated but smart entrepreneur, who elevated himself from a poor social background through effort and risk-taking, came to be considered as representative of the early post-Mao years in County X. The core elements of

⁶⁹ Interviewee 10.

entrepreneurship stories of that period — poverty, little education, and courage — have gained salience because they are both exemplary and typical. They are exemplary because they reflect the influence of some key figures of entrepreneurs, the earliest and the most successful, who are remembered as the first business pioneers. And they are typical in that they can be understood as the essence of thousands of diverse, individual experiences. Although not accurate for all, they capture the experiences, hardships, dilemmas, and successes of many of X county's entrepreneurs, and present an image to which entrepreneurs all strive to conform.

Chapter Three: The "self-made entrepreneur" narrative, social mobility, and the social legitimacy of entrepreneurs' position in society

"Even though economic conditions have changed, the tradition survives of a period in which each individual and each head of a family could amass wealth only by his own effort." (Halbwachs 1950)

Chapter 2 discussed the emergence of entrepreneurship and of a "self-made entrepreneur" narrative in X County in the 1980s and 1990s, at a time when the level of social mobility was high. Across rural China in the following two decades, society has become increasingly more differentiated, and chances for success "from scratch," and "on one's own," have become increasingly difficult. Wealth inequalities and industry concentration have led to economic power being concentrated in fewer and fewer hands and, as a result, social hierarchies have solidified, and social mobility stalled.

Against this backdrop, this second chapter asks the following questions: How does the self-made entrepreneur narrative shape perceptions, in the local population, of whether or not the new social hierarchy is fair and the entrepreneurs' position in this hierarchy legitimate? Does the belief in a fair and legitimate social hierarchy allowing for high social mobility hold among people who experience a lack of opportunities to move up the social ladder? And how does the second generation, who grew up within an already solidified social hierarchy, perceive social mobility and social fairness in their society?

I respond to these questions with two sets of findings and arguments. Firstly, in X county, the self-made entrepreneur narrative has had profound repercussions on local perceptions of whether newly emerged social hierarchies are fair and legitimate. Among my interviewees, I find that the belief that entrepreneurs are self-made and owe their upward social mobility only to themselves is consistently associated with a strong faith in the legitimacy of their social position.

This association is not surprising. In Western settings, sociological studies have persistently associated high perceived social mobility with a general perception of the social system as fair, just, and legitimate (Day and Fiske 2017, Ledgerwood et al. 2011). In China, too, research conducted in the 2000s shows a high social acceptance of income inequalities, compared to most other countries (Wu 2009, Tang 2005). Causes of poverty are not sought in structural inequalities, but in the lack of mental capacities and dispositions among the poor. According to Martin K. Whyte, there is wide consensus in China that post-reform market inequalities are primarily based on differences in individual merit rather than reflecting an unjust social order (Whyte 2009, 2010). Similarly, Ching Kwan Lee has observed a wide consensus that income inequality is acceptable if it results from market competition (Lee 2009:226).

Since the first entrepreneurs started their business in X County, inequalities have increased, and social mobility stagnated. All the same, my second set of findings and arguments in this chapter is that the strengthening belief in the possibility of social mobility through entrepreneurship can be explained by the continued salience of the "self-made entrepreneur" narrative.

In making these arguments, the chapter draws on two bodies of academic literature. The first relates to collective memory. My understanding of collective memory is borrowed from Maurice Halbwachs (1950), whose work pointed to the crucial role of shared memories in translating lived experiences into perceptions and values. Speaking of the industrial revolution, he argued that even after economic conditions had changed, collective memories remained of a period in which individuals could amass wealth only by their own effort. From these collective memories had emerged a long-lasting prestige associated with wealth and business success (Halbwachs 1950:151). What is more, he argued, this conception of prestige "succeeded in becoming imposed only at the moment in which it no longer corresponded to reality, and in which, in particular, wealth became accessible to the extent that one profited from some social source of revenue."

I also draw upon Alexei Yurchak's and Lisa Rofel's work to examine generational differences in collective memories among my interviewees (Yurchak 2013, Rofel 1999). Lisa Rofel, in particular, observed important differences in popular culture, inter-personal relations, and work trajectories, between social groups who came of

age during different foundational moments of the People's Republic of China: the early years of Liberation, the Cultural Revolution, and the post-Mao era.

With this understanding of collective memory and generational change, I rely in this chapter on a sub-sample of 74 interviewees in X County, with whom I talked about issues of social mobility. Sixty percent of this population sample are business owners, while 35 percent are either self-employed or blue-collar employees. Last, 5 percent of the population surveyed are local officials and state-employed white-collar employees (Table 3.1). Interviewees were asked to talk about their family and education background, and then asked about their perceptions of social mobility and social inequalities.

Table 2 - Distribution of respondents by age and occupation

Non-business owners born after 1980 (included) 18	Non-business owners born before 1980 11
Business owners born after 1980 (included) 19	Business owners born before 1980 26

Source: Interview with author, 2018-2019

The sample bias towards business owners prevents us from seeing the sample as representative of local society. However, this sample is useful if analysed through distinct categories of occupation and age, as shown in Table 2. Specifically, dividing the sample into four sub-sections allows us to compare them and to understand the importance of generational change and of occupational proximity in shaping the concepts, arguments, stories and stereotypes that constitute collective perceptions.

The chapter is divided into three sections. The first sheds light on the way the "self-made entrepreneur" narrative about past social mobility has taken root among non-entrepreneurs, especially in the younger generation. The second section shows how the self-made entrepreneur narrative has shaped local perceptions of current social mobility and created contradictions and dissonances between expectations and the reality of business opportunities in today's economy. The last section shows that

there are strong correlations between belief in the history of "self-made entrepreneurship," perceptions of high social mobility through business, and perceptions of social fairness.

Collective memories and generational change

Similar to the pattern observed in Europe by Halbwachs, analysis of my interviews shows that in X County in the post-Mao period, the self-made entrepreneur narrative took hold most strongly in the second, rather than the first generation of non-entrepreneurs. This somewhat unexpected finding is illustrated in Table 3.

Table 3 - Percentage of respondents who agree that: "Local entrepreneurs in X County came from disadvantaged backgrounds and succeeded through hard work"

Non-business owners born after 1980 95%	Non-business owners born before 1980 64%
Business owners born after 1980 100%	Business owners born before 1980 100%

Source: Interview with author, 2018-2019

Among first-generation non-entrepreneurs, many doubted that during the Deng Xiaoping era business owners owed their success solely to their own effort and hard work, without any connection or capital. For example, an interviewee told me that *"if they were successful, businessmen obviously had to have some contacts in the local government."*⁷⁰

Among those who had themselves tried to establish a business, the lack of willingness to engage in corrupt or criminal activities was sometimes put forward as the reason why they were not ultimately successful. This line of discourse is well illustrated by the story of Xu.⁷¹ A grandson of small rural entrepreneurs, who died in the Sino-Japanese war, Xu was born in 1955. The 1978 reforms, he told me, changed

⁷⁰ Interviewee 7.

⁷¹ Interviewee 82.

everything. Finally, farmers were allowed to cultivate their own land and open a small business. Xu quickly started a chicken farm business that turned out to be very successful by local standards. He was among the very few entrepreneurs to start a business so early, and quickly reached such an influential and respected position in the village that he was chosen to be a representative at the county's People Congress. Local banks agreed to lend him money and enabled him to develop his farm. But the business was quickly faced with increased competition from other parts of China, at a time when domestic markets were integrating at a fast pace. The farm collapsed about ten years after it started, and Xu was unable to repay his debts. Bitterness was palpable during my interview with Xu. Those who have succeeded, he said, did so because they were corrupt and criminal. The people who remained honest and did not engage in illegal activities had no chance of social mobility. He told me that he turned down several offers to work with local drugs lords in his township. He expressed contempt for entrepreneurs who had become rich through criminality.⁷²

Among others in the first generation, the lack of business success was often presented as the unavoidable result of a lack of opportunities, education, or luck. Often, the common answer to questions regarding local economic development and personal careers was: "What could we do?" or: "We are poor, there has never been opportunities for us" — a rather fatalistic response.

By contrast, interviews with the second generation suggest that most of the young non-business owners have assimilated entrepreneurs' memories and stories. When asked to talk about the rise of private businesses in their county after Deng Xiaoping's reforms, they told stories that were very similar to the "self-made entrepreneur" narrative told by business owners. Among this younger generation, there is a widely shared consensus that in the 1980s and 1990s, one's social background only marginally affected one's chance to become a successful entrepreneur.

Young interviewees viewed that period in a heroic light and regarded the early entrepreneurs as local champions. One interviewee, a young employee in his 30s, compared early entrepreneurship with the Communist Party's Long March: "*There were failures and bankruptcies; just as during Mao Zedong's 25000 kilometre Long*

⁷² Interviewee 82. Xu is counted as a non-business owner in Table 3.

*March; some have not reached the end, which is to say they have stayed behind. But some have crossed the grasslands, right?"*⁷³ Young people also showed more admiration and a greater feeling of social distance than their parents when talking about the first generation of entrepreneurs. One older entrepreneur explained the difference in perception between the two generations: "*Ordinary people in the village still consider me as the child I used to be [. . .] But young people may overthink it a bit. After all I am a business owner, and I am rather successful.*"⁷⁴

It is worth noting that even when details were known of how entrepreneurs did not conform to the general narrative of self-made success, they did little to change perceptions among the young generation. A telling example was provided to me when a 30-year old self-employed interviewee introduced me to the son of one of the wealthiest entrepreneurs of the county, who happened to be from the same village. After the interview, he told me in confidence that he used to play in that entrepreneur's house as a child, and to see fake money and drugs all through the house.⁷⁵ Yet he also admitted that he admired the businessman for his wealth, his courage, and for the fact that he was self-made and from a low social background. This admission was particularly striking because this interviewee's own father had expressed several times the unfairness that he perceived of entrepreneurs being celebrated despite their success being based on illegal activities.

Overall, my research suggests that the "self-made entrepreneur" narrative took hold and crystallized into the collective memories and perceptions of the second generation of local non-entrepreneurs. As one interviewee noted: "*Hardworking people in X County all hold identical views. What they see, what they say, what they do, is all inclined in the same direction: Y. Township [in X County] has become a synonym for self-made, industrious, by-the-sweat-of-their-brow, wealthy entrepreneurs.*"⁷⁶

⁷³ Interviewee 46.

⁷⁴ Interviewee 33.

⁷⁵ Interviewee 42.

⁷⁶ Interviewee 27.

I suggest three explanations for the adoption of the self-made entrepreneur narrative by the second generation of non-entrepreneurs. First, it highlights the crucial importance of the present situation for memories of the past. Halbwachs insisted that memories are not transmitted intact and are constantly being re-interpreted according to the present situation (Halbwachs 1950). Over time, some memories coalesce into stereotypical images that give form to collective memories, themselves subject to change and re-interpretation, depending on the present situation (Hutton 1988). In the case of X County's entrepreneurs, second-generation individuals are born in a society in which social differentiation has already taken place, and where there is a need to rely on legendary events from the previous generation to explain and justify this social differentiation. In this context, stories of entrepreneurs as the heroes of local economic development explain and justify entrepreneurs' privileged position in today's society. These stories are remembered not only because they recall past events, but also because they play a role in making sense of today's society.

Secondly, the fact that the younger generation has adopted the self-made entrepreneur narrative suggests that entrepreneurs have been more successful than other social groups in imposing their perceptions and memories of the economic development of the late 1980s and 1990s. This would confirm Halbwachs' theory that powerful social groups are more able to propagate their collective memories and perceptions. The potential of collective memories to endure through stereotypical images depends on the social power of the group that holds it, according to Halbwachs (Hutton 1988). In our case, first-generation entrepreneurs clearly have had more weight than other social groups in influencing the perceptions of the next generation. Many of their stories about, and evaluations of, entrepreneurship and social mobility have become deeply ingrained in the local imagination.

Thirdly, the progressive adoption of the self-made narrative must also be understood in light of a broader socio-political context. Popular culture about China's great entrepreneurs, communicated through television, newspapers, books, and social media, has contributed to the propagation of ideas about entrepreneurship and social mobility. In turn, perceptions of entrepreneurs as "self-made" extend beyond the county's boundaries and shape the way young individuals perceive China's greatest entrepreneurs. For example, a 25-year old self-employed flower producer emphatically told me that: "*[Ma Yun] is a really great person [. . .] He used to be*

from the lower middle class, he was poor." Another young entrepreneur said: *"The company we respect most is Huawei [. . .] because Huawei does not rely on the government. We like the way Huawei does things: relying on their own capacity."*⁷⁷

The interaction of the local and national, official and popular, collective and individual, has therefore been crucial in the construction of collective perceptions about entrepreneurship. Through a social process of collective remembering, both at the local and national level, collective memories are conveyed as stereotypes, clichés, and stories, which reinforce and influence each other.

From the self-made entrepreneur narrative to perceptions of social mobility

The narrative we have described, which has taken hold among the younger generation, is mainly about early entrepreneurship in the 1980s and 1990s. As we discussed in the introduction, since the 2000s, the economic and social landscape has changed, and social mobility has stalled. Does the narrative of self-made entrepreneurship still impact perceptions of contemporary social mobility?

My research suggests that this narrative about the past shapes expectations and hopes regarding the present and the future. It does so, however, in different ways for different categories of the population.

First-generation business owners

Among older entrepreneurs, the self-made entrepreneurship narrative emphasises the contrast between an idealised past and a less-than-ideal present. First-generation entrepreneurs referred to past decades as a golden age for social mobility and unanimously agreed that it was increasingly difficult to start and sustain a business.

Difficulties due to the economic slowdown of the last few years, in addition to overproduction and structural economic change, have seriously impacted small rural business, many entrepreneurs said. An interviewee explained, for example, that:

⁷⁷ Interviewee 44.

*"These years it's very hard for the real economy in China. [. . .] It must be because there is overproduction, there are too many factories."*⁷⁸

Difficulties to start and conduct a business are also more general and longer-term than before. In the first decades of the reform period, X County entrepreneurs said, they benefited from an immense freedom as regulatory policies were almost non-existent. As one interviewee argued: *"It is more difficult than before [. . .] First, because the government is less flexible than it used to be, it is too strict now [. . .] Now it is not as easy [. . .] They want to eliminate small and micro-enterprises — even more rural small enterprises."*⁷⁹ In a similar vein, another interviewee mentioned that:

*"It would be more difficult now. Back then, to start a business you only had to work hard and to be capable. The success rate was high [. . .] Now you have to be ahead of the competition, you have to go beyond it, you have to lead, otherwise you cannot survive. [. . .] But you cannot lead too much, because you cannot compete with the big companies."*⁸⁰

When asked about future opportunities for those who were not among the early successful entrepreneur families, entrepreneurs were often lukewarm. As a local entrepreneur argued: *"No matter how fierce the competition is, whoever started early is now the most successful."*⁸¹ Similarly, another car-part business owner told me that:

*"The number of people who do business has not increased much these years. It is still the same people as ten years ago [. . .] The sons of entrepreneurs [in the 1990s] are now doing business like their parents. They are all from the same families [. . .] Those who didn't do business and did something else before, are still doing something else."*⁸²

⁷⁸ Interviewee 9.

⁷⁹ Interviewee 14.

⁸⁰ Interviewee 9..

⁸¹ Interviewee 25

⁸² Interviewee 17.

Asked about the chances of success of one of his technical workers who wanted to start his own enterprise, another business owner responded that they were dim unless his family had capital and connections. In general, first-generation entrepreneurs were rather pessimistic about the contemporary chances of success for individuals without human, financial, and social capital.

Many first-generation interviewees referred to the time when they started their business as a golden age, when competition was scarce and success was achievable for anybody with courage, willingness to work hard, and good ideas. Now, as one local business owner explained: *"If we were to start a business now, it would be very difficult. Now it's really hard to create a business [. . .] Many people do business now [. . .] Before, more people worked in a factory, now a majority of people have their own business [. . .] They all want to be bosses."* Another interviewee argued that: *"Now competition is too intense. Before, few people had enterprises [. . .] After 2000, it started to get tough. Now, it's more and more difficult to do business."*⁸³

More than half of first-generation business owners were also pessimistic regarding their own chances of future success, in a context of increasing competition and economic upgrading. They also expressed feelings of anxiety and fear about sliding down the social ladder, in a context where small rural enterprises must compete with companies nationwide. They expressed the view that the broader economic and political context disadvantaged them, in a nationwide race to be part of the "big companies" that will survive. As a local company owner explained: *"It was easy for us to start [our business], and it was rather fast. [. . .] Back then, it was easy, but now we cannot do it anymore. Now the new eliminates the old."*⁸⁴

Second-generation entrepreneurs

Among many young entrepreneurs, the discourse about contemporary opportunities for social mobility was quite similar to their older peers. Second-generation entrepreneurs also face economic difficulties which makes business, as one interviewee told me, *"harder and harder. Profit is low, investment is high,*

⁸³ Interviewee 22.

⁸⁴ Interviewee 33.

competition is too intense."⁸⁵ As a result, the idea of a bygone golden age for entrepreneurship and business was also present among younger entrepreneurs, as well as pessimism regarding the future of their business. An interviewee, for example, explained that: "*[Letting my children inherit the company] would not be good. It is not a long-term thing. If we want our children to be better off in the future, it is better to let them go to school.*"⁸⁶ The present times, it seems, do not bode well for social advancement through business. As a young entrepreneur explained: "*People who do business like me, to be honest, this year I can earn a bit of money, but will I earn anything next year? Look, I am in my thirties, I have been doing business since I was seventeen or eighteen, now I am tired of it.*"⁸⁷

But, although many communicated a sense of economic difficulties, other younger entrepreneurs depicted a brighter picture of future opportunities than the older generation. Some were quite optimistic. As one young business owner told me:

*"In ten years' time, I foresee myself as a big businessman, with a corporation. I have already thought of the name. [. . .] The strength of a real businessman is to predict changes before they arrive. The economic and political context changes so fast, that sometimes you have to change sectors very fast. [. . .] You have to be smart."*⁸⁸

Many told me that although business required hard work, knowledge and ideas, opportunities existed for those who knew how to grab them. As an entrepreneur located in the county's e-commerce centre argued, young people with education, ideas, and connection-building skills will find plenty of new business opportunities in the e-commerce industry. Conversely, another young entrepreneur argued that: "*If people are poor, it is either because they are old, or disabled, or they don't have education, or they are lazy.*"⁸⁹

⁸⁵ Interviewee 20.

⁸⁶ Interviewee 20.

⁸⁷ Interviewee 10.

⁸⁸ Interviewee 3.

⁸⁹ Interviewee 8.

First-generation non-entrepreneurs

Contrary to these optimistic young entrepreneurs, the older generation of non-entrepreneurs expressed feelings of helplessness regarding future opportunities for themselves and their children. There have never been many business opportunities or possibilities to get ahead in local society, and there still are not many today, according to them.

This was the case for Shu, a 51-year-old villager who worked in the construction industry in Shandong:

"To create a business is very risky, if you have no capital and no network, and if you don't understand the industry. [. . .] When you work as a factory worker, you do not have time to make friends and develop connections. [. . .] I feel helpless (wunai, 无奈)⁹⁰. [. . .] I cannot be self-employed because the government doesn't allow that anymore.⁹¹ The government does not support us [. . .] They are after small businesses. [. . .] If you have contacts, you can still operate, otherwise you need to pay officials to allow you to operate. [. . .] Successful entrepreneurs are people who have connections, and are also intelligent. Farmers (nongmin, 农民) do not have skills in business. It is very rare to see people from here who succeed in business. [. . .] For my children, there is only one option: to do well at school."⁹²

Indeed, Shu showed me diplomas of his daughter on the wall. She was the third best student in her class, and he was proud of her.

Another 50-year-old villager also used the word "wunai" when expressing her perceptions of current opportunities. She said:

"I could not start a business, because I could not borrow money. As a family, we can only borrow 50 thousand, while already existing enterprises can borrow 300 thousand. [. . .] Opening a business is also very risky and most

⁹⁰ The word 无奈, *wunai*, means hopelessness and describes a situation in which there are no choices.

⁹¹ Officially, *getihu* are still allowed, so this statement is an exaggeration.

⁹² Interviewee 67.

*people fail and end up with heavy debts. [. . .] Entrepreneurs pay a high price (fuchu hen duo, 付出很多) to succeed. [. . .] For our children, there is no choice but school. If they do well at school, they can have a decent job."*⁹³

Second-generation non-entrepreneurs

By contrast, perceptions of present social mobility among younger generation non-entrepreneurs were a lot more positive, but also a lot more diverse, and displayed intense contradictions.

A majority of second-generation non-entrepreneur respondents strongly believed in a rapid and widespread social mobility, both upward and downward. A young self-employed interviewee told me, for example, that:

*"Life forces us to try [. . .] If it does not work this time, you may have better luck in the future. [. . .] Perhaps this year you belong to the upper middle class, but you will belong to the lower middle class next year [. . .] There are lots of people who spend all their dad's money and do not care to earn money by themselves."*⁹⁴

For the second-generation non-entrepreneurs, the example of early entrepreneurs was used as a proof that social mobility is possible, and an encouragement to emulate the great examples of the past. As a result of the stories and images conveyed in the collective discourse about entrepreneurship, young respondents also strongly associated upward mobility and high social position with business undertakings and risk-taking. Doing business, for a majority of my second-generation interviewees, was seen as a particularly enviable position. Young men, especially, considered entrepreneurship as an ideal occupation, and business as an ideal lifestyle. *"Young people are eager to become entrepreneurs, if they have a choice,"*⁹⁵ a young employee explained. Another, a young bank employee, told me: *"I will not stay long*

⁹³ Interviewee 86.

⁹⁴ Interviewee 44.

⁹⁵ Interviewee 66.

*[in my job]. I do not like it, because it is too static. [. . .] If I have the opportunity, I want to do business."*⁹⁶

Failure was often associated with the inability, or the unwillingness, to take risks. The same young bank employee, for example, argued that:

*"Many people in the countryside do not dare to take risks, they do not dare to invest. Some people work outside the county, or work in big cities where the salary is better. [. . .] But many people do not go anywhere, they stay at home, where the salary is about 2000 yuan. They eat and drink and spend some money until they do not have anything. They send their children to school, which is expensive, so they don't have any money to spare."*⁹⁷

The entrepreneurial ideal is further linked with ideas about marriage and family. For example, a self-employed 30-year-old man, who had just spent three years in the army, boasted that he had refused a position in the local administration in order to become an entrepreneur. He was so anxious he could not sleep at night and had taken to drinking, but he refused to admit his business was a failure. He told me: *"I have to succeed. I cannot marry and start a family if I am not a successful entrepreneur: who would want to marry someone who works for others?"*⁹⁸

But this idealised perception of social mobility and entrepreneurship, for many of my interviewees, ran against the reality of local business opportunities. Thus, while they held on to the idea that self-made entrepreneurship is possible and that society rewards effort rather than the privilege of birth, many of my young, non-entrepreneur interviewees also expressed the feeling that social mobility was declining. As a result, several young people thought that doing business was impossible for people like themselves. One female employee in her late 20s told me: *"Young people prefer working as employees, because it is now impossible to create a business. You need a lot of capital, and young people do not have money. If they are a bit educated, they work in the government or as white collars."*⁹⁹

⁹⁶ Interviewee 46.

⁹⁷ Interviewee 46.

⁹⁸ Interviewee 53.

⁹⁹ Interviewee 62.

These contradictions in the discourse about entrepreneurship and social mobility do not only exist between social groups or individuals. Very often, they exist within one individual's discourse. A young self-employed interviewee, for example, told me in a single interview that "*wealthy people succeed because they are smart and have great ideas,*" but also that "*it is impossible for rural people to get rich without corrupt connections with cadres.*"¹⁰⁰

Another interviewee with whom I conducted repeated interviews further illustrated the contradictions inherent in the local discourse about social mobility. Zhang had worked as a specialised carpenter for several years in Beijing, where he had earned a reasonably good salary. But he retained an ambition to become an entrepreneur and in 2017, decided to go back to X County and launch a small business collecting and reselling used down jackets. After a year, it became clear that the business would barely make enough money for him and his family to survive but would not thrive, let alone enable him to invest in larger-scale operations. When asked about his opportunities, Zhang often told me that it was almost impossible for small entrepreneurs to thrive and develop as they did in the early decades of the reform period. However, at other times, he also told me that there always were opportunities for those who knew where to find them. He sometimes complained that society was biased against small self-employed businesspeople like himself, but at other times said that it was himself who was ill-equipped to succeed: not educated, flexible, smart, or audacious enough. At all times, he expressed the idea that wealthy entrepreneurs owed their success to their own efforts and hard work, although he also told me stories that pointed to a different conclusion. Finally, he often expressed hope, but also anxiety, as he felt that the current period (the late 2010s) was crucial in determining tomorrow's social hierarchy.

The most obvious challenge to perceptions of high social mobility lies in the existence of "*fu'erdai*" (富二代, "wealthy second generation"): the offspring of rich entrepreneurs, who inherited their wealth from their parents. For most young people, born and raised with the legend of the "self-made entrepreneur" and the idea that success is always possible with hard-work and talent, *fu'erdai* epitomise inequality and unfairness. They are the antithesis of the "self-made" entrepreneur,

¹⁰⁰ Interviewee 63.

and their negative depiction serves to enhance the positive image of the latter. Li, a 28-year-old self-employed interviewee, depicted *fu'erdai* with the following words: *"Their parents have a factory, or some do wholesale retailing, they sell things to earn money. Their parents earned money by the sweat of their brow, but [the fu'erdai] only make an effort to waste this money. [. . .] They don't have to work, they can just focus on spending money, every day, that's it."*¹⁰¹

Of course, not all sons and daughters of successful entrepreneurs conform to such a negative image. In fact, the second-generation entrepreneurs I interviewed were almost all sons and daughters of first-generation business owners (although not always very successful or wealthy ones). When confronted with this cognitive dissonance; the apparent contradiction, that is, between reality and their understanding, some of my young interviewees felt the need to explain that these were "good" *fu'erdai*. As Li, for example, told me: *"Yes, he belongs to the second wealthy generation, but he knows how to use his own resources modestly. He is not frivolous like the usual fu'erdai [. . .] He is a fuerdai with ideas, you can talk to him."*¹⁰² Usually, however, those belonging to the "*fu'erdai*" are pictured negatively, as lazy, entitled and arrogant. In short, they crystallise the sense of injustice, resentment, and anxiety of much of the young population, faced with declining social mobility.

Ultimately, these negative depictions serve to reinforce the belief in downward social mobility. Indeed, *fu'erdai* are considered as very likely to experience downward social mobility, precisely because of these negative characteristics. In turn, this faith in future downward mobility for the bad *fuerdai* entails a corresponding belief in upward social mobility possibilities for the rest of the population. As Li explains:

"There is a saying in our area, which is "poverty cannot exceed three generations, wealth cannot exceed three generations" [. . .]. That means that you can have money in your life, and the next generation may have money, perhaps even the generation after that, but then it is impossible that money stays in the family for more than three generations. [. . .] Because the more money someone has, the more he does not know how to cherish it. He will not

¹⁰¹ Interviewee 44.

¹⁰² Interviewee 44.

know how or will not want to make money. And poverty does not exceed three generations because poor children have high aspirations."¹⁰³

Through the belief that the *fu'er dai* cannot be successful over the long term, young individuals can reconcile their values and beliefs in a highly mobile society with the most visible signs that these beliefs do not always apply in present times.

But cognitive dissonances also generate feelings of anxiety, as young people often find it difficult to reconcile their worldview with the reality of their job prospects. As one interviewee told me: *"If we do not succeed now, it will be very hard in the future. In China, the opportunities will soon belong to the past."*¹⁰⁴ There are indications that such feelings exist beyond the boundaries of X County. Netizens all over China have expressed similar feelings in online discussions about entrepreneurship and social mobility. This post, for example, is revealing: *"Success belongs to a few people, maybe you and me, but most likely not. [. . .] There is no fair competition environment, there is no complete social security net."*¹⁰⁵ The following reflection, posted in the same online discussion as the previous post, is also particularly telling of the contradiction that many young Chinese people face:

"Recently several friends talked to me about entrepreneurship, asking me why I didn't start a business. I realised I had dreamt of doing business and becoming an entrepreneur since I was a child, until I graduated from university. Holding heavy gold, making dozens of thousands of people jealous, returning home covered in brocade and contributing to charity. [. . .] Later, I gradually realised that I didn't really like entrepreneurship, I was not good at it, I was not interested in doing business, I lacked resources, and I couldn't run a good business. [. . .] But in this society, it seems that only big entrepreneurs can be seen as successful. At classmates' gatherings, the most enviable is always the boss who drives a luxury car and is successful in doing business. In this society, success does not seem difficult. People believe in what is said in the "success literature" (chenggong xue, 成功学):

¹⁰³ Interviewee 44.

¹⁰⁴ Interviewee 28.

¹⁰⁵ <https://www.zhihu.com/question/28743470>

*As long as you don't stop trying to build your business and you persist in your efforts, you will become a successful entrepreneur. No matter how many times you have failed before, as long as you keep trying, there will be opportunities and you will be successful.*¹⁰⁶

Overall, second-generation non-entrepreneurs offer good examples of how the self-made entrepreneur narrative shapes expectations and perceptions about present social mobility. This narrative creates contradictory and conflicting expectations: on the one hand, the idea that the early entrepreneurs should be emulated, and that high social mobility should be possible; on the other hand, the reality of declining opportunities and stagnating social mobility. Although contradictory, these two ideas often coexisted in each of my interviews, creating dissonances in my interviewees' discourse, and ultimately in collective perceptions about social mobility.

How the narrative of the self-made entrepreneur shapes evaluations of social fairness and entrepreneurs' legitimacy

Given the conflicting perceptions of current social mobility described above, does the population in X County perceive the social hierarchy as fair and entrepreneurs' position in this hierarchy as legitimate? My research suggests that perceptions of the fairness of the social hierarchy and the legitimacy or otherwise of entrepreneurs' position in this hierarchy are strongly, positively influenced by the narrative of the self-made entrepreneur.

To support this claim, Table 4 and 5 show a strong correlation between perceptions of the past as highly socially mobile, perceptions of contemporary society as fair, and social hierarchies as legitimate, among my interviewees.

Table 4 - Percentage of respondents who agree that: "Wealth inequalities are fair because they are based on intelligence and hard work"

Non-business owners born after 1980	Non-business owners born before 1980
95%	36%

¹⁰⁶ <https://www.zhihu.com/question/28743470>

Business owners born after 1980	Business owners born before 1980
100%	100%

Source: Interview with author, 2018-2019

Table 5 - Percentage of respondents who agree that: "Local entrepreneurs in X County came from disadvantaged backgrounds and succeeded through hard"

Business owners born after 1980	Business owners born before 1980
95%	64%
Business owners born after 1980	Business owners born before 1980
100%	100%

Source: Interview with author, 2018-2019

Of my 75 respondents, 68 (90 percent) displayed perceptions of society as relatively fair, and 70 agreed that local entrepreneurs had come from unprivileged backgrounds and had succeeded because of their hard work. This was particularly the case for business owners, who justified the legitimacy of their high social position by insisting on their hard work.

This line of discourse is also visible in inspirational articles that entrepreneurs share on their WeChat page. The following text, shared by a local entrepreneur in his forties, sheds light on how the culture of hard work and sacrifice gives businessmen a special, almost sacred, position in local society:

"This is dedicated to our colleagues who have silently dedicated their lives and shed their blood for their factories [. . .] They don't get angry when they face problems, they don't complain when they are tired or when they work too hard, and they work so much! [. . .] They shoulder the sacred duty of quality standards and delivery times, and the mission of environmental

protection. Thank you, you have worked hard! This is dedicated to all the business elites!"¹⁰⁷

Another text, also posted on a local entrepreneurs' account, provides inspirational words to workers, encouraging them to respect and admire their boss because of their hard work and dedication:

"Bosses have suffered their way to success. [. . .] Entrepreneurs all have a debt of blood and tears. In reality, many bosses spend less money in their daily lives than their workers. [. . .] When people see businessmen drive fancy cars or come out of hotel restaurants, they think businessmen live in luxury. In fact, if they have been able to survive the fierce competition, [it is because] they work hard, many of them are even workaholics. [. . .] Be nicer to your boss because he established his own business, like building a port [for boats to be safe]. Workers, when you see that your boss is making money, do not ask him to share, because you will not share his burden when he loses money. [. . .] 80 percent of bosses have gastritis, nervousness, insomnia, depression, anxiety. They have exhausted their lives to build their company. So be nicer to your boss."¹⁰⁸

Likewise, this other text emphasises the burden that entrepreneurs are shouldering, and contrasts wealth and business:

"Bosses are not rich people! In fact, being a boss is really difficult! [. . .] Everybody's dreams concentrate on "bosses," as if being a boss was a shortcut to being rich. But when you have entered the profession of bosses, you will suddenly realise that you don't have the rich person's life you were expecting, but the perpetual fear of failing, a heavy burden and responsibility towards your employees, your shareholders, and society."

To say that entrepreneurs deserve their high position in society because of their hard work and suffering is not equivalent to justifying the existence of wealth inequalities. As a matter of fact, several first-generation entrepreneurs to whom I spoke argued that China suffered from excessively high inequalities. One business owner, for

¹⁰⁷ WeChat post, 2018.

¹⁰⁸ WeChat post, 2019.

example, told me that: *"I do not like Deng Xiaoping [. . .] Because he let a few people become rich first [. . .] and he let the country become very unequal [. . .] Xi Jinping is much stronger [as a president] because he cares about the poor."*¹⁰⁹

However, the two propositions can, and do often, coexist. For many entrepreneurs, China is excessively unequal, but it is fair that entrepreneurs have a higher income. Besides, the greatest inequalities that entrepreneurs lament are generally nationwide, not local. Locally, as one entrepreneur explained: *"There are wealth inequalities here, but they are not very large. [. . .] Because in the countryside we all relied on ourselves to become rich, we are all self-made entrepreneurs (shuangshou qinlao zhifu, 双手勤劳致富)."*¹¹⁰

Similarly, although they acknowledged that inequalities were somewhat excessive, entrepreneurs often understood business failure (or failure to start a business) as the result of individual lack of skills or persistence. For example, an interviewee explained that: *"One [reason for failure] is that people have not persisted. The second [reason] is that they don't have a clear objective. One of my very good friends used to work with me, but when we were bullied far from home, he didn't feel like continuing, he did not persist."*¹¹¹

Such interpretations were widespread among the business population; even when talking about relatives or family. On several occasions, failure also took on a moral connotation. Those who were not successful in their business were considered morally suspect because they misused their money. This is the case, for example, in this interview with a business owner:

"[Those who were not successful] have not grasped their opportunity. They had money but wasted all of it. [. . .] They gambled, they smoked, they drank [. . .] I am not worried [that it could happen to me], I would not make the same mistake. [. . .] Spending all their money on drinking, wasting all they have. [. . .] They have not invested their money in their factory [. . .] Of course when a client comes you need to eat, if a businessman from outside

¹⁰⁹ Interviewee 25.

¹¹⁰ Interviewee 11.

¹¹¹ Interviewee 9.

*comes you need to organise accommodation for him [. . .] But [these people] have wasted money on themselves and on others, so they couldn't invest it in their company."*¹¹²

The moral connotations of failure were thus instrumental in justifying the wealth and privileged positions of those who succeeded. But perceptions of society as fair and social hierarchies as legitimate are not only shared by business owners. The second-generation non-entrepreneurs also tend to consider society fair, despite the fact that they often feel that social mobility is declining.

Like the entrepreneurs, during interviews, they emphasised hard work and suffering to justify the economic elite's high social and economic positions. An interview with the young self-employed manager of a small restaurant in the county seat illustrates this point. As he pointed out the difficulties that awaited him without any connections or capital, I asked if he thought society was fair and equitable.

"Absolutely," he responded.

*"You shouldn't think of wealth inequalities in terms of unfairness or injustice. We all have equal rights and equal opportunities. The wealthiest people in this county started from scratch. They were poor peasants, forced out of their homes by hunger and poverty. They were daring, smart young people who managed to seize the right opportunities. Of course, some were luckier or better than others at seizing opportunities, but who could blame society for that?"*¹¹³

In another line of argument, interviewees justified the economic elite's high social and economic positions by saying that they provided opportunities for other people to get rich. In this "trickle-down effect" argument, the wealth of a few individuals is seen as leading to the alleviation of others' poverty. A 50-year old factory worker, for example, told me she did not believe it to be unfair that entrepreneurs are wealthier than workers. They provide jobs and opportunities to the whole population, which

¹¹² Interviewee 16.

¹¹³ Interviewee 53.

then lead to prosperity. Finally, she added, she has never seen a boss who was not good towards his or her workers.¹¹⁴

Despite widely shared perceptions of entrepreneurs' social position as fair and legitimate, I also heard some conflicting opinions. But such conflicting opinions were always balanced, within the same interview, by more positive reflections on social fairness. In other words, contradictions existed within one interviewee's discourse, rather than between different interviewees.

For example, when I asked a young employee in his 30s about social fairness, he replied immediately: *"It is not fair. There is some redistribution, but not much. [. . .] It is not possible to redistribute in China, because people are too many and too selfish. They think about their own interests."* But he later acknowledged that: *"Entrepreneurs succeed because they are good, and they work hard."*¹¹⁵

Another interviewee, a self-employed woman in her 40s, explained: *"There is no injustice in society. What injustice? We all have the same opportunities; everyone is free to succeed. It is fair that some are less skilled than others, they are not meant to be successful."* I objected that people often need capital to succeed. She acknowledged: *"It is true that capital and connections are important to succeed,"* but then added: *"But people can have loans from the bank. As long as you have skills and a good project, everything is possible."*¹¹⁶

Despite contradictions, I therefore observed a general perception that the wealth and social position of entrepreneurs is fair. This perception is rooted in a strong belief in the self-made entrepreneur narrative and a widely shared perception that social mobility has been, and still is, to some extent, high.

Conclusion

The chapter has shown that the narrative of the self-made-entrepreneur, with its understanding that any individual can, with hard work, perseverance, and sound judgment, move up the social ladder, has become central to perceptions of social

¹¹⁴ Interviewee 57.

¹¹⁵ Interviewee 70.

¹¹⁶ Interviewee 56.

mobility and social fairness in post-Mao rural China; and that stories depicting entrepreneurs as "self-made" have played a crucial role in justifying and legitimating entrepreneurs' rise to a relatively high position in local economic and social hierarchies.

In addition, although social differentiation has grown and social mobility has declined over the post-Mao period, the self-made entrepreneur narrative and the positive perceptions of social mobility, social fairness and the legitimacy of entrepreneurs' status with which it is linked, have strengthened over time. Drawing on Halbwachs' and Yurchak's approach, the chapter has identified a process of permeation and diffusion of perceptions across generations and across social groups in the second generation (Halbwach 1950, Yurchak 2013). In this process, some narratives gain more salience than others, and they progressively take hold among the local population. Specifically, this has resulted in a homogenisation in X County's perceptions of the past, centred around the "self-made entrepreneur" narrative.

But my findings have also provided insights into reactions to cognitive dissonance between the "self-made entrepreneur" narrative and the actual slowing-down of social mobility through entrepreneurship. Faced with such cognitive dissonance, second-generation residents in X County either described past social mobility as a "lost golden era," or maintained a high level of hope and expectation, but also anxiety, regarding their present and future opportunities.

Chapter Four: How the "visible hand of the state" affects entrepreneurs' legitimacy and perceptions of being "self-made"

In the 1980s and 1990s, many of the first entrepreneurs began their businesses under the radar of state policy. But they started to receive massive state support as soon as they grew bigger and became local pillars of the economy. Throughout the last two decades, local officials have been heavily involved in picking the winners and losers of market competition.

That local officials partly decide the success of entrepreneurs' business potentially challenges the "self-made" narrative, according to which entrepreneurs owe their success only to themselves. Moreover, given that, as Chapter 3 has argued, the self-made entrepreneur narrative is crucial to the legitimacy of entrepreneurs' social position, this legitimacy could also be at stake.

This chapter therefore investigates the following question: how have the government's discourse and policy interventions in the market economy affected perceptions of the "self-made" status of entrepreneurs' achievements and the legitimacy of their position in society, both among entrepreneurs themselves and the rest of the population?

The chapter is based on the premise that state ideological discourse and policies are influential in shaping how individuals and social groups perceive their position in society. This is the meaning of Gramsci's concept of "hegemonic ideology," whereby a dominant group is able to impose its own definitions of reality on other groups. Ideology, according to Antonio Gramsci, is mainly produced and disseminated through civil institutions such as the Church, schools, the mass media, or the family (Gramsci 2000). Academic literature centred on China has also specifically underscored the Communist Party's tremendous power in crafting and influencing perceptions and ideas among the population. Through education and co-optation, through its control of the media and cultural production, and increasingly through digital propaganda, the Communist Party has kept its control over ideas, and has

even tightened it since Xi Jinping came to power (Yan 2014, Brady 2008, Perry 2013, Shambaugh 2007, Esarey 2015, Repnikova 2017).

Based on this premise, the chapter makes three central arguments. Firstly, the chapter suggests that entrepreneurs' own sense of legitimacy has not been affected by the state's policy of picking winners, because entrepreneurs view national policy and state support as an ineffable, essentially neutral arbiter of value, just as many people view "market forces" as a neutral arbiter of value in Western, capitalist societies. In rural China, to succeed on one's own has come to mean being on the right side of state policies and gaining local officials' support without the benefit of family or lineage connections.

Secondly, the chapter gives a nuanced picture of the state's influence in shaping how local entrepreneurs perceive their position in society. Although many entrepreneurs have adopted a perception of national policy as a neutral arbiter of value, there is room for contradiction and debate among them as to how strongly the state should intervene in their business.

Lastly, the chapter draws on a case study of recent poverty alleviation policies to argue that entrepreneurs' legitimacy among the local population is, in fact, reinforced by state policies of picking winners of market competition. Since 2014, the state has endeavoured to promote the social role of entrepreneurs as welfare providers. In particular, entrepreneurs have been encouraged to act as community leaders in the massive poverty alleviation campaign that the state has been driving. The chapter suggests that recent poverty alleviation policies have helped entrench local hierarchies and the legitimacy of entrepreneurs by giving them a prominent role in the delivery of welfare.

To make these arguments, the chapter is divided into three sections. The first provides evidence for the existence of a state ideology and state policies that establish a state-led selection of winners and losers of market competition, which are even more powerful at the local county level than at the national level. Then, section two shows how entrepreneurs have reconciled their narrative of self-made entrepreneurship with state-led intervention in the economy. Last, section three examines in detail the recent developments in poverty alleviation policy and their

impact on local perceptions of the legitimacy of entrepreneurs' prominent position in the social and economic hierarchy.

For local officials, entrepreneurs are not entirely "self-made"

W. L. village, roughly one hour by car from the county seat, is a small village of about a thousand people. When I visited the village in 2018, I could observe, in the village's main square, a painting showing two smiling trees growing on two supporting hands. It read: "*come back and start a business, government policy supports you.*"

Entrepreneurship was promoted through similar slogans throughout X County. It was also celebrated in local newspapers and official documents. Texts showcasing local government's pro-entrepreneurship policies told the stories of successful entrepreneurs, as in this article published on the local government's website: "*An inspirational short movie titled 'Road', which reflects the county's poverty alleviation and entrepreneurship, has become very famous on the Internet. The short movie tells the story of a poor family eliminating poverty by going back to their hometown and starting a business. It shows the county's achievements in poverty alleviation and rural revitalisation.*"¹¹⁷

On X County government's website, official figures of business creation and entrepreneurship were regularly published, in an attempt to publicise the government's economic accomplishments. Local newspapers lauded the county's growing entrepreneurship, as this article, posted on the government's website, reported: "*Recently, the reporter found in X County that in recent years, more than 100 couples in the county have taken advantage of the opportunity to join the entrepreneurial army.*"¹¹⁸ The mission of county and township governments, stated in local articles and official documents, was to promote and attract entrepreneurship, in particular from returning migrants.

The local glorification of entrepreneurship is in line with national discourse and policies, in which entrepreneurship and entrepreneurs have become central in the

¹¹⁷ <http://www.taiqian.gov.cn/show.asp?id=12940>

¹¹⁸ <http://www.taiqian.gov.cn/show.asp?id=12128>

last two decades. In official media, entrepreneurs are considered the engine of economic life: They play a key role in promoting economic growth, their "hard work and pioneering spirit" "push the economy forward," and they "bring scientific and technological inventions into economic life," as a 2017 *People's Daily* article argues ("China's development needs to promote outstanding entrepreneurship," 2017). In the last decade, the influence of Joseph Schumpeter, and his theory of entrepreneurs, have also increased and become widespread in China. The Austrian scholar is quoted increasingly often in state media like *People's Daily*. Schumpeter's theories have been used in Chinese official media to call for a stronger role of entrepreneurship in the economy. As William Davies explained, Schumpeter's "romantic belief in entrepreneurship assumes that only a rare minority are able to act towards long-term triumphs" (Davies 2016:57).

However, during Xi Jinping's presidency, the role of private entrepreneurs in the economy has become ambiguous. On the one hand, central government has taken measures to encourage entrepreneurship, especially among university students and returning migrants. Key public figures, including Prime Minister Li Keqiang and Chinese president Xi Jinping, have emphasised the importance of entrepreneurs and entrepreneurship as core elements of the market economy. Xi Jinping, for example, famously pointed out that: "The vitality of the market comes from people, especially from entrepreneurs and from entrepreneurship" ("See how the general secretary predicts entrepreneurial spirit" 2017). On the other hand, Xi Jinping's administration has reinforced the centrality of state-owned enterprises as a pillar of the Chinese economy. As Xi Jinping declared at the 19th Party Congress: "If we let state-owned enterprises become smaller, collapse, and fail, how can we maintain the dominant position of public ownership and the leading role of the state-owned economy? How can we maintain the leading position of the working class? How can we achieve common prosperity?" ("Xi Jinping: We must never allow state-owned enterprises to be downsized or destroyed!," 2019). As a consequence of that support for SOEs, their share of fixed-assets investment has risen under Xi Jinping after decades of decline (Gavekal Dragonomics 2017). The phenomenon has been captured by a famous Chinese expression: "the state advances, the private sector retreats" (*guojin mintui*, 国进民退) (Hillman 2019, Johansson and Feng 2016).

This ambiguity is reflected at the local level, albeit with several important differences. There is a difference in the economic structure, to start with: the two industries studied in this thesis, car parts and feather down, are characterised by the near-total absence of SOEs and a large dominance of private enterprises.

Secondly, there is a difference in the perception of private entrepreneurs. Contrary to the "pioneering spirit" described in the *People's Daily*, entrepreneurs are characterised in the local state discourse of X County by hard work and courage, rather than innovation. For example, this article, published on the government's website, firmly roots entrepreneurial success in the industrial tradition of the county's first entrepreneurs:

*"The auto parts industry is a special characteristic of X County, with an annual output value of more than 5 billion yuan, accounting for 18.9% of the county's total industrial output value. Most of the first village entrepreneurs in the County came from this industry. The pedlars who rode bicycles on the streets and lanes have now become the bosses of hundreds of people."*¹¹⁹

In this regard, the local state discourse is closer to the experiences and narratives of local entrepreneurs, as discussed in Chapter 1, than to the central government's official stance. Unlike Schumpeter's entrepreneurs, local state discourse presents entrepreneurs as hard-working people, who benefit from opportunities offered by state policies. They are, according to local texts, in constant need of state support and guidance, without which they would not succeed.

In turn, the perception of entrepreneurs as dependent on local government support leads local officials to strongly support government intervention in the market. In the local state's propaganda, the government's actions and policies are put forward, featuring a government that is not only a neutral actor, but also directly active and interventionist. In the discourse of local newspapers and official documents, there would not be successful private entrepreneurship without government intervention. The two needed to go hand in hand.

¹¹⁹ <http://www.taiqian.gov.cn/show.asp?id=12203>

A comparison between local and national political discourse suggests that this support for state intervention in the economy is stronger at the local level than at the national level. At the central level, the "Decisions" issued during the Third Plenary Session of the 18th CPC Central Committee made clear that: "Theories and practice have proven that market allocation of resources is the most efficient system. Market-determined allocation of resources is the general law of the market economy." This view has enjoyed unanimous agreement in the state-led newspaper *People's Daily*. A March 2017 article, for example, argued that: "A market economy based on production and consumption freedom can maximise resource allocation and promote economic development" ("See how the general secretary predicts entrepreneurial spirit," 2017). In June, another article claimed that: "The market mechanism is more professional and accurate than the government" (Xu and Huo 2017).

By contrast, at the local level, the very concept of a market economy remained somewhat foreign to local officials in 2018, when I conducted my interviews. Officials to whom I asked questions related to the market economy answered that they did not have any opinion on these issues. One explained that he had not attended any training on this topic and felt he could not comment on something he thought was a question reserved for experts. The absence of training on the topic of market mechanisms and fair competition contrasts strongly with the plethora of training officials reported on poverty alleviation and environmental issues and suggests that central state ideology about the market economy is inaudible at the local level.

Interviews also confirmed a defiant attitude towards the market economy among local officials. Questions to local officials about the way they regulate local enterprises revealed that they consider the market as fundamentally anarchic, non-efficient, and not apt to eliminate bad players and poor-quality products. A county-level official explained to me that the visible hand of the state did a better job at selecting the "fittest" actors than the invisible hand of the market. Compared to the market, he added, the state was faster at deciding, did not waste resources in the process, and prevented the unemployment and social crises that unavoidably came with the collapse of companies.¹²⁰ Interviews I conducted with other officials in charge of the local economy confirmed this belief in a strong, interventionist state. Another county-

¹²⁰ Interviewee 1.

level official, for example, explained that local entrepreneurs were too poorly educated and "lacked quality" (*mei sushi*, 没素质)¹²¹ to be successful without the help of the state.¹²² According to these officials, it was natural that better qualified officials, helped by the whole state hierarchy above them, directed, trained, and provided guidance and supervision to entrepreneurs.

Unlike other themes of the central state's ideological discourse, references to the "market" have also not made their way into the documents written by local officials or local newspapers. Nowhere in official articles or in texts published on the local government's website can be found mentions of market principles being a "law" of economic activity or being more efficient at allocating resources. There is, likewise, no mention of an attachment to market principles because they promote fairness and formal equality. Tellingly, all references to fair competition or market mechanisms on the local government's website are links to speeches by Chinese Prime Minister Li Keqiang, rather than local documents. References to these speeches may be the result of pressure from hierarchical superiors, rather than a genuine belief among local officials.¹²³

The idea of the superior efficiency of the state compared to the market explains policies that have been described by Shue and Blecher as "developmental": "Helping [companies] get started, arranging for the various permissions and approvals they required, attempting to rationalise and regulate the markets in which they operated (to promote genuine competition among them), providing needed infrastructure, and engaging in strategic planning, including picking winning and losing sectors (but not firms)" (2001:369). "Picking winning sectors," indeed, was one of the keystones of the local state's economic discourse and policies when I conducted my interviews.

¹²¹ Difficult to translate into English, the word "*suzhi*" is used to justify social and political hierarchies, Andrew Kipnis (Kipnis 2006) argued, as those deemed of "high *suzhi*" are seen as deserving more income, power and status than others with a lower *suzhi*. Rurality, in particular, is usually associated with low *suzhi*.

¹²² Interviewee 59.

¹²³ Links to these speeches, for example: http://www.gov.cn/premier/2018-05/25/content_5293717.htm, http://www.gov.cn/premier/2017-12/29/content_5251580.htm, http://www.gov.cn/premier/2017-08/06/content_5216160.htm

Under the label of "pillar industries," entire industries were supported because they were considered important to local growth and employment.

Within industries, some geographical areas or individual companies were supported by the local government, whereas others were not. The "chosen" enterprises, in turn, received not only advice, training, and guidance from the government and state-led industrial organisations, but also benefited from land, subsidies, and easier access to credit. This is, for example, how an official document published on the county government's website described state intervention in the local economy:

"X County prepares the auto parts industry plan to specify the direction for the enterprises. It introduces them to leading enterprises, guides the local enterprises to gradually shift from the production of general parts to the production of core power parts, guides the enterprises to gather and develop, and builds an important auto parts base in the country."¹²⁴

The case of environmental regulations is symptomatic. Environmental policies have been a priority for Xi Jinping's government. In 2017, the central government allocated a total of 16 billion yuan of special funds to combat air pollution and launched a national media campaign to win the support of the population. Between late 2015 and late 2017, Beijing sent out thousands of inspectors to 31 provinces and punished about 12,000 officials (Gan 2017).

In X County, however, local officials implemented these rules in a way that effectively helped them support certain companies more than others. While the environmental assessment had to be conducted by a certified private company from outside the county, the county government made sure some players got the information about the upcoming assessment and were supported in the administrative procedure, while others were not. An interviewee told me that: *"Back then, the county officials had organised all companies to get the certificate together. The county officials relied on their connections, they found people they knew, and several dozen enterprises got the certificate."¹²⁵* The environmental regulations thus benefited certain companies,

¹²⁴ <http://www.taiqian.gov.cn/show.asp?id=12203>

¹²⁵ Interviewee 16.

while hampering others. An entrepreneur who had been among the privileged ones explained, for instance, that:

"Factories like ours are all getting their environmental certificate, they are all involved in environmental protection. If they do not, they cannot survive. [For us] it is all right, the local government provided people working in the car parts industry with very convenient clauses [. . .] For example, we originally occupied this land illegally. But around here it is all forest land, which is to say it was abandoned land, so the government helped us turn it into industrial land."¹²⁶

By contrast, a less successful entrepreneur explained to me that whole villages were left out in the process:

"Our village missed an opportunity this year, the opportunity of [all the entrepreneurs from this village] getting the environmental certificate together. When they did that, entrepreneurs of a few villages were not notified, they did not tell us. So all these entrepreneurs didn't get their certificate."¹²⁷

The same interviewee further explained that:

"For example, if you do business and you have good connections, you can develop quickly. Why can you develop quickly? Because the country supports you, the country invests in you, gives you loans with zero interest, it is easy. If you don't have connections, nobody invests in you, nobody gives you loans, it's how it works [. . .] For example, now [the country] is doing environmental protection, you have to get this environmental certificate [. . .] It helps [if you have connections], it's easier. If you do not, they come and they say you are unqualified, and you cannot get your certificate."

¹²⁶ Interviewee 23.

¹²⁷ Interviewee 17.

Because they lacked personal connections, and because they were considered less worthy of state support, small companies were the most hurt. An interviewee explained that:

"It's all small workshops, in people's courtyards [around here]. But, if you want to come out [and sell your product], it is really hard, because the government will fine you, and you have to pay a lot. At first I was working in the courtyard behind us, but I had to stop, I couldn't keep going [. . .] Now, how to say, you have the environmental certificate, the land, they control that very strictly [. . .] The land we use is all agricultural land [. . .] It's considered as illegal buildings [. . .] So I had to pay more than 60,000 yuan in fines."¹²⁸

According to interviewees, the regulatory pressure on small companies had intensified in recent years. This led to a state-organised "survival of the fittest": A progressive hierarchical ordering, by the local state, of economic actors.

Overall, local officials in X County did not believe that entrepreneurs were or should be self-made. The government should have a say, they believed, in who wins in market competition. Moreover, their support for certain entrepreneurs, in accordance with this principle, had a strong impact on these entrepreneurs' business success.

How do business owners reconcile state intervention with a sense of legitimacy derived from self-made entrepreneurship?

How, then, did entrepreneurs react, when faced with local state discourse and policies that apparently did not match their belief in the self-made entrepreneur? My interviews highlighted two divergent reactions to the local state's heavy-handed intervention in the local economy.

Positive reactions

Among my interviewees, reactions to local state intervention were mainly positive and similar to perceptions expressed in local state discourse. Most interviewees

¹²⁸ Interviewee 24.

understood their business (but also entrepreneurship, in general) as part of a broader, national plan to which they had to adapt in order to grow. For example, one interviewee told me that:

"The most important is national policy. For example, even if your ideas are very advanced and you are very hard working, if the products you invent do not correspond at all with the national requirements, how can you change? You cannot change. For a salesman to be successful, he must understand the national trends, while also abiding by the national laws. Take for example, the semi-finished products of LED lights I made this year. Our country advocates LEDs, right? They advocate energy conservation and environmental protection, and I am taking advantage of this national preferential policy, right? I take advantage of the trend. First, when an official comes to visit us, the national government will encourage me, saying this guy is smart. Then, you see, the products have an impact on the country. You are in line with [the policy], you will get rewards for national standards, or at the very least will be praised. But for that, you must abide by the law. The state does not allow you to do certain things. At least, with regard to pollution or environmental governance. If you know very well that the country is engaged in environmental protection and pollution, but you still conduct polluting business, then you are intentionally violating the national policy. It cannot not work like this."¹²⁹

Furthermore, many entrepreneurs also understood economic upgrading as a government-driven process, in which private enterprises had to follow and adapt. In this context, being a successful entrepreneur meant being able to comprehend the government's plan and to integrate one's own business in it. For example, an interviewee told me that:

"The transformation and upgrading means abandoning low-end products as much as possible and producing high-end products as much as possible [. . .] Now that China has [this policy], it is quickly eliminating all the old models. You are not allowed to use the 'national standard 2' and 'national standard

¹²⁹ Interviewee 10.

3' engines, we will see them less and less, so the future market prospects will force you to do these advanced products [. . .] So in the future, it will put a lot of pressure on companies producing car parts. But if you have the ability, if you have advanced technology, good equipment, good management, and a good working environment, you can develop."¹³⁰

In this conceptual framework, state support stands out as positive and even essential to economic growth and enterprises' development. For example, an interviewee explained that: *"[The government] coordinates [businesses], whenever there is a difficulty, they coordinate us. Water, electricity, roads, expropriation of land [. . .] The government coordinates all that and solves all the difficulties of factories."¹³¹*

Often, interviewees brought up the argument that local entrepreneurs were not experienced or knowledgeable enough to develop without the support of official experts. That idea was expressed on several occasions, sometimes in a self-deprecatory way. As a result, a majority of entrepreneurs surveyed said that guidance from the government was welcome, if not essential. This is the viewpoint expressed, for instance, by this interviewee:

"There are experts from our township and county who come to teach us and analyse these things [. . .] They are usually sent by the Party school, or they are people who know things [. . .] This is very important [. . .] Because we are inexperienced in managing sales, so we can learn these things. We can learn from these lessons, right? [. . .] Now you see that factory discipline and management are improving [. . .] When I was just starting, I did only sales, but then I turned to production. At that time, I was inexperienced and lacked knowledge in many aspects, right? Through many years of exploration and expert guidance, it is much stronger than before [. . .] For example, the Representative Congress of the 6th Joint Conference of X County Federation of Industry and Commerce will notify you to attend classes [. . .] Now the

¹³⁰ Interviewee 33.

¹³¹ Interviewee 34.

*government is quite good at protecting and supporting our company, and all aspects of the policy are very good.*¹³²

Another explained that:

*"The government gives [entrepreneurs] opportunities to grow, trying to prevent them from messing things up [. . .] [Success] depends on the boss's personal ideas and thinking, in each company this is a driving factor. But guidance is certainly [important as well], including from the government and from peers, it allows us to develop in a good direction [. . .] We have several meetings every year in the car parts industry, and these very important things are mentioned during these meeting. How, then, they are understood and executed [by entrepreneurs], that is their business."*¹³³

State support was seen, by these entrepreneurs, as not only essential, but also fair. To them, the government supported the entrepreneurs who deserved to be supported. As a result, being supported by the state did not challenge their sense of legitimacy, but rather demonstrated their intrinsic value, and became a reason for pride. If the state provided a fair and growth-conducive business environment, they thought, failures must be interpreted in terms of personal insufficiencies. This argument was put forward, for example, by one interviewee who asserted that:

"The township secretary and mayor are very supportive of our development [. . .] They do planning for us. To be honest [. . .] I feel that our officials here, including the village head, the township secretary and mayor, are particularly supportive of our industrial zone. It is really good for us [. . .] In this regard, there is also the country above them. As I just said, it provides us with excellent room for development. The national policy is open and gives you a lot of preferential measures. If you cannot take these opportunities, you are letting your country down. Then, to be honest, you are not very good for your own development. To be honest, if you cannot take the opportunities

¹³² Interviewee 11.

¹³³ Interviewee 33.

*given you despite all this room for development that the country has given you, then it means that you have no desire to better yourself."*¹³⁴

For these entrepreneurs, being picked by the state did not contradict the self-made entrepreneur narrative. Rather, it became incorporated in the very definition of being self-made. State support, for them, was seen as based on a neutral evaluation of their worth and revealed the intrinsic qualities and efforts of entrepreneurs. This opinion was expressed by about three-quarters of my sample of entrepreneurs, suggesting that a majority of entrepreneurs have internalised the local state policy and incorporated it in their belief in the self-made entrepreneur narrative.

Negative reactions

However, a minority of entrepreneurs expressed discordant views on state intervention in the economy. Some disagreements centred on how state support should be conducted and whether current government policies in support of policies were fair. The following debate between two entrepreneurs illustrates this point:

A: The anti-corruption campaign cannot get to that point [. . .] The car parts industry, let me tell you, is an industry in which people get rich, but the county does not get strong. Because we do not pay taxes: we pay about one million yuan per year, for several hundred enterprises.

B: If I may interrupt, this tax exemption is a preferential policy.

A: Soon we will get into trouble [. . .] What sort of money does the car parts industry earn? We can say it is money stolen by not paying taxes.

B: I'm telling you, this is not true [. . .] Even if I don't understand this well, I know this is a preferential policy [. . .] They don't really exempt all taxes, they just encourage you to invest, in order to develop the local economy, right? [. . .] It is not a present they are giving you. If the economy develops, and companies become bigger, then we will pay more taxes, that is normal [. . .] Let us not be modest: you do not earn a small amount of money. But for example, if you earn 10 million per year, and you need to pay a few hundred thousand, then where is your profit? [. . .] This is a fact that we

¹³⁴ Interviewee 10.

cannot escape. The government has understood this. They want to take your money, but they cannot, because this is not good for companies."¹³⁵

Some entrepreneurs went further and expressed negative opinions of the local state's heavy-handed intervention in the local economy. In particular, small business owners who were pushed aside by state policies often expressed feelings of injustice or, at least, dissatisfaction. Because state intervention was geographically uneven, varying from one set of township or village government officials to another, perceptions of state intervention were highly dependent upon the location of businesses. In some villages where business was strongly supported by the government, perceptions were almost unanimously positive. In others, sometimes very close geographically to the former villages, perceptions were much more negative. This small business, for instance, expressed his feeling of powerlessness towards the disciplinary local state:

*"On one side there's the government's control, which is not as loose as it used to be. Now it is very tight [. . .] Before, the industry and commerce department would give you a business license and if you didn't sell counterfeit you would be allowed to operate. But now, the country advocates high-tech things [. . .] Now, not even mentioning small rural enterprises, they want to ban all small businesses [. . .] If you were doing business in the 1980s, external influence was smaller – when I say external influence I mean the government."*¹³⁶

Another important argument was mentioned by several interviewees in opposition to the local state's intervention in the economy: their independence and their pride as self-made entrepreneurs. For example, one interviewee argued that: *"I don't have any connections [. . .] I am a self-made entrepreneur [. . .] I didn't take one cent from the government [. . .] I relied only on myself to develop."*¹³⁷ Respect for independence is the reason why several entrepreneurs told me their business idol was Huawei's CEO. An entrepreneur, for instance, explained that:

¹³⁵ Interviewee 27 and colleague.

¹³⁶ Interviewee 14.

¹³⁷ Interviewee 17.

"The company we respect most is Huawei [. . .] because Huawei does not rely on the government. Otherwise it is easy. Many companies are doing very well, working with the government. But they do not have the potential to keep expanding like that. The government gives you money to build a factory, to expand existing factories, they expropriate land for you, [they help you] get listed on the stock market, you could not have that capacity [yourself]. But do you think they give that money for nothing? Of course, they want something in exchange [. . .] We like the way Huawei does things: relying on their own capacity [. . .] Even if [development] is slower, it's also more stable, because it's a real business."¹³⁸

Independence and wariness of misguided intervention also combined with a genuine fear of government pressure. Although rare, I have observed this argument, for example in this revealing interview:

"State policies are increasingly strict, and we have more and more pressure when doing business, regardless of our size. We have a feeling of urgency. If we are small, the government does not care about us. But if we are big, we will be the first targets, and undoubtedly that will not end well, because the new pressure that the CPC is putting on our shoulders is too big."¹³⁹

Part of the pressure that X County's local government has put on local entrepreneurs is their contribution to the poverty alleviation campaign, which will be discussed in the next section of this chapter. But entrepreneurs also complained that they were pressured to develop their business too fast, with too much financial leverage, and beyond what would have been reasonable.

It is worth noting, however, that in my interviews with business owners, arguments against state intervention were not based on beliefs regarding the legitimacy and merits of a market economy. The Smithian idea that individuals pursuing their own interests will not only form a spontaneous order, but also work towards the greater good, was never mentioned in my interviews; neither were metaphors of the market

¹³⁸ Interviewee 9.

¹³⁹ Interviewee 27.

as an invisible hand, or positive evaluations of the market as efficient and rational — let alone its qualification as a set of "economic laws." This suggests that there was not, in X County the kind of popular attachment to the idea of a free market that had prevailed, according to Frank Trentmann, in Victorian England, where "free trade with its popular, ideological body played a more constitutive, self-generating role in creating the very structure and dynamic of political discourse" (Trentmann 1998:228).

Rather than opinions about the market economy, entrepreneurs opposed state intervention on the grounds of pragmatic business concerns. They were afraid of misguidance or undue pressure under government officials' advice; or they were angry that government officials picked someone else to support. Their opposition were also based in moral and social concerns related to their beliefs that entrepreneurs' legitimacy was rooted in being self-made. Contrary to those cited above, the entrepreneurs who were critical of state intervention did not accept the premise that what it meant to succeed on one's own was to be on the right side of state policies and to gain local official's support without the benefit of family or lineage connections. For them, being a self-made entrepreneur meant being independent from the state and self-reliant.

How can we explain that, although all local entrepreneurs share a similar self-made entrepreneur narrative, this narrative has taken on different meanings and implications when it comes to state support? The theoretical literature on contradictions within discourse helps understand this phenomenon. According to Jenkins, while nominal concepts tend to be long-lasting and stable, their actual content, definition, and boundaries tend to change significantly, not only over time but also between individuals (Jenkins 1996). In other words, concepts tend to take on diverse meanings and associations, depending on individuals' experiences, their interpersonal networks and their exposure to different arguments and stories. This allows for misunderstandings, contradictions, and contestation, as people use the same concepts to mean different things. The self-made entrepreneur narrative I have observed in this thesis makes no exception to this observation. There, too, the widespread narrative harbours deep contradictions when it comes to the details of what the narrative means. To a certain degree, the ability to encompass different

interpretations has made this narrative stronger and more resilient, as it can be held despite contradictory beliefs about the role of the state in the economy.

How State policies helped entrench entrepreneurs' legitimacy among the local population: The case of industry poverty alleviation

In the eyes of the rest of the population (the non-entrepreneurs), has the state support to entrepreneurs challenged the notion that entrepreneurs' high position in society is fair and legitimate? To answer this question, I now turn to one particular policy, the "industry-based poverty alleviation," which directly touches upon the social role of entrepreneurs in their local community.

The local government's approach to poverty alleviation is a good illustration of how state discourse and policies have shaped local perceptions of entrepreneurs. It highlights the emergence of a new state-sponsored corporate paternalism that has given business owners a central role in welfare distribution, allowing them to strengthen their local legitimacy.

Since taking office, President Xi Jinping's government has granted massive funding to what has become China's strongest poverty reduction campaign ever. Official statistics show poverty reduction funds allocated by the central budget more than doubled between 2012 and 2018, with a particular jump in 2016 and 2017. Overall, 283 billion renminbi of central government funding has been allocated to poverty reduction during Xi's first term of office.¹⁴⁰

In the last few decades, the central Chinese government shifted from a redistribution-based to a market-based poverty alleviation approach. As a 2017 *People's Daily* article put it: "The market approach is based on the autonomous decision-making and market transactions of the poor [. . .] In this way, industrial poverty alleviation organically links farmers in poor areas with the market, allowing enterprises in poor

¹⁴⁰ In the central budgets, these numbers represent the poverty alleviation funds given by the central government to local governments (中央财政补助地方专项扶贫资金).

areas to become independent market players" (Xu and Huo 2017). Or, as Kun Yan, researcher at the Chinese Academy of Social Sciences, put it, the market-based strategy for poverty alleviation "encourages and supports people in poor areas to be self-reliant and hardworking and enhances self-improvement and self-development capabilities, thereby changing the face of poverty" (Yan 2016:42-3).

Much of the rural poverty alleviation effort has consisted of "industrial poverty alleviation" (*chanye fupin*, 产业扶贫). This refers to a nationwide strategy that has been part and parcel of poverty alleviation since the inception of the "targeted poverty alleviation" plan by Chinese president Xi Jinping in 2013. The goal of this strategy was to reduce poverty by boosting the local economy, as Kun Yan (Yan 2016:107) describes:

"The role of industrial development in poverty alleviation is mainly to [. . .] achieve increased incomes for poor groups, greater profits for enterprises, and greater taxes for government by establishing leading industries and production bases, providing preferential policies, and supporting key enterprises [. . .] The main carriers of these policies are key enterprises."

The measures reportedly put in place throughout China under Xi Jinping's presidency under the name of industrial poverty alleviation have included a wide range of preferential measures for enterprises that commit to employing poor people or to conducting projects of public interest.¹⁴¹ A campaign characteristic of the industrial poverty alleviation, the "Ten thousand enterprises help ten thousand villages" campaign has encouraged large companies to invest and set up factories in rural areas, promoting the "great ideal of first benefiting the rich and helping the rich, and finally achieving common prosperity" (Gao Yunlong Speech 2018). According to the All-China Federation of Industry and Commerce, in June 2018, 55,400 private enterprises participated in the campaign, investing in 62,800 villages, helping 7,558,800 people, and spending 60 billion yuan (Gao Yunlong Speech 2018).

¹⁴¹ In Guizhou, for instance, under Xi's protégé Chen Min'er, experiments have been made with "industrial poverty relief," whereby enterprises are encouraged to invest capital in development projects. Wanda Group announced in July 2017 it had invested 1.5 billion yuan in poverty-stricken mountainous areas in Guizhou to support tourism poverty alleviation projects. Local governments have also allowed companies located in one of the nearly 600 impoverished regions in China to fast-track their initial public offerings (IPOs).

In line with central directives, X County, a county officially categorised as "poverty-stricken," adopted strategies that put local companies at the centre of poverty alleviation work. This was accomplished by funnelling funds to companies, which in turn were responsible for redistributing the funds and providing employment to poor households.

The objective of these policies was to help and develop enterprises that are already established and have proven to be leaders in their field. This is, for example, how a local article has justified this poverty-alleviation policy:

"The county found in a survey that there are some old, weak, sick and disabled people who need to take care of the elderly and whose children cannot go out [. . .] Faced with such a group, the county decided to build "poverty alleviation workshops" on the doorstep of the masses. Local industry already has foundations in the county: feather down processing and car parts are the two leading industries, and the county has also cultivated a large number of rich people in industries such as photo frame products and toys. All these sectors are labour-intensive and require low-skilled workers, so people can be employed after a short training. In addition, the entrepreneurial population have the willingness [to develop] [. . .] Many people have accumulated wealth and experience through entrepreneurship, and they have a strong willingness to invest in their hometowns [. . .] The expansion of township enterprises and the county-level economy can be said to be a win-win situation for all parties." ("X County: Innovating poverty alleviation mechanism to boost industrial development," 2017)

This strategy was implemented, first of all, in the form of 126 "employment bases" (*jiuye jidi*, 就业基地), which employed, according to one local article: "more than 7000 people [in X County] including nearly 3000 people from poor households" ("X County, Henan Province: more than 3000 people returned to their hometowns to start businesses in 3 years," 2018). Hong, a local entrepreneur in the wood business, explained to me that through this "poverty alleviation employment base" scheme, the local government provided enterprises with subsidies and loans, as long as they agreed to hire workers from poor households.

Wang, a car part entrepreneur located in the township's industrial park, explained that the policy allowed the local government to funnel funds to the workers, provided that they work at his factory. This way, he said: "*We can lead nearby villagers out of poverty. They are at home, doing nothing, not earning any salary. If we can have a factory here, we will progressively lead them out of poverty.*"¹⁴²

Another interviewee, a business owner in the same industry, provided more details about how the employment base scheme works:

*"The government helps companies with preferential measures. The government gives subsidies and funds to companies and help them take loans. Then, companies help the poor with [this] money [by providing employment]. This is what we call 'companies lead workers out of poverty'."*¹⁴³

A second way industrial poverty alleviation works in X County is through shareholding cooperatives. Farmers' cooperatives have experienced rapid expansion in the last two decades in China, encouraged by fiscal incentives and policy support. Yue, the leader of an agricultural cooperative in X County, explained that cooperatives must have a minimum of five members to register with the local government. He initially invested 4 million renminbi in his cooperative, about 60 percent of the total investment, which gave him the power to make all decisions regarding the company. In 2018, sixty families participated in his cooperative by providing their land and getting dividends in return.¹⁴⁴

The cooperative, Yue explained, is in fact like a shareholding company, but it benefits from advantageous tax policies. This confirms findings from the scholarly literature. Farmer professional cooperatives have multiplied in rural China since the 2000s and, according to a recent study, existed in 21 percent of China's villages in 2008 (Deng et al. 2010). Hu Zhanping, Qian Forrest Zhang, and John A. Donaldson have shown that the vast majority of these agricultural cooperatives have been shell cooperatives or de

¹⁴² Interviewee 9,

¹⁴³ Interviewee 27.

¹⁴⁴ Interviewee 39.

facto "commercial enterprises controlled by officials, business entrepreneurs, and merchants" (Hu et al. 2017:21).

In the past five years, Yue said, his cooperative has been part of the poverty alleviation program and the county has invested first 1.2 million, then 0.96 million renminbi in the cooperative. The cooperative, in turn, must transfer a fixed amount (1000 renminbi per year) to poor local households (about 200) in the form of dividends, each year during the next five years. This is how Yue described the rationale of the program:

"[Poor households] take the government's money to buy shares in my company. That money is given to them [. . .] In total, [they each invest] 8000 renminbi, and they can get 1000 renminbi of dividends each year."¹⁴⁵

Thus in both the employment-base scheme and the cooperative scheme, two mechanisms were at play: a trickle-down mechanism, in which boosting local companies was seen as having a positive impact on the local poor population, and subsidies or dividends distributed to poor households who participated in employment or cooperative shareholding schemes.

This approach has served the business interests of the entrepreneurs who have taken part in poverty alleviation schemes. As an article published on the government website explained:

"Turning its back on previous policies that relied on relief money, and inspired by central policies, the county has now turned to companies to develop the local economy [. . .] What 'industrial poverty support' actually supports is the two foundational industries of the county that were created from scratch: feather down, and car parts" ("X County, Henan Province: more than 3000 people returned to their hometowns to start businesses in 3 years," 2018).

For many local businesses, this support has proven invaluable. Securing a labour force, at least in part paid for by the government, is a major advantage of

¹⁴⁵ Interviewee 39.

participating in industry poverty alleviation schemes. Poverty alleviation policies have also allowed business owners to capture valuable funds and resources for their own interests. For example, although Hong took part in the scheme, she decided not to hire poor workers.¹⁴⁶ She already had several workers, who had been working in the factory for years, and did not need to hire any more. In addition, she added: *"most of these [poor] people are lazy, which is why they are poor. They do not want to work. Instead, they waste their time drinking or gossiping with neighbours."* Hong told me that most company owners, like her, circumvented the policy by making poor households sign their names on a document but not hiring them. *"Companies hire poor people only on paper,"* she said. *"In fact, they prefer to hire good workers who are not necessarily poor."*¹⁴⁷

Loans and funding provided by the local government have also proven beneficial to local companies. For example, poverty alleviation funds have allowed Yue's cooperative to grow, as he explained: *"They bring that money so that I can use it; isn't it a big help for me? It is capital, and with that capital I can invest in many projects."*¹⁴⁸ The tax cuts associated with poverty alleviation programs have also given tremendous help to local companies. Several interviewees indicated that they have not paid any tax during the last few years. One, for example, explained that: *"Here, we pay basically no tax. You see, our factories receive lots of preferential policies because we are in a poverty-stricken county."*¹⁴⁹

Poverty alleviation schemes also reinforced existing hierarchies, by selecting the most-connected and best-performing companies as local intermediaries. Policies supporting small entrepreneurs from poor households existed, but they were scarce. For example, as part of such a program led by the municipality, the county has put in place a policy to grant subsidies to 40 "self-employed poor people." One of these "self-employed poor people," Liu, told me his story.¹⁵⁰ Liu had worked for ten years as a driver in a big city, before coming back to his village. He then bought a few cows

¹⁴⁶ Interviewee 40.

¹⁴⁷ Interviewee 40.

¹⁴⁸ Interviewee 39.

¹⁴⁹ Interviewee 24.

¹⁵⁰ Interviewee 60.

and worked in livestock farming for eight years. In parallel, he still found time to grow corn on his family land. Liu had been categorised as a "poor household" by his village committee. His was among the last twenty poor households, in a village that counted many successful entrepreneurs in the car parts industry. Two years ago, Liu was approached by the committee, under the supervision of county and township officials. They categorised him as "capable of development" and offered him a subsidy of 8000 renminbi, as well as a 50,000-renminbi loan from the bank. This was a fantastic opportunity, he said. He was able to buy several cows, raising their number from three to eight. He was also able to modernise his farm.

But such support for entrepreneurship on the part of poor households was marginal in the local state's poverty alleviation strategy. The scope and funding for starting up new businesses and for self-employment paled in comparison with the scope and funding for established businesses. According to local budgets, in 2018, the funds dedicated to supporting those starting new businesses represented less than 0.2 percent of the industry poverty alleviation funds. In addition, funding for self-employed households was limited to agricultural self-employment, while support to established enterprises targeted various agricultural and industrial sectors. The county's "returning migrant workers entrepreneurship park" was a good illustration of this bias towards big businesses. Despite its name, the park mainly comprised big companies from outside the county — mostly from south China and Hong Kong — which had settled there to benefit from tax cuts and low wages. Other companies included X County's leading enterprises, but very few were returned migrant entrepreneurs, and none were run by poor households.

Within the business community, the poverty alleviation programs also have enforced the existing hierarchy by supporting the strongest and most connected local companies. Beneficiaries of subsidies were often selected through close contacts with the local government. Hong explained, for example, that companies must meet standards in terms of size and number of employees in order to be able to participate. A further selection was then made among the selected companies, between those that did receive the subsidies, and those which did not. Although Hong was selected to participate to the industry poverty alleviation scheme, she never actually received the subsidies. All she got was two thousand renminbi to buy a big board saying: "poverty alleviation employment base," which she stuck on the factory's wall. She blamed that

failure on local government corruption. Only well-connected entrepreneurs, she said, could receive the subsidies the government had promised to give them.

Yue, by contrast, obtained the poverty alleviation subsidies. The program, Yue explained, was administered by the local county government finance department:

"The application is instructed by the Finance Bureau [. . .] then it is approved by a panel of experts [. . .] at the township government level [. . .] The city must know how much money you will spend and how you will spend it [. . .] because the Finance Bureau cannot spend 1.2 million renminbi for no reason [. . .] and they can inspect [the cooperative]."¹⁵¹

Although he did not mention it, Yue himself likely benefited from his privileged position as a township official in order to obtain poverty alleviation funding.

But state support came at a cost. The state emphasised that it gave entrepreneurs a special responsibility to take on a central role in poverty alleviation. As leaders chosen and nurtured by the state, they had a debt towards the local state and the local population. The way this argument played out in local propaganda is illustrated in an article posted on the X County government website: *"Chen Cun'an [a local entrepreneur] absorbed all of the twenty-three poor households in his village into his factory. He said: 'As a person, I must know how to be grateful. This factory was built by the government. I must repay society'"* ("X County's husband and wife run a factory to drive poor households out of poverty and become rich," 2017).

The co-optation and flow of funding and subsidies that came with state support have also enabled the state to secure strong control over business actors. These measures fed into perceptions of business actors as unable to function without government help. The local official media contributed to such perceptions. As a local article mentioned, in one company, after having built a new workshop and bought new equipment: *"The operating capital was stretched and the company in dire difficulties. Fortunately, the township coordinated 500,000 renminbi of poverty alleviation loans to cover its urgent need."* ("A young couple's return to their hometown to start a business. The poverty alleviation micro-film "Road" tells the

¹⁵¹ Interviewee 39.

good story of poverty alleviation in X County," 2018). Industrial poverty alleviation schemes thus entrenched local officials as the most prominent holders of local power and encouraged strong interventionist policies on their part.

As a result, not all the entrepreneurs I interviewed were wholly positive about entrepreneurs' state-sponsored role as welfare providers. One entrepreneur, for example, explained why he refused to take the government's poverty alleviation subsidies:

"We don't want to accept government subsidies [. . .] We feel more comfortable earning our own money [. . .] There is no free lunch in the world. If you take this money, you will be very tired, the government will provide visits, will give you subsidies according to projects, depending on if you want to expand [your business]."

Another business owner explained: *"They also require us [to help], but I think that, as long as [the government] distributes the poverty alleviation money to workers, we don't need to do that."*¹⁵² To him, the main responsibility of companies was to perform well in order to boost the local economy and provide jobs. Like several other interviewees, he did not fully agree with the ideal of corporate paternalism encouraged by the local state.

Nonetheless, my interviews suggest that industry-poverty alleviation policies have helped entrench the local legitimacy of business owners. By reaching poor households through the intermediary of companies, the local government has pushed entrepreneurs into the crucial role of service providers and community leaders and has lent them legitimacy as central actors in the poverty alleviation effort.

This legitimacy has relied on a perception of society as naturally hierarchical, and of business owners as welfare providers. In this regard, industry poverty alleviation schemes have accelerated the rise, observed by An Chen, of new patterns of authority centred around business owners (Chen 2014). The legacy of a traditional Confucian model, with its emphasis and acceptance of hierarchical structure, may arguably have played a role in the reconstruction of such local authority patterns (Leung and Nann

¹⁵² Interviewee 9.

1995). Such patterns bring back a tradition of Chinese welfare in which a gentry class, while "politically, economically and socially privileged, [was] also expected to undertake social responsibilities and to promote the well-being of ordinary people and serve the interests of their own communities" (Pan 2017:37).

The idea of placing welfare into entrepreneurs' hands has also reinforced widespread popular beliefs and narratives, inherited from the county's last few decades of economic development, which presented entrepreneurs as pioneers who lead fellow villagers out of poverty. As a local entrepreneur explained to me: "*A business, in reality, is a social service enterprise. It can lead the non-employed labour force [. . .] and give them a good life.*"¹⁵³

This idea was also widespread among non-entrepreneurs in the county. As a non-entrepreneur interviewee told me, talking about the early entrepreneur Wang: "*Boss Wang raised the quality (of life) for the whole countryside around his village, he led them (to prosperity). (...) He got rich himself, then led people around him.*" Several non-entrepreneur interviewees told me that all successful local private enterprises received immense support and investment from the state — the bigger the company, the stronger state support, because the social cost of letting these big companies fail would be too high, and they found that reasoning justified. A young self-employed man, for example, argued that:

*"Wealthy entrepreneurs are successful because they are brave, audacious, industrious and intelligent. If you support them, they will make the best of this opportunity and help the community develop. On the other hand, if you support poor people, they will waste their opportunities. If you give a poor peasant a cow, he explained, he will sell it to buy a sheep, then sell the sheep to buy a duck, until there is nothing left."*¹⁵⁴

There are then, indications that the industry-based poverty alleviation policy has tapped into, and reinforced, local perceptions of entrepreneurs' high status and wealth as legitimate because they bring welfare and prosperity to their local

¹⁵³ Interviewee 5.

¹⁵⁴ Interviewee 53.

communities. As the policy has presented state support as conditional on entrepreneurs taking up the role of local welfare providers, it has helped entrench the legitimacy of these entrepreneurs in the eyes of the local population.

Conclusion

How has the state's ideological discourse and its practice of picking winners in the market economy affected entrepreneurs' self-perceptions of being "self-made?" This chapter has demonstrated that a majority of entrepreneurs did not consider state intervention as a challenge to their own sense of legitimacy and their belief that they are self-made. They have reconciled their understanding of the self-made entrepreneur narrative with state ideological discourse and its practice of picking the winners of market competition.

However, the chapter has also shown that the reaction of entrepreneurs to the "invisible hand of the state" was not uniform. Although all adhered to the self-made entrepreneur narrative, some entrepreneurs considered state intervention as consistent with what it means to be "self-made," while other entrepreneurs opposed state intervention because they wished to remain "self-made." In some respect, the contradictions observed within a widely shared narrative resembles the findings of Maria Repnikova's study on state propaganda in the journalistic profession, suggesting that: "Ideology work produces a superficial complicity rather than a deeper internalisation and adherence to the Party's principles" (Repnikova 2017:402). But my thesis has broadened the observation to a kind of discourse (the self-made entrepreneur narrative) which is local and not primarily driven by state ideology. There is, indeed, a "superficial complicity" about the self-made entrepreneur narrative among business owners, rather than a clear and well-defined definition of what it means to be "self-made."

With respect to the question of how state discourse and policies have affected the perceived legitimacy of entrepreneurs among the rest of the population, I have shown that it has reinforced the central position of entrepreneurs in local society. The industry-based poverty alleviation approach has marked the rise of a state-sponsored corporate paternalism intended to coax local business owners into being service providers and local community leaders. In turn, this approach has accentuated

patterns of authority and power centred around business owners, by fostering perceptions of entrepreneurs as crucial to development, and as intermediaries in welfare provision.

How the government's poverty alleviation strategy will continue to play out in the future is still uncertain. The official goal is to eliminate poverty by the end of 2020 (Gupta 2020). Asked about the future of their poverty alleviation projects, X County's local officials told me that they did not know how much funding would continue to be channelled towards poverty alleviation and which projects would be emphasised in future years. However, they were adamant that poverty alleviation would continue, in some form or another, in the next few years. Future research on Chinese poverty alleviation strategies after 2020 and their impact on the perceived legitimacy of entrepreneurs would therefore be welcome.

Chapter Five: Status and class in the formation of X County entrepreneurs' social identities

"Mr and Mrs Veneering were brand-new people in a brand-new house in a brand-new quarter of London. Everything about the Veneerings was spick and span new. All their furniture was new, all their friends were new, all their servants were new, their plate was new, their carriage was new, their harness was new, their horses were new, their pictures were new, they themselves were new" (Dickens 1865)

In Chapters 5, 6 and 7, I now turn to examining more closely the thesis' second research question: when and how have rural entrepreneurs begun to identify as a social group distinct from the rest of the local population? To address this question, Chapter 5 answers the following question: How have China's rural-urban divide and wealth inequalities shaped the consumption patterns, self-identification, and educational attainment of X County's entrepreneurs?

The analysis presented in this chapter echoes a long-standing theoretical debate about the relation between social class and cultural differentiation. For Max Weber, one of the founding fathers of sociology, societies are stratified along three different lines: market relations (class), cultural hierarchies (status, or stand), and power, which are separate from each other (Weber 1921). Another theory, espoused by Thorstein Veblen in *The Theory of the Leisure Class*, suggested that social status derives from the ability of individuals to display their wealth through "conspicuous consumption" and leisure activities (Veblen 1899). While socially mobile individuals attempt to emulate the upper classes' conspicuous consumption, the mastery of consumption and lifestyle patterns by established members of the upper class constitutes a barrier against the entry of "new money" into their status group.

This theory is well represented in scholarly literature, especially in the 19th century, a period of tensions between old and new wealth in Europe and the United States, when the term "nouveau riche" was coined. The Veneerings described by Dickens in the quotation above illustrate the stereotype of moneyed "parvenus," who engage in

conspicuous consumption and fail to properly emulate upper-class cultural traditions. According to Roger Mason, the consumption patterns described by Veblen are typical of a society in which ascribed status is being replaced by achieved status — in which, in other words, there is high and sudden social mobility (Mason 1998). In such societies, "status groups" (in the Weberian sense) strive to stay ahead by engaging in increasing displays of consumption.

This, Mason argues, was typical of 19th century United States. Then, in Europe and the United States in the 20th century, conspicuous consumption gave way to more subtle forms of cultural dominance, achieved through education. This observation resonates with the theory developed by the French sociologist Pierre Bourdieu, in *Distinction: A Social Critique of the Judgement of Taste* (Bourdieu 1984). Bourdieu argues that "cultural capital," a set of knowledge, tastes and dispositions mostly acquired during childhood, reflects economic inequalities, and contributes to reproduce these inequalities. People sharing a common social background internalise the social order in their mind and in their bodily habits so that throughout their life, they contribute to reproducing social inequalities.

In the later 20th century, under the influence of postmodernist theories, researchers hypothesised that the development of mass media and popular culture had further blurred and complexified cultural and lifestyle patterns. Tendencies to cultural homogenisation, but also to individual differentiation, were pointed out (Lahire 1998). Consumer behaviour, researchers argued, is no longer clearly shaped by market positions and income inequality but cuts across different forms of social stratification (Featherstone 2007). A considerable body of research has highlighted the discrepancies between socio-economic inequalities and cultural preferences (DiMaggio 1994, Chan and Goldthorpe 2007), but also the various intersections between both realms, showing that the link between economic and cultural factors is complex and unpredictable.

In China, until the 1980s, social status was primarily derived from political power and from belonging to the urban population. Formal education, prized before the Revolution and throughout the first decades of the Maoist era, was only shortly eclipsed as a standard of social status during the Cultural Revolution, and quickly reappeared after the *Gaokao* (高考, University entrance examination) was

reintroduced in 1977. Over the last 30 years, wealth has also emerged as a new way of valuing one's self-worth and social status, and has shaped cultural patterns in China (Osburg 2008), although empirical studies have shown that lifestyle patterns are not strongly linked to wealth (Li and Liu 2006). Among entrepreneurs, sociological research has highlighted significant divergences in cultural and consumption patterns. Yan, and others, have shown that early nouveaux riches of the early post-reform period commonly engaged in conspicuous consumption. Entrepreneurs who came from the lowest social status were "eager to show off their wealth through conspicuous consumption of fancy clothes, luxurious banquets, leisure activities, household appliances, gambling, and various forms of senseless competition" (Yan 2000:180). This conspicuous consumption was meant to display the entrepreneurs' economic power, but, for some, was also proof of their poor cultural capital. Hence, entrepreneurs were often described as illiterate, immoral, and lacking in taste (Goodman 2012, Li et al. 2006, Hsu 2006). The second wave of the new rich, by contrast, were often more educated, less inclined to conspicuous consumption, and had a higher "*suzhi*" (素质, personal quality) (Yan 2000, Hsu 2006). In general, research has found business owners to be increasingly educated, and cultural capital stands out as a growing factor of socio-economic differentiation (Yang & Dai 2013).

Drawing on these observations, the chapter analyses the impact of two factors, wealth (or class, according to the Weberian framework) and rural-urban divide (or status, according to the Weberian framework) on the social identities of X County's entrepreneurs. Following the theoretical insights exposed above, the chapter examines social identities through three different angles: consumption patterns, self-identification, and educational attainment.

The chapter argues that cultural differentiation between rural entrepreneurs and non-entrepreneurs along wealth lines has occurred in the second generation rather than in the first generation. This is because the rural-urban divide, the major polarising line along which group identity, memories, culture, and lifestyle have long been organised, has eclipsed most lifestyle and cultural identification patterns linked to wealth until very recently. The first generation of entrepreneurs, therefore, has remained very close to their fellow villagers in terms of habits and cultural references. In addition, lifestyle differences based on business and wealth have slowly emerged among the second generation (the sons and daughters of wealthy entrepreneurs), but

unlike in the urban context, this growing differentiation has not been grounded in entrepreneurs' acquisition of higher education and cultural capital. On the contrary, in the countryside, entrepreneurs have remained associated with lower education and cultural capital, throughout the period from the 1980s until the mid-2010s.

The chapter is divided into three sections. Section one observes a generational difference in the tendency of X County's entrepreneurs to engage in conspicuous consumption. I argue that this can be explained by differences in socialisation and social networks between the two generations. Section two shows that the coexistence of two distinct stratification systems — one based on "status," in which both entrepreneurs and non-entrepreneurs belong to a shared rural identity; and one based on income and market relations, in which entrepreneurs hold an advantaged position relative to non-entrepreneurs — leads to mixed feelings among entrepreneurs and non-entrepreneurs. Section three focuses on education, and highlights the difficulties encountered by X County entrepreneurs in transforming their wealth into meaningful cultural capital for their children. This section highlights the ambiguity of the lifestyle differentiation that has occurred in the second generation of entrepreneurs.

Conspicuous consumption: From the thrifty entrepreneur to the *fuerdai*

Social identity, as we have argued in the thesis introduction, is in large part a conscious process in which people differentiate themselves from some individuals while associating themselves with others, thus forming distinct social groups. In this process, consumption patterns, signalling one's social status and wealth, plays an important role. Thus, observing if, who, and when, among X County's entrepreneurs, have engaged in conspicuous consumption will be a first step towards understanding the social identities of local entrepreneurs.

When I conducted my fieldwork in X County, it was often impossible, for an external observer, to distinguish wealthy entrepreneurs from less wealthy employees, workers, or farmers, on the basis of their outward appearance and behaviour. The difference between the two groups in terms of clothing, eating, and drinking habits, tastes, vocabulary, and accent, was inconsistent at best, and non-existent, to my eyes,

most of the time. The lack of cultural and lifestyle differentiation within X County's rural society was confirmed by several local interviewees. One of them, the owner of a small shop in the centre of the county seat, explained that it was impossible to distinguish wealthy from poor people in the streets, because they all dressed, behaved and spoke in a similar way.¹⁵⁵ She added that, if anything, poor people were more likely to show off their wealth, while wealthy people tended to be more modest. Culturally, she said, wealthy people are commonly less educated than the lower middle class, because educated people mostly work in offices where salaries are limited, whereas rich people own companies, through which they can earn as much as their abilities allow them.

Nonetheless, my interviews revealed a major difference between the first and second generations of entrepreneurs in their practice of conspicuous consumption.

First-generation entrepreneurs

While entrepreneurs did not hesitate to emphasise their wealth and to boast about their money-making abilities, the vast majority of first-generation entrepreneurs with whom I spoke emphasised their reluctance to engage in conspicuous spending. One business owner explained, for example, that: "*[My purchases] have not changed. It is still the same as before. [. . .] I have a car, a house, and I don't have a taste for luxury.*"¹⁵⁶ Often, it seemed important for my interviewees to insist that they did not spend anything more than was necessary to live comfortably. Another business owner, for example, emphasised that: "*I don't care when it comes to clothes. I have had the same pair of trousers for six years; I wear them during the day and wash them during the night; the next day I wear the same ones again.*"¹⁵⁷

Several first-generation entrepreneur interviewees pointed out that outward appearance was important only in the business realm when they met clients and providers. While it was important to "look" professional when conducting business, interviewees explained, appearance did not matter in their daily life or when dealing with fellow rural residents. One interviewee, for example, explained that: "*When I*

¹⁵⁵ Interviewee 56.

¹⁵⁶ Interviewee 16.

¹⁵⁷ Interviewee 25.

negotiate a contract, I need to dress a bit more formally, I can't just throw on any clothes. [. . .] But outside of work, I do not care. The look is important only when I meet clients."¹⁵⁸

When asked about their leisure time and their preferred activities outside work, most X County's first-generation business owners claimed they spent time eating, drinking, and chatting with friends. One of them, for example, told me that: "*When it comes to leisure time, you see, we spend a lot of time drinking in the evening. [. . .] We drink, and the next day we wake up late, we start working in the afternoon, that's how we do things.*"¹⁵⁹ Another said: "*Usually in my free time, I eat and chat with friends. I very rarely go to the KTV.*"¹⁶⁰ Another business owner explained: "*I like to watch TV and play with the kids. [. . .] I have never liked doing sports. [. . .] As for going to the county seat, when I do not have any business there, I do not go. I go to the city even less. [. . .] And I do not have time to travel. Only when I have time, I sometimes go out to relax a bit.*"¹⁶¹

Most of them emphasised the absence of any difference in lifestyle between themselves and the rest of the rural population. One interviewee, for example, argued that: "*[With the other villagers], we don't have any difference in lifestyle. [. . .] I do not have any particular hobby either. I just want to do well in what I have to do.*"¹⁶² When asked whether they saw any divergence in their lifestyle, leisure activities, or tastes, with the rest of the population, many first-generation business owners emphasised generational differences, or differences between themselves and government officials, rather than differences resulting from wealth or market positions. One person, for example, said that: "*In my free time, I like to play basketball and jog in the morning. [. . .] Few people do that [. . .] Especially young people, they don't do sports, because they drink at lunch and at dinner and they can't get up in the morning.*"¹⁶³ Another explained that: "*With government officials,*

¹⁵⁸ Interviewee 21.

¹⁵⁹ Interviewee 23.

¹⁶⁰ Interviewee 18.

¹⁶¹ Interviewee 12.

¹⁶² Interviewee 22.

¹⁶³ Interviewee 5.

there is a difference in lifestyle. Because businesspeople often live in the village, while officials usually are based in the county or city."¹⁶⁴

When wealthy first-generation entrepreneurs highlighted lifestyle or consumption differences between themselves and poorer workers or farmers, they usually explained these as resulting from a difference in purchasing power, rather than a divergence in tastes or interests. A business owner explained, for example, that: *"After work, I stroll in the square, I play with the kids. It is exactly the same as for [workers and other villagers]. But with more money, I can also buy a car and a house."*¹⁶⁵ The same entrepreneur emphasised that: *"When we eat, we also spend a bit more than they do. [. . .] We often eat out together, chat, discuss things. Workers also do that, but less than us. [. . .] They spend less than us. [. . .] Perhaps a bit more than 10,000 yuan per year, while we spend more than 50,000 yuan per year. That's all."*¹⁶⁶

This difference in purchasing power was mentioned by many first-generation entrepreneurs, who nevertheless then often added that this neither resulted in, nor was the result of, diverging desires or tastes. One first-generation entrepreneur told me:

*"Of course, our way of life is a bit different, because for example when we go to work, we all drive a car, whereas they cycle to work. This is a difference, right? [. . .] In the evening, we often go to the restaurant to eat, while they usually make their dinner, that is a difference. [. . .] But our relationship has never changed."*¹⁶⁷

More rarely, divergences in lifestyle resulting from entrepreneurs' flexibility and ability to travel were put forward. One first-generation entrepreneur, for example, explained that: *"When I say that we have different status, it is not only material, but also mental. I can give you a simple example: common people travel very little, on*

¹⁶⁴ Interviewee 6.

¹⁶⁵ Interviewee 20.

¹⁶⁶ Interviewee 20.

¹⁶⁷ Interviewee 22.

rare occasions. *But almost all successful businesspeople travel a lot, because they can afford to.*¹⁶⁸ Another first-generation entrepreneur explained that: *"very few country people go abroad. We travel within China, because we have to consider time constraints, we all have to work. We also have to think about the cost."*¹⁶⁹ The same interviewee told me: *"I like to travel and I travel a lot, twice a year [. . .] Sometimes, I work and travel at the same time. For example, last year, I went to the three northern provinces for 13 days, to visit factories there and study the market, but I also travelled. I was in a very good mood. This is our way of life."* According to some of my first-generation entrepreneur interviewees, this ability to travel has resulted in entrepreneurs having broader horizons and more open ideas about the world. As one, for instance, argued: *"There is no status difference. Farmers are not inferior to businesspeople. However, I think entrepreneurs have a broader horizon than ordinary villagers."*¹⁷⁰

However, not all first-generation business owners agreed with this idea. In fact, about half of my interviewees claimed they did not like, and did not have the opportunity, to travel much. One, for instance, said: *"I don't travel. Where would I travel? [. . .] I do not like it, it is tiring. [I like to] drink, play cards, chat with friends, drink tea, and sing in karaoke when I have drunk too much."*¹⁷¹ Besides, it is doubtful that frequent travel distinguishes business owners' lifestyles from the rest of the population. Migrant workers, too, travel throughout China for work, but also increasingly for leisure whenever they have time, as was confirmed by many of my informants.

The vast majority of my interviews with first-generation entrepreneurs therefore confirmed what observations of rural peoples' outward appearances and behaviour had hinted at: neither conspicuous consumption nor high-cost activities such as travel clearly distinguished entrepreneurs from non-entrepreneurs. The first generation of entrepreneurs was characterised by a lack of consumption and lifestyle differentiation.

¹⁶⁸ Interviewee 6.

¹⁶⁹ Interviewee 6.

¹⁷⁰ Interviewee 17..

¹⁷¹ Interviewee 25

Second-generation entrepreneurs

Among second-generation entrepreneurs, on the other hand, consumption and lifestyle differentiation between themselves and other rural people was much stronger. A dinner to which I was invited illustrates this point. A worker in his early thirties, who was also self-employed at times but quite unsuccessful and not well-off, had organised the dinner. He had invited two sons of very wealthy entrepreneurs from his neighbourhood: Xiaolin, whose father owned a successful feather-down business in the county seat, and Xiaolei, whose father was among the wealthiest of businessmen in the county.¹⁷² All three were about of the same age. My friend mentioned that he knew them as a child, but that he had rarely seen them since they left for boarding school. Here is an extract of my fieldwork notes about the dinner:

During the dinner, my friend joked about them [Xiaolin and Xiaolei] being "fuerdai" (second wealthy generation). It appeared Xiaolei had a luxurious villa with KTV inside. When asked if he had friends who belonged to different social status, he answered that he did. However, Xiaolin added that that situation was rare, and entrepreneurs usually congregate with other wealthy businessmen. Xiaolei confirmed this, saying that he felt there was a gap with people from poorer backgrounds. "They will ask me to help them," he said. "It feels like we are different. Our cultural references are also different, we have grown up in very different conditions."

This anecdote suggests that that distinct consumption patterns among entrepreneurs and non-entrepreneurs have started to emerge in the second generation. Several factors might explain this difference.

Explaining differences between first and second generations

First of all, first-generations entrepreneurs were more likely to have earned their wealth in the grey zone of semi-illegal, or outright illegal activities in the early decades of the post-Mao period. In this context, showing off one's wealth was risky because it could raise suspicions that it was earned through illegal means. As a self-employed small entrepreneur explained: [If I were successful and suddenly earned a lot of money, and if local officials asked me about my business] *"I wouldn't say what*

¹⁷² Interviewee 59.

*I did in the illegal industry, for example, or what I did before [. . .] I wouldn't show that I earned two million at a time, I would show it little by little, and let people slowly understand that I have money [. . .] I wouldn't be too fast in integrating a relatively high-status circle, there should be a gradual penetration process."*¹⁷³ On the other hand, second-generation entrepreneurs who have often inherited their position from their parents may not have the same fear of showing off their wealth.

The second reason is that first and second-generation entrepreneurs were socialised in very different contexts. The first entrepreneurs came from villages where they had spent their childhood and teenage years, and where they maintained old friendships. As they became progressively richer and sometimes moved out of their village, their social network included more fellow business owners and fewer poor villagers, but they still kept their link to the village. A first-generation business owner, for example, argued that: *"I think most of our friends are our classmates, our friends from before. As for the friendships with people with whom there is profit involved, it is rare. [. . .] The friends from before, those with whom there is no profit involved, these are lasting relationships. [. . .] These are people from all walks of life."*¹⁷⁴ By contrast, a self-employed young interviewee, for instance, explained that: *"people now mostly talk to other people from the same social background, except if they are good friends."*¹⁷⁵ He insisted, though, that he himself had some connections among the *"fuerdai,"* but he did not see them often.

Of course, on a daily basis, first-generation entrepreneurs mostly met with fellow entrepreneurs, with whom they felt stronger emotional proximity and had similar interests. One interviewee, for example, explained that: *"I have friends who are workers, of course. [. . .] But not many. They are people who used to work with me when I was a worker myself. [. . .] Some of them are still workers and we often contact each other. [. . .] But now my best friends are people who do car parts like me."*¹⁷⁶ Another told me that:

"Many of my friends do business. [. . .] They all do car parts, and we often have clients together, we exchange tips on our clients. [. . .] I do not have

¹⁷³ Interviewee 66.

¹⁷⁴ Interviewee 9.

¹⁷⁵ Interviewee 44.

¹⁷⁶ Interviewee 21.

many friends who do not do business. Some are retailers outside the county, some do other occupations, some are workers. I have quite a few friends who are workers. [. . .] They are family members, or classmates, or from my village, from the same generation."¹⁷⁷

Another first-generation interviewee was even more explicit about the entrepreneurs' pivotal situation, within different social circles that often appear to be mutually exclusive:

*"People who do business, government officials, workers, I get along with all of them. [. . .] A classmate is a classmate; a friend is a friend. [. . .] Classmates are one kind of acquaintance, government officials are another kind, businesspeople are yet another kind. [. . .] If you put a department head together with a worker, they won't be able to communicate well."*¹⁷⁸

There was therefore an ambiguity between the first-generation business owners' status as common villagers and as wealthy entrepreneurs, as the reality of social interaction on a daily basis contradicted the proclaimed proximity of village social circles and friendships. However, no first-generation entrepreneur I interviewed had completely broken with their old socialisation circles.

By contrast, the social and emotional distance between wealthy entrepreneurs and the rest of the population grew among the younger generation. Most of the sons and daughters of wealthy entrepreneurs have spent little time in their parents' village and have not grown up with the children of farmers or workers. I was myself not able to interview many *fuerdai* because they often lived outside of the county and belonged to very different social circles from the ones in which I was conducting my research. They had often been sent to the county seat to study and had mingled with children from better-off families. For this reason, young interviewees who were not from well-off families often described the distance that had grown between themselves and the children of wealthy entrepreneurs.

In addition, first-generation entrepreneurs were more likely to still live in villages, where the emergence of wealth inequalities has fostered tensions that conspicuous

¹⁷⁷ Interviewee 19.

¹⁷⁸ Interviewee 22.

consumption would exacerbate. In my interviews with first-generation non-entrepreneurs, I observed that the proximity between them and the businesspeople was sometimes tinged with conflict. The perceived equality, similarity, and proximity between entrepreneurs and non-entrepreneurs have, in some cases, fostered feelings of jealousy, injustice and frustration. In the discourse of first-generation non-entrepreneur interviewees, the argument that entrepreneurs were not "*different*" or not "*any better*" was sometimes twisted in a pejorative, ironic, or diminishing way towards entrepreneurs. Some interviewees, for example, insisted that: "*There are no big entrepreneurs*" in their village. Precisely because of the equality that characterised villages at the outset of the reform period, diverse feelings and tensions have appeared between those who have experienced tremendous upward social mobility and those who have suffered relative downward social mobility. These various feelings have been reinforced by tensions between the previous Maoist ideology emphasising equality and the current national discourse, which, as Deng Xiaoping famously put it, encourages "some people to get rich first."

These feelings on the part of fellow villagers were acknowledged by first-generation entrepreneurs. One interviewee, for example, told me that: "*Of course there may be some [tensions] even among friends; sometimes they envy us. There are lots of different reactions, but we are not really aware of it.*"¹⁷⁹ Another first-generation entrepreneur argued that: "*The smaller the village, the worse it is. [. . .] People are not united, because they are jealous of each other, they fear you are doing better than them, they fear your daughter will make a good marriage [. . .] We will always help them but their jealousy is very obvious.*"¹⁸⁰

Even among their peers, first-generation entrepreneurs who did engage in conspicuous consumption were generally looked down upon. First-generation entrepreneurs frequently identified snobbery, condescension, and feelings of superiority as one of the behaviours they disliked most. By contrast, equality and simplicity were overwhelmingly regarded as important qualities, without which business owners would not only be morally corrupt, but also unsuccessful in

¹⁷⁹ Interviewee 24.

¹⁸⁰ Interviewee 27.

business. A first-generation interviewee, for example, explained that: *"To be honest, some people think they are better than others [. . .] I see people in the same way, no matter how poor they are. [. . .] But some people like to show off when they have become rich. I don't know people like that, but they would really annoy me."*¹⁸¹

Spending money for one's own consumption instead of re-investing in the company was also generally seen as a moral weakness, and one of the main reasons for business failure. As a first-generation entrepreneur argued: *"[Some entrepreneurs] do not grasp their opportunity, they squander all the money they have, [. . .] they spend all this money in leisure, they spend freely until there is nothing left. [. . .] They do not invest in their factory [. . .] instead, they spend it for themselves."*¹⁸² Even charity, generally considered as a duty within the village, was frowned upon when it was done ostentatiously. While businesspeople agreed that it was important to help fellow villagers, they claimed that charity should not be an excuse for boasting about one's wealth. One interviewee, for instance, explained:

*"This year, I received a phone call asking me to participate in a charity event; I said let other people participate. What matters is that we donate. [. . .] Sure, I could go, appear on television, shake hands with government officials, but what is the point of all that? [. . .] It's just to show off."*¹⁸³

It was therefore in the first-generation entrepreneurs' economic interest not to emphasise conspicuous consumption, because it would be harder to make money if they were seen as snobs and outsiders in their community. Emphasising the similarities with others in the village would be a way to create *"renqing"* (人情, feelings of friendship) and *"guanxi"* (关系, connections) between members of the community, which would be helpful in finding and retaining clients. For this reason, instead of emphasising their wealth, first-generation entrepreneurs were mostly eager to present themselves as regular villagers. As one interviewee emphasised: *"We are all friends [. . .] When our former classmates who are now workers come back to the village, we will still eat with them [. . .] It doesn't matter if you are of a lower*

¹⁸¹ Interviewee 21.

¹⁸² Interviewee 26.

¹⁸³ Interviewee 22.

or higher social status, we are still classmates, there is no difference in status between us."¹⁸⁴ Another first-generation entrepreneur added:

"There is no difference [between wealthy entrepreneurs and common people], I am also a common villager. [. . .] We have never felt that we were better than common people. When we go to our village, we talk and laugh with people normally, they do not consider us as bosses. [. . .] Everybody is on an equal footing, there is no need for low or high status among us, that does not mean anything. [. . .] First of all, you cannot despise people, especially old people. We often go back to the village; we sit and talk to them. As long as the old villagers are happy, everything is good."

This explains why, even among the first generation, I observed more reluctance to engage in conspicuous consumption among entrepreneurs who depend more on their village communities (because they are still based in their village and mostly sell to fellow villagers), and less among entrepreneurs who settled in the county seat and who sell to clients nationwide.

Overall, having socialised and still living in villages, among a population previously characterized by a high degree of wealth equality, explains the reluctance of first-generation entrepreneurs to engage in conspicuous consumption. By contrast, having socialised in an already much more socially and economically differentiated context and living among a more diverse population explains why second-generation entrepreneurs hesitate less to engage in conspicuous consumption.

"We are all rural people": Consequences of the rural-urban divide for the social identities of X County's entrepreneurs

While distinct consumption behaviours have only emerged among the second-generation entrepreneurs, has self-identification as entrepreneurs also followed a similar pattern? In this section, I argue that, in both generations, the persistence of the rural-urban divide alongside wealth inequalities has resulted in very ambiguous self-identification patterns.

¹⁸⁴ Interviewee 5.

To this day, the rural-urban divide strongly shapes the way business owners see themselves and are seen by the local population. In terms of culture, tastes and lifestyles, the binary contrast between rural (associated with poor education and entrepreneurship) and urban (associated with higher education and white-collar jobs) stands out as the central dividing line within local society in X County. Rural-urban socio-cultural differences and inequalities are based on an administrative divide, which results from a household registration (*hukou*) system that has, since 1958, restricted the movements of the rural population towards cities. This divide has long been the main group identity marker in China and is still the major source of income and educational discrepancies (Sicular et al. 2007, Qian and Smyth 2008) within the country. As Martin King Whyte has highlighted: "the extraordinary status gulf between rural and urban residents in China — substantially a product of socialist policies and the practices and institutions of the Mao era — has left a legacy that has endured to the present. [. . .] there is still not much sign that rural origins are declining in salience in China today" (Whyte 2010:6). Moreover, the rural-urban gap is also a cultural one. As Yan Hairong (2008) pointed out, the rural population is thought of, by urbanites but also by rural migrants and residents themselves, as the polar opposite to the modern, civilised urban population. Rural people are seen as lacking "*suzhi*," a concept that evokes superior culture, taste, and manners. In the context of this "rural-urban caste system" (Whyte 2010), urban and rural populations are akin to what Weber has called a "status group."

In X County, "urban" does not necessarily mean living in large cities. As we have pointed out in Chapter 2, within X County, cadres, workers, and university students were historically non-rural *hukou* holders, whereas farmers and self-employed entrepreneurs were rural *hukou* holders. What is more, against the backdrop of a continued rural-urban divide, entrepreneurs born in the countryside usually remain tied to their rural background, while young graduates and white-collar employees most commonly leave the countryside, settle down in county seats or cities, and eventually take an urban *hukou*.

Within X County, the contrast between urban and rural *hukou* holders has historically fostered tensions, as some entrepreneurs recalled. A business owner, for example, told me: "*I went to a private school in the county seat [. . .] Back then there were two groups of people: rural people and children of cadres, and we would*

fight with each other. [. . .] Now the economy determines your value. Whether you are an employee or not, what matters is that you can achieve your value; we don't differentiate anymore between rural and urban."¹⁸⁵ Even though tensions between urban and rural people have mostly abated, many interviewees insisted that the rural-urban divide persisted to this day, and will persist in the future, no matter how successful they are. An interviewee argued that: "*rural people will always be rural people.*" Another explained that: "*the children of rural people will be rural people.*"

This has had deep consequences, for both generations, on their sense of belonging. "*We are all the same, we are all rural people,*" a first-generation entrepreneur insisted when asked about differences between them and local villagers.¹⁸⁶ Another first-generation entrepreneur explained that: "*we are all one family,*" referring to his belonging to the same extended family (*jiazu*, 家族) as fellow villagers.¹⁸⁷ Business owners who were formerly from a poor rural background therefore felt a solidarity towards the local community with which they grew up. They also still felt bound to the traditional respect due to elderly villagers, which would make any ostensible differentiation appear excessively pretentious.

Because they lied on the same side of the rural-urban divide, first-generation entrepreneurs frequently emphasised the cultural and emotional proximity that tied them to the local population. As one business owner told me: "*I see myself as a small boss. [. . .] But I will never escape being rural. Whatever happens, I will always be rural.*"¹⁸⁸ Another explained that:

*"We can only say that among rural people, we are slightly more successful. But we remain rural. No matter how successful we are, we cannot forget that we were born rural. All we can do is make our family a bit better off. Then when we reach a certain level, we will think about helping others, because we are all born in poverty."*¹⁸⁹

¹⁸⁵ Interviewee 27.

¹⁸⁶ Interviewee 26.

¹⁸⁷ Interviewee 5.

¹⁸⁸ Interviewee 14.

¹⁸⁹ Interviewee 26.

Another interviewee explained that: *"I think of myself as a villager, as a peasant from the village. In my old age, I do not want to leave the village. [. . .] At least, I will not leave the county. Because my social circle is here."*¹⁹⁰ The feeling that predominated among the first-generation of entrepreneurs was that of a commonality between themselves and their fellow villagers, based on their common identification as rural. During interviews, many entrepreneurs from the first generation went to great lengths to explain that they did not perceive themselves as different or superior on the basis of their business success. One entrepreneur explained: *"We are still equal. We never felt that we were better than ordinary people. When we go back to our village, we talk and laugh with other villagers, they would never see us as bosses, and I have never felt that way either."*¹⁹¹

Among the second generation of entrepreneurs, the rural-urban gap has not disappeared as a factor shaping their sense of identity. Because both lines of identification coexisted, the dual situation of entrepreneurs, as both rural villagers and wealthy businesspeople, has also fostered ambiguous and contradictory perceptions of their own identity. On the one hand, second-generation business owners enjoyed a certain prestige in their community and saw themselves as more successful than ordinary villagers. On the other hand, because of their rural background, they could not help but feel very different from China's largest entrepreneurs, mostly urban, and compared to whom they could not be considered successful. Many young interviewees, for example, insisted that they could not consider themselves successful when compared with these largest entrepreneurs. A business owner, for example, told me that:

*"I do not think I am successful, but I have not failed either. I have got to this point, whereas many others have not [. . .] But if you compare with big companies, then we cannot be considered successful. [. . .] There are no very rich people in this industry."*¹⁹²

¹⁹⁰ Interviewee 13.

¹⁹¹ Interviewee 20.

¹⁹² Interviewee 5.

For both generations, differences between entrepreneurs and non-entrepreneurs, therefore, were seen as secondary compared to rural-urban differences. The latter, rather than the former, was the most common basis for social identification in X County. Entrepreneurs, whether they have remained or not in the village, were considered as likely to still identify with the local community, and to keep a very close contact with rest of the village. *"People who do business,"* I was told, *"usually come back for the end of the year."*¹⁹³ By contrast, interviewees insisted that employees who took an urban *hukou* *"do not come back, because their parents are not here anymore, they have not kept in touch with us, they do not even know where their home is."*¹⁹⁴ As another interviewee explained: *"We do not interact much [with people who took an urban hukou], and we don't really understand each other [. . .] If someone is an employee, he will work outside [of the county], and he will not come back often."*¹⁹⁵

The comparison with China's biggest entrepreneurs bears evidence of the nationwide propagation of stories, images and role models which shape what people consider success. Among the entrepreneurs' community, business idols were usually nationwide tycoons such as Huawei's CEO or real estate magnate Wang Jianlin. As one second-generation entrepreneur told me: *"We admire Wang Jianlin. Of course, we cannot accomplish the same, but he is our idol."*¹⁹⁶ Another explained: *"The company we admire most is Huawei. [. . .] Because Huawei led their employees to wealth."*¹⁹⁷ Another entrepreneur expressed his feeling that: *"I am not successful. I think people like Li Ka-shing [a Hong Kong business magnate] are successful. If I compare myself to them, I cannot say that I am successful."*¹⁹⁸

Compared to these images of the most successful urban entrepreneurs, business owners in X County expressed feelings of inferiority. Even when they had regular contacts with their urban counterparts, rural X County entrepreneurs often

¹⁹³ Interviewee 29..

¹⁹⁴ Interviewee 17

¹⁹⁵ Interviewee 28.

¹⁹⁶ Interviewee 10.

¹⁹⁷ Interviewee 9.

¹⁹⁸ Interviewee 25.

mentioned feeling less competent and less sophisticated. As a young interviewee explained:

"[Entrepreneurs from the city] are different from us. For example, in Shanghai, they adapt to new things faster than us. If I stay in my county for six months and then I go to Guanzhou or Shanghai, I feel like a frog at the bottom of the well, because the things we saw changed too fast. So sometimes when I go to Guangzhou, people make fun of us. They ask: are you coming here to charge your batteries? [. . .] I think being born in the countryside, our world is very small, our thinking is also narrow."¹⁹⁹

But when taking the point of view of the local population and comparing themselves to fellow villagers, entrepreneurs expressed the feeling that they had gained a higher status in the eyes of villagers. As a first-generation interviewee explained:

"In the countryside, we evaluate people based on their wealth. (...) If you are an ordinary employee or civil servant, of course it is not as good as being a businessman. Cadres think they are a bit better than entrepreneurs, but in the eyes of ordinary people their status is not as high as entrepreneurs. (...) But if you are a higher-level cadre and you have more power then of course you are higher than an entrepreneur."

The local and national perspectives therefore coexisted in most entrepreneurs' accounts. A conversation between two second-generation businessmen revealed the contradiction between success seen through local lenses and through national lenses:

A: I don't think that I am successful. But of course, I will strive to make [the company] strong and successful in one- or two-years' time.

B: If I can interrupt you, when you say you are not successful, you are being modest. [Turning to me] He says that because he has very high expectations.

A: [Turns to me, proudly] Compared to other villagers, of course, I can proudly tell you that if you take the fifty families of my village, and if they each have five, six-room, or even ten-room houses, if you add all their houses,

¹⁹⁹ Interviewee 9.

*I would still have more real estate than them, both in terms of surface area and of value.*²⁰⁰

This interview illustrates the superposition of identities and the contradictory feelings that resulted from them. Identities as entrepreneurs and as villagers coexisted, giving rise to contradictory feelings of modesty and proximity on the one hand, and competition and pride on the other hand. Perceptions of oneself as belonging to the wealthy elite of local society clashed with self-perceptions of being small and rural, in a society dominated by large urban companies. These identities and feelings played out in a context of a rapidly changing social and economic context, which further increased the uncertainty and ambiguities that surround local entrepreneurs.

Wealth and cultural capital

This section now turns to education and examines, for each generation of entrepreneurs, whether wealth and cultural capital have converged to shape their identities and lifestyles.

Local collective memories of entrepreneurship have widely propagated the idea that entrepreneurs are not educated. One entrepreneur, a close friend and neighbour of Wang, told me: *"You may have noticed that [Wang] is not an eloquent speaker. His speech does not follow logic. He is a representative of the car parts industry."*²⁰¹ Education was seen, among the first generation of entrepreneurs, as characteristic of urban society and antithetical to their own aspirations and abilities. This feeling of inferiority resulting from both a rural status and lack of education matched a certain contempt expressed by some cadres and urban *hukou* holders, who insisted on the entrepreneurs' low education, highlighting their ignorance, little culture, and low "suzhi" (素质, quality). As one entrepreneur told me: *"employees are different from us [. . .] They think they are superior. [. . .] because they are educated."*²⁰²

²⁰⁰ Interviewee 27 and colleague.

²⁰¹ Interviewee 6.

²⁰² Interviewee 6

To some extent, this observation confirms what has been observed by Carolyn Hsu in Tianjin (Hsu 2006). She observed that between *getihu* (petty entrepreneurs) and private businessmen (larger enterprise owners), there existed a "gulf between the 'haves' and 'have nots' in terms of human capital," with a "conceptualisation of occupational status based on the rhetoric of *suzhi*" (Hsu 2006:20). In contrast to Tianjin, however, in X County, almost all first-generation entrepreneurs started as enriched "*getihu*," rather than as "*xiahai*" (下海, former cadres who started their own businesses). Within local society, the hierarchy of wealth that has emerged was almost completely separate from the existing hierarchy in education and cultural capital, which was associated, instead, with the rural-urban divide. In other words, the situation in X County confirmed Weber's theory that "class" (based on market positions) does not necessarily overlap with "honour status" (often inherited, and mostly based on cultural distinction).

As a result, income hierarchies resulting from market competition, and cultural hierarchies, resulting at least partly from the rural-urban divide, provided competing sources of social recognition, and fostered complex combinations of feelings of pride and a sense of inferiority among entrepreneurs. Very often, the latter was most important in shaping entrepreneurs' sense of identity.

Indeed, doing business was seen, by many the entrepreneurs, as a second choice for those who could not get a better education. For example, an interviewee explained that: "*If you do not have education, you can forget your dream of being a cadre. [...] You see, my son did a few years training in the army. When he came back, he started doing business. Of course, what could he do if not business?*"²⁰³ Another business owner told me:

"I don't know how other people think, but I feel that our work pressure is very high, and maybe it's because we don't have an education. There are things that [a more educated person] would have solved easily, but our brains need a lot of effort to work it out. It is a problem when you do not have a proper

²⁰³ Interviewee 14

*education. [. . .] There is certainly a gap [between us and more educated people]. We don't have very high-level management knowledge."*²⁰⁴

This mindset is likely shaped by Confucian values in which formal education and official positions are prized above the making of money. Indeed, many of my interviewees mentioned the influence of Shandong (a few kilometres away), the traditional centre of Confucian ideology, in shaping X County people's appreciation of formal education and administrative positions.

Having suffered from their own lack of schooling, many first-generation entrepreneurs have heavily invested in their children's education and expressed the hope that their children could accomplish the studies they could not. For example, a businessman explained:

*"I hope my son does not follow my path, I want him to study [. . .] Because to be honest, I still think education is the only way forward."*²⁰⁵ Another interviewee explained that: *"In this environment, my first investment was in my kids going to school and buying an apartment [. . .] because as soon as my kids started going to school, I sent them to the city. [. . .] They did their elementary school in the township, but I sent them for middle and high school to the city, to give them a better environment. [. . .] I care a lot about my children, maybe because of my father's influence [. . .] but I think many people around here do not care about the education of their children [. . .] They think education is useless, because after you graduate from university you can only earn a few thousands RMB as an employee, that it's not as good as doing business."*²⁰⁶

Among the interviews for whom I have information on their children's occupations; and whose children are 18 years of age or older, 55 percent (18 children) had studied at a university or vocational college level, while 33 percent had only studied until middle school (junior secondary: 初中, *chuzhong*) (Table 6).

²⁰⁴ Interviewee 10

²⁰⁵ Interviewee 10.

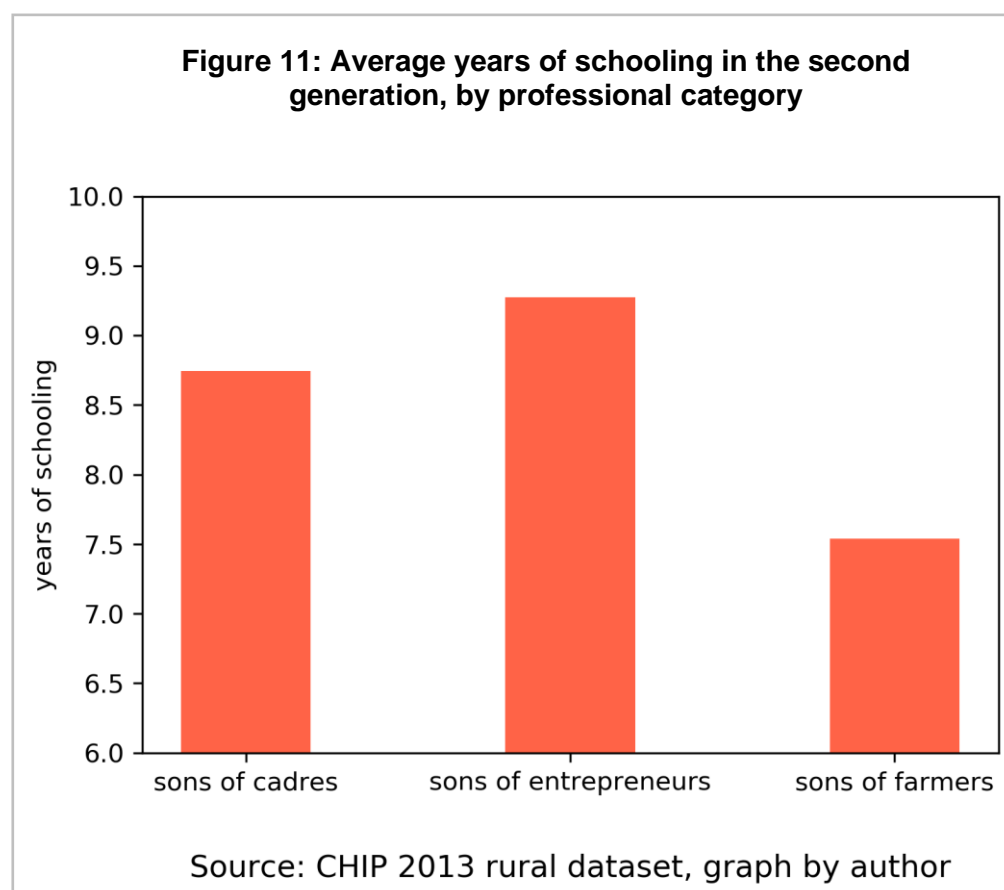
²⁰⁶ Interviewee 9.

Table 6 - Educational attainment of daughters and sons of entrepreneurs

Gender	University or vocational college	High school	Middle school
Daughters	11	0	4
Sons	7	4	7
Total	18	4	11

Source: Interview with author, 2018-2019

Although I have not been able to quantitatively compare the education of entrepreneurs' children to that of the rest of the population, the CHIP (Chinese Household Income Project) rural survey of 2013 indicates that children of rural entrepreneurs, nationwide, are more likely to have studied at a high level than children of rural cadres or rural farmers (Figure 11).

Figure 11 - Average years of schooling in the second generation, by professional category

In addition, my interviews showed that entrepreneurs' children's occupations were very strongly linked to their education. As shown in Table 7, among the 18 children with an education above high school (senior secondary: 高中, *gaozhong*), only two sons were doing car parts business, and two daughters were doing business in another industry with their husbands. By contrast, among the 15 children with an education at or below high school level, all were in the car parts business except for two: one (a daughter) was a factory worker, and another one (a son) was a soldier.

Table 7 - Occupation of daughters and sons of entrepreneurs

Gender	Entrepreneurs	White collar employee jobs	Others	Still students
Daughters	5	8	1	1
Sons	11	1	1	5
Total	16	9	2	6

Source: Interview with author, 2018-2019

These simple statistics shed light on the existence of two distinct professional paths for the children of businesspeople. They could either work in the same industry as their parents or go to university and become white-collar employees. A higher education was not considered necessary for doing business. As an interviewee explained: "*If [my son] agrees to keep studying, it is better. [. . .] If he is not good at school, then I will let him take over the business.*"²⁰⁷

Tables 6 and 7 also show that the entrepreneurs' children's occupations were heavily gendered. Daughters were much more likely than sons to have a university or vocational college education. In my interviews, business owners expressed different expectations towards their sons and their daughters. For example, an interviewee told me that: "*I told my daughter to study well at school. I hoped she would leave the countryside [. . .] Because life is too hard for women in the countryside. [. . .] But I hope my son will take over the business.*"²⁰⁸ This confirms Osburg's observation about the "masculinisation" of private business in China (Osburg 2008).

²⁰⁷ Interviewee 20.

²⁰⁸ Interviewee 14.

Despite entrepreneurs' general investment and interest in their children's education, many of my interviewees felt helpless and expressed the sentiment that they failed to properly educate their children. Some business owners expressed regret and remorse for not having encouraged and supported their children in their studies, as this interview reveals:

*"To tell you the truth, my oldest son stopped school at the age of 12, he didn't want to study anymore. I was busy doing business and I was not there to raise my kids. My wife has no education and did not know how to raise children. [. . .] I do not have much education either, but I value education and I wanted my son to have good grades at school. [. . .] I wanted him to go to an experimental school in X County. [. . .] It was cruel, he did not want to go, he would be at the entrance of the school, holding our hands, his mother was crying, I would also shed tears. [. . .] After three times there he would rather die than go back to school."*²⁰⁹

The son later changed schools several times and eventually managed to graduate from high school and to be accepted into a vocational school.

As a result of poor education, many rural business owners feared that their children would be left out of the future growth in China. As one business owner, whose children had not attended university, lamented: *"I think the future of China belongs to educated people."*²¹⁰ However, other entrepreneurs took the opposite stance and expressed their contempt towards education, while taking pride in their wealth-based status. One entrepreneur, for example, explained that: *"Education is not important. Look, I earn more than you with all your education. [. . .] I do not want my children to go to university. It is useless."*²¹¹ Another recalled that: *"Once we started doing business, we did not tackle education. [. . .] Since my daughter is an employee [in a company], I hope my son does business like me"*²¹² His daughter had difficulties at school as well. He added: *"When she was in second grade of high school, I told her to stop studying. She didn't listen."*

²⁰⁹ Interviewee 28.

²¹⁰ Interviewee 10.

²¹¹ Interviewee 43.

²¹² Interviewee 22.

By arguing that education was not valuable, these entrepreneurs reversed the traditional value system prizing education over the making of money. They refused the cultural hierarchy of formal education and urban "*suzhi*," while affirming the income hierarchy that results from market competition. In a sense, the nascent market hierarchy in X County provided entrepreneurs with an alternative hierarchy, which they affirmed in reaction to the dominating influence of both urban culture and higher education. Like the lads in Paul Willis' *Learning to Labour*, some of X County's entrepreneurs rejected the legitimacy of formal qualifications, prizing instead business prowess as more legitimate and more desirable (Willis 2017).

This reversal in value hierarchies entailed a depreciation of salaried jobs and waged labour in comparison to an entrepreneurial status. For example, I was told that: "*Before, employees would despise us, but now they are not as good as us. [. . .] Sometimes they earn as much in a year as we do in a month.*"²¹³ Another reason of pride was the relative freedom entrepreneurs enjoy compared to urban employees: "*We are free, right? And employees do not have money.*"²¹⁴ Sometimes, being an employee was even equated with working as a casual labourer, as an interviewee pointed out: "*Now being an employee (上班, shangban) is like being a migrant worker (打工, dagong).*"²¹⁵

These feelings were not unanimous among entrepreneurs, and different feelings sometimes coexisted within one individual. They resulted from the inherent contradictions of holding different social positions in two scales of values (education and wealth) that did not overlap. In this regard, I observed similar dispositions in the two generations of entrepreneurs. Among second-generation entrepreneurs, attitudes toward education were similar to those of first-generation entrepreneurs. Despite their growing differentiation in lifestyle and consumption, there was still a widespread and unchanged belief among the young generation that businesspeople were uneducated. Here is a further extract from my fieldnotes about a dinner with a self-employed friend and two children of wealthy entrepreneurs:

²¹³ Interviewee 22.

²¹⁴ Interviewee 22.

²¹⁵ Interviewee 17.

All three participants insisted that the difference between them was not a matter of education. Although Xiaolin had a bachelor's degree, both my friend and Xiaolei had graduated from high school. Xiaolei joked that the only "cultivated" (you wenhua, 有文化) persons at this table were me, and to a lesser extent, Xiaolin.²¹⁶

I have also observed an almost-unanimous perception that children of entrepreneurs did not do well at school. Often, people explained that this was because entrepreneurs' children were wealthy and did not feel the urge to study and escape poverty. As one interviewee explained: "*Poor children are the best students. [. . .] Children of entrepreneurs give up too easily because they do not need an education.*"²¹⁷ The popular perceptions were that children of entrepreneurs were lazy and preferred wasting their parents' money instead of studying. Li, a 36-year-old employee, for example, recalled that:

"At university, one of my classmates was very rich [. . .] His parents were very rich entrepreneurs. He did not learn much at university, he only had fun, went travelling with his girlfriend, went shopping, and so on. For us it was not possible, we could not afford that. We had to stay in the dormitory and read our books. We rural kids study our way out of the countryside."²¹⁸

Such perceptions perpetuated the existence of two distinct stratification lines within rural areas: a cultural hierarchy, alongside but not overlapping with, an income hierarchy. Entrepreneurs' mixed feelings about education show that the process of transforming economic capital into cultural capital has not occurred homogeneously in X County. While some entrepreneurs have invested in their children's cultural capital, others failed to do so, for lack of self-confidence in their children's educational capacities or confidence in their own economic situation.

This pattern has complexified in the recent decades. While the cultural hierarchy was originally thought to neatly coincide with the rural-urban divide, they have grown increasingly separate. This is because the growing influence of mass media and urban culture among the rural youth, observed by Yan Yunxiang, has enabled low earners to

²¹⁶ Interviewee 59.

²¹⁷ Interviewee 46.

²¹⁸ Interviewee 46.

emulate urban culture, thus providing them with alternative sources of pride and social status (Yan 1999). The propagation of mass consumption to the countryside has also enabled rural residents to emulate urban lifestyles and consumption patterns. In particular, returning migrants who have worked in big cities and have come back to their hometown could claim a closer proximity to urban norms and practices than many entrepreneurs who have stayed in rural areas.

In addition, higher education has risen in the 2000s as a major path to prosperity: the number of college graduates has soared in the last two decades, reaching more than 8 million in 2018. Although the massification of higher education has not necessarily led to more occupational opportunities for youth or opportunities for upward social movement, education in rural areas is considered a common path to lower-middle class positions (Mok 2016). As a result, many young people told me that positions as employees were preferred to entrepreneurship among the younger generation, both because they are considered safer and easier, and because they are seen as prestigious among at least a significant part of the population. Furthermore, those who preferred education to business often justified their choice by emphasising the lack of "*suzhi*" among rural entrepreneurs, while they put forward urban models and ways of life. As a young employee told me: "*In this society, lots of people have a very low quality (suzhi) [. . .] Especially rich people, men in particular.*"²¹⁹

New divergences were thus gradually appearing among the rural young generation, widening the gap between the ever-growing educated population and those who chose entrepreneurship. A successful entrepreneur, talking about his younger sister, highlighted the existence of such a gap, even within families: "*It is very difficult to communicate with her. We talk about business; she talks about classmates and about things we do not understand. She is not interested in business.*"²²⁰

The coexistence of these two hierarchies (education and wealth) has allowed for individual choice, by providing alternative sources of social status and social legitimacy. In that respect, people's sense of identity has become more complex, multi-factorial, and cutting across previous social stratifications systems.

²¹⁹ Interviewee 46.

²²⁰ Interviewee 43.

Conclusion

To answer the question raised in this chapter (how have China's rural-urban divide and wealth inequalities shaped the consumption patterns, self-identification and educational attainment of X County's entrepreneurs?), I have shown that the rural-urban divide has exercised a long-lasting influence over the formation of social identities, preventing wealth to emerge as a dominant factor, especially among the first generation.

The coexistence of two stratification systems — one based on the rural-urban divide, and one based on income success in the market competition — explains the absence of clear cultural differentiation between rural entrepreneurs and their fellow rural residents among the first generation. The strong impact of the rural-urban divide on consumption and lifestyle patterns can be explained by the early socialisation context of first-generation entrepreneurs and their social networks, to which moral norms first-generation entrepreneurs feel compelled to conform. Among the second generation, lifestyle and consumption patterns have diverged from those of the non-entrepreneur, but the rural-urban divide still shapes younger entrepreneurs' lifestyle and sense of identity. The coexistence of these two lines of identification leads to ambiguous and sometimes contradictory feelings and senses of identity.

The chapter's findings contribute two important modifications to Veblen's theory. First, conspicuous consumption is not inevitable among the first socially mobile generation in a modern society; and it is strongly conditioned by local social relations, values, and ideologies. Second, geographical scales also impact people's propensity to engage in conspicuous consumption. While Yan Yunxiang found that urban "*getihu*" show off their new wealth, rural entrepreneurs in X County do not (Yan 1999). The importance of wealth in shaping their sense of worth and identity is linked to whether they consider themselves in relation, or in comparison to a local community or a national one.

This chapter has also shown that, although some rural entrepreneurs try to transform their newly acquired wealth into meaningful cultural capital for their children, they often face difficulties and failure in doing so. This finding adds nuance to Bourdieu's theory, which points to an alignment of different forms of capital, whether social,

financial, or cultural (Bourdieu 1984). While Bourdieu's theory may be accurate at the national scale and in the long term, my research indicates that it may not hold at the local scale, and within the first two generations of a socially mobile population. In the local context, the case of X County's entrepreneurs illustrates Weber's theory that two social stratification scales (status and market) may coexist without necessarily overlapping.

Last, I have shed light on the complexification of social identities in the last two decades, and the emergence of competing sources of identification which have provided individuals with alternative sources of social status and pride, depending on their educational and life-path choices.

Chapter Six: A new professional ethos: E-commerce and business culture

I have observed in Chapter 5 that wealth has only gradually become central in shaping social relations between entrepreneurs and others in rural China. First-generation entrepreneurs have retained a great proximity to their fellow villagers and, instead of differentiating themselves from fellow villagers on the basis of wealth, have insisted on the similarity and the proximity that tie them together. But wealth is not the only line along which social identities are shaped. In this chapter, I look at another aspect of entrepreneurs' social identity: their professional values and practices as businesspeople. I address the following question: How have professional values and practices linked to the conduct of business shaped the social identities of local entrepreneurs?

To examine how the professional values and practices cultivated by local entrepreneurs have grown distinct from the rest of the population, I use the case study of online retailers in X County. Since 2014, the county government has tried to transform traditional industries by encouraging e-commerce. In 2014, the county built an e-commerce industrial park, completed in late 2016. In 2016, 63 of the 531 registered companies in the county had established e-commerce sales, with some local industries (car parts, small manufacturing) more involved than others (feather down, chemistry, real estate). Thousands of smaller, non-registered companies have also embraced e-commerce, selling their products on Taobao or other online platforms.

The focus on e-commerce allows me to shed light on recent shifts in the business culture and practices of X County's entrepreneurial population. Scholars have long characterised Chinese business culture in terms of "*guanxi*" (关系): a personal relationship in which "*ganqing*" (感情, feeling) and material obligation are linked together" (Kipnis 2002). Elaborating on this definition, Andrew Kipnis argued that Chinese people regularly engage in practices of "*guanxi* production," which "rely on strategic and more and less successful attempts to generate *ganqing* and manipulate obligations," and of "*ganqing* avoidance," in which the ways of manipulating

relationships do not rely on the generation of *ganqing*, and even avoid attaching feelings to the relationship.

Business in China is thought to be closely linked, on the one hand, to specific "*guanxi*-production" practices, creating and maintaining interpersonal ties through invitations, entertaining, and presents. On the other hand, the conduct of business is understood as reliant upon interpersonal networks based on traditional social structures, such as family and locality (Wilson and Brennan 2010, Buttery and Leung 1998, Davies 1995). The importance of *guanxi* in China is thought to have fostered the emergence of an ethics of brotherhood, loyalty, and patronage, which constitute the basis of personal morality and social status in China (Osburg 2008).

Despite some scholars hypothesising that the importance of *guanxi* would decline as the Chinese economy became more institutionalised (Brinton and Nee 1975, Gold et al. 2002, Guthrie 1998, Anderson and Lee 2008), other scholars have found that *guanxi* practices have endured throughout the reform period (Yang 2002, Opper and Nee 2012). The rapid development of online retailing, however, may alter how and with whom *guanxi* relationships are produced, and with what norms and practices they are associated. E-business networks can be more impersonal and geographically further reaching than traditional business networks. As a result, e-commerce business may not rely as much on interpersonal relationships based on local and family ties built around leisure activities and presents. The scholarly literature has therefore debated whether e-commerce business models challenge traditional social structures based on communal familiarity (Martinsons 2008).

To understand how the shifts in business culture and practices have impacted X County entrepreneurs' social identities, this chapter draws on a Weberian framework and rethinks business culture by employing the concept of "ethos": a shared set of values and norms, which provide the basis for collective self-identification within an occupational community (Swedberg and Avegall 2016). As Bernard Fusulier has observed, the concept of ethos allows sociologists to account for the articulation between the social (interactions and networks), cultural (collective significations and symbols), affective (feelings and desires) and ethical (norms and values) elements that structure occupational identity (Fusulier 2011). Business ethos, in this

understanding, is embodied in and intertwined with social structures, relationships and practices.

Based on that theoretical framework, this chapter argues that e-commerce has contributed to the emergence of a shared business ethos based on technical skills, quality, and professionalism, rather than the ability to build strong interpersonal ties. The chapter also shows that through these professional values and practices, a social differentiation has taken place not only between entrepreneurs and the rest of the population, but also among local entrepreneurs. It further suggests that changes in business culture were enabled by the emergence of geographically wider business networks, which cut across previous social divides.

The chapter proceeds as follows. The first section describes local business networks before e-commerce emerged in X County. In addition to the experiences of leisure and banqueting, it shows the importance of credit networks in the construction of strong interpersonal ties among members of the local business community. The second section shows that these local ties are challenged by the emergence of more impersonal, and geographically farther-reaching, client networks. Section three argues that this change in client networks has entailed important shifts in norms and understandings of the best way to conduct business, and in understandings of who is a typical successful entrepreneur. Last, section four discusses how the integration of X County's entrepreneurs into a farther-reaching business community, especially from South China, has influenced the formation of a new professional ethos.

Credit, feelings, and the formation of a local business community

"What quality best characterises a businessperson?," I asked dozens of business owners during my fieldwork. For most of them, the answer was trustworthiness rooted in interpersonal relationships painstakingly built over years of "*guanxi* production" practices and reciprocal loans and financial credit.

Much of X County's car parts networks originated from the key period in the late 1980s and 1990s, when private business emerged. Today's successful entrepreneurs often started out as pedlars, cycling around China in the 1980s, selling car parts

bought from a producer in Shandong, at a time when local markets were only just beginning to open up and when the transport system was still undeveloped. X County's car parts industrial chain now comprises about 500 large manufacturers, 12,000 wholesalers (established locally) and retailers or car repair shops (who have set up shops throughout China), and 15,000 locals who work in transportation, establishing a crucial link between producers and their final customers.

This whole industrial chain comprised the local business community. All members of this community, including large car parts manufacturers, wholesalers and retailers and car repairers, came from the same county. They had developed a local solidarity whereby manufacturers generally specialised in different car parts and therefore were not competitors; while wholesalers and retailers specialised in different geographical areas, and therefore did not compete with each other either. Aside from this, many of today's most successful local car parts business owners were from the first generation of local entrepreneurs, or their sons and daughters, and had known each other since then. In this context, developing strong relationships with fellow manufacturers, but also with wholesalers and retailers, was a way for local producers to obtain and maintain clients. Sales and business development were operated through personal relationships within the local business community.

Relationships in this business community were based both on geographical proximity among neighbouring villages, and on strong personal ties formed around feeling (*ganqing*), cultivated through reciprocal visits, dinners, drinking, and mutual help. As a business owner told me: *"In order to develop feelings with the client, we must visit him every year in his place."*²²¹ As another interviewee described: *"In order to do business, you have to spend a lot of energy to be trustworthy."*²²²

A third entrepreneur explained in more detail the process of "*guanxi* production" with clients:

"There is sentiment (ganqing) between us and the client. It is a personal feeling, right? [. . .] When we engage in a business, it cannot be just like that: I give you money, you give me a product. This kind of relationship

²²¹ Interviewee 26.

²²² Interviewee 5.

*cannot last long. [We must] invite them to a restaurant, but there is also reciprocal understanding, and with time it becomes feelings. [. . .] We call, we chat, and through chatting we develop a personal relationship [. . .] Now we all use WeChat. Before that, we used to call them. [Clients] were all introduced to us through connections [. . .] If a client comes that we have known a long time, and someone else has known him only recently, we call him and tell him to come and chat with us. They learn to know each other; maybe I need that car part they make, we communicate further, and slowly we develop an understanding [. . .] After some time, when the client comes, we go to a restaurant together, we drink, etc."*²²³

Entrepreneurs also formed "sworn-brother" (把兄弟, *baxiongdi*) relationships with close friends. Li, the only entrepreneur I have interviewed in the car parts industry who held an urban *hukou*, told me that *baxiongdi* "is a specific kind of relationship, that is, it creates a relationship like that of a brother [. . .] When you get along well, you can suggest to become *baxiongdi*."²²⁴ The relative-like relationship could not be added to existing family ties, Li explained: "You cannot be from the same *jiazu* (家族, lineage). For example, if your surname is both Yang, then you cannot become *baxiongdi*." As it replaced family ties, it also enabled friendships and connections with people from the opposite sex, as the interviewee explained:

*"Let us say that I have affinity with someone of the opposite sex. If I bring her home, my wife will suspect that our relationship is not normal, she will criticise me and break my leg, if not both legs [. . .] But if she is a *baxiongdi*, then we are like relatives, and my wife will not suspect that she is anything other than a relative."*

Baxiongdi was a very strong relationship, supposed to last one's whole life, and created through formal rituals:

"There are regulations: you both need to kowtow in front of each other in order to officially recognise the relationship [. . .] In principle, you have to

²²³ Interviewee 20.

²²⁴ Interviewee 27.

*go to your parents' home and ask for their approval [. . .] Both parents need to approve [. . .] There are also words that you have to read."*²²⁵

Business dinners to which I have been in X County often gathered close friends who had formed a *baxiongdi* relationship. These relationships were important connections for business and compensated for the lack of family connections. As an entrepreneur explained: "*After all, you only have a few relatives [. . .] but there is no limit to baxiongdi [. . .] and you can become like brothers or sisters.*"²²⁶ Locals would sometimes praise each other for having many *baxiongdi*; a sign of success and social skills. Successful entrepreneurs commonly had many more *baxiongdi* than their fellow villagers. Li told me: "*I have baxiongdi in Zhengzhou and Shandong. I have about thirty baxiongdi [. . .] And four female baxiongdi [. . .] I have a baxiongdi who is the director of X County's prison, one who is the deputy governor of ICBC in Henan.*"²²⁷

X County's business community was also held together by a dense mesh of indebtedness that ran throughout the economy. Businessmen regularly borrowed and lent each other money, in the form of temporary loans, trade credit or investment in each other's businesses.

In rural China, like many developing countries, a significant part of small business financing has been undertaken by informal financial markets, held together by interpersonal social networks. The collapse, or the commercialisation, of rural credit cooperatives which were at the core of the rural credit system in 1978, as well as the inability of the Agricultural Bank of China (ABC) and Agricultural Development Bank of China (ADBC) to provide credit to rural residents, accentuated this trend during the post-Mao period. In X County, until recently, entrepreneurs could not obtain a bank loan unless they benefited from connections with local officials. As an entrepreneur explained:

"It was possible to get loans. But loans are limited, right? When you just start, you cannot receive too much in the way of loans, because they don't know if

²²⁵ Interviewee 27.

²²⁶ Interviewee 30.

²²⁷ Interviewee 27.

you will be successful or not, they don't dare to give you too much [. . .] Back then, we only took a very small loan, my business partners and I. Some businessmen took much bigger loans, they went through guanxi, because you needed a mortgage [. . .] But even if you have a mortgage, if you don't have guanxi and they don't trust you, it doesn't work [. . .] And in the countryside, where could you get a house property certificate to use as a mortgage? There was no such thing [. . .] The bank just wanted to make sure that if you go bankrupt, they won't lose money [. . .] So they used guarantees [. . .] And for that you had to know people, if you didn't they wouldn't trust you. Back then, mortgages were very scarce, now it's increasingly common."²²⁸

The scarcity of funding and the difficulty of getting loans from the bank explains why entrepreneurs would borrow money from their relatives and friends, especially in the early decades of the post-Mao period. Starting a business with credit from local informal networks was often the only option for local entrepreneurs before they could prove strong enough to get loans from the bank. As an X County business owner recalled:

"Back then, it was not easy to get loans [. . .] But I didn't [use guanxi]. When you had built your factory, the bank would come to inspect. They would give you fifty thousand at first, and you had to repay every month, including the interest [. . .] The conditions were that you already had a small factory; once they saw that the factory was built, that you had the facilities and all, and they saw that you had suppliers and clients, they understood that your business was viable and they agreed to lend you money."²²⁹

Furthermore, while informal credit in X County was characterised by very high interest rates, often two to three times higher than bank interest rates, bank loans also implied heavy hidden transaction costs in the form of petty corruption, which was indispensable in obtaining credit. An entrepreneur, for example, told me that:

"Before, to get loans, we had to drink, to become friends with the bank employees or the bank director, we relied on relatives, on guanxi, on good

²²⁸ Interviewee 18.

²²⁹ Interviewee 17.

friends: I go to your place, I give you two roasted chicken, at festivals I give you some pork meat, so you can lend me a bit of money. [. . .] So we relied on relatives and classmates, right? [. . .] We asked relatives and friends: you have a bit of money, lend it to me for a while [. . .] We would all reimburse, it was just a question of time. Back then, nobody had money, and you know the Chinese saying: only your relatives can really trust you."²³⁰

Another entrepreneur recounted a similar strategy of creating *guanxi* with bank employees in order to access credit from the bank:

"You need to give them presents if you want to get a loan, right? [. . .] The first time we took a loan, it was at the Rural Credit Cooperative, it was rather early. You had to use guanxi, to rely on someone you know [. . .] An uncle from the village took me to the bank, his dad had a loan there [. . .] When they saw him, they gave me thirty, fifty-thousand [. . .] It's by doing that, little by little, by giving small presents at festivals, that I took bigger and bigger loans. After that, I met the leader of Y. township, who was also the director of the Rural Credit Cooperative, and it was just like that, sending presents, using guanxi."²³¹

These transaction costs were compounded by risks resulting from the excessive power held by bank employees over debtors. To many entrepreneurs, bank institutions appeared rather arbitrary and could easily turn against them. As an interviewee explained: *"Once you have invested, if the bank wants to keep supporting you, that's good, if it doesn't want to support you, the chain of capital is broken, and you can't keep going [. . .] They can give you success, or make you fail.*"²³²

Rural fiscal reforms, introduced as Beijing stepped up its poverty alleviation efforts in the 2000s, have played an important role in making credit more accessible to rural residents. Many entrepreneurs told me that getting a loan had become much easier in recent years. *"Back in the 2000s, it was a bit difficult,"* a business owner told me. *If*

²³⁰ Interviewee 25.

²³¹ Interviewee 28.

²³² Interviewee 22.

you didn't have someone you knew, they wouldn't give you a loan [. . .] These few years, it's been easier.²³³" Another one argued: "[Now] it's easy, our policies are good, Xi Jinping said banks should give us loans if we need money, we just use our hukou and ID and we can get loans."²³⁴

However, easier access to funding has not resulted in the disappearance of informal credit practices, and formal and informal channels of funding still coexist today. Almost all the businesses I have interviewed had both bank loans and informal credit, even though bank loans tended to outweigh informal credit. The analysis of open court judgements online in X County also revealed that, in X County, informal credit was one of the most frequent causes of litigation, with hundreds of cases.

Trade credit was the largest form of monetary transfer that linked sellers (producers) to their clients (wholesalers and retailers). Usually, as an interviewee explained, those who owe money are *"those who buy products from us. They have a bad capital turnover and need money temporarily."*²³⁵

Another type of credit within the business community was mutual help between local producers. Manufacturers regularly borrowed and lent each other money, usually temporarily, as a business owner described: *"It's mostly temporary lending, for one or two days, it's not for a long time. This is quite common, temporary borrowing when we are short on money."*²³⁶ The same business owner then explained: *"It is mutual help. If someone needs it, we adjust. It is all temporary. [. . .] I haven't counted [how many people still borrow from me], perhaps eight or ten."*

These networks of debt and credit were local: typically, they only operated within the limits of the County. Clients from outside would not resort to such practices: *"People from outside,"* I was told, *"don't owe us debts, because they're not close to us. Those who owe us money are all from here, all friends. We cannot refuse."*²³⁷ Credit networks were also mostly industry-based. The same entrepreneur insisted that: *"We*

²³³ Interviewee 16.

²³⁴ Interviewee 25.

²³⁵ Interviewee 6.

²³⁶ Interviewee 20.

²³⁷ Interviewee 16.

borrow from people in our industry. Usually we don't go to people from outside [the car parts industry]."

Credit networks introduced interdependence between actors: Clients were dependent on sellers to give them credit, and sellers depended on clients to buy their products. Failure of one party would equally bring down the other party. As a businessman recalled: *"If you don't give credit, you can't sell; but if you do, it's hard to get your money back."*²³⁸ These networks also effectively distributed risks among the members of the local business community.

To a certain extent, informal credit was as much a strategy to create *guanxi* as a response to a lack of funding. An entrepreneur, for example, explained to me how lending money was used to create and maintain *guanxi* relationships:

*"I know you; I like you; I help you; I lend you ten yuan, that's guanxi. [Inviting someone to a restaurant] is not necessarily the best way to [create guanxi], because you cannot exchange it. You cannot say: 'I invited you to a restaurant, now please lend me money'. That is not how it works [. . .] If you have money, I will build guanxi with you, I will trust you, and I will lend you money."*²³⁹

These *guanxi*-production and credit practices, together, have shaped the norms, moral expectations, and interpersonal relationships which underpin social differentiation and the formation of distinct social groups within the County. Indeed, it is through their sense of belonging to a shared set of networks that X County's businessmen have grown increasingly apart from the rest of the community.

For example, even though workers often came from the same villages or townships as business owners, they were not included in the same credit networks. Several business owners explained that borrowing money was characteristic of entrepreneurs, in contrast with their workers. As a businessman explained to me: *"Workers don't borrow money, you give him a salary and that's enough."*²⁴⁰ Another argued that: *"Very few workers borrow money from us [. . .] Maybe they*

²³⁸ Interviewee 13.

²³⁹ Interviewee 38.

²⁴⁰ Interviewee 12.

don't need it, because their lifestyle is different, and it is adequate to their salary. Some workers even save money."²⁴¹ On the contrary, while workers did not usually borrow money, they regularly invested in their bosses' companies. As a businessman explained to me: "*[Workers do not borrow], they invest, they choose not to take their salary and instead they invest it in the company.*"²⁴² He added that: "*All our money came from fellow villagers. [. . .] They put their money in my factory, and I give them interest. [For them], it is like investing, we give them interest, but they don't intervene in the company management.*"²⁴³

In another example, a 2016 court decision from the county's tribunal judging a loan dispute featured this rather surprising argument:

"The defendant Li admits that he borrowed 20,000 yuan from the plaintiff, and if the receipt mentions an agreement on the amount of the interest, then he acknowledges it. When he borrowed money, it was because the plaintiff came to find him and asked him to put money in his company. Now, even though the defendant has gone bankrupt, he will reimburse the money within five to seven years. However, given the present difficulties of the defendant, he requests that he does not have to pay the interest."

In practice, although they may borrow from family or friendship networks for housing, education, or marriage ceremonies, for example, workers did not participate in the same credit networks as business owners, thus allowing for the emergence of distinct social networks.

Like credit relationships, strong *guanxi* relationships, several interviewees told me, were what differentiated business owners from their workers. Workers were described as people who were unable to create *guanxi* relationships — for lack of time, effort, or skills. This was overwhelmingly the explanation that entrepreneurs gave me when I asked why they thought that workers, once they had accumulated capital and knowledge, would still not be able to start their own business.

²⁴¹ Interviewee 6.

²⁴² Interviewee 20.

²⁴³ Interviewee 20.

Guanxi-production and credit practices thus reinforced cohesion and a sense of belonging in the local business community. They resulted in a community of interest, as much as a community of feelings. "These people," a local entrepreneur explained, "are businessmen, but we feel that they're also friends, because they've helped us in the past, and we must be grateful, so we will help them in return."²⁴⁴ However, belonging to the community could not be taken for granted. Not only did it require substantial effort and investment; it was also a community from which one could be easily excluded if debts could not be paid back. In that case, entrepreneurs lost their reputation and became isolated from the business community. Dozens of interviewees described the fate of clients or colleagues, who lost the trust of their lenders, went bankrupt, and were forced to go back to working in factories or, sometimes, to flee the county.

Often, bankruptcy was as much the cause as the consequence of a rupture of credit relationships. The solidarity, mutual help, and interdependency that tied the business community together were not unconditional. As much as there were feelings and obligations involved, credit was first and foremost an investment, in which risk should not outweigh profit. Therefore, very often, being suspected of having business difficulties was enough to lose the financial support that one would need to weather these difficulties. As a business owner explained:

*"Regarding bigger loans, now I think that we can help [fellow entrepreneurs] if they have difficulties, but if it's risky we do not want to do it [. . .] Perhaps at that moment, they have problems, the bank doesn't want to give them money, and they will be unable to pay back. They are very good friends, but if you help them, they will not pay you back [. . .] So we think that we must help them when they have problems, but we cannot help if they are in great trouble."*²⁴⁵

Thus, local business networks were created through an ongoing process of inclusion and exclusion, which allowed for both upward social mobility through cultivating *guanxi* with wealthy entrepreneurs, and downward social mobility because of insolvency or exclusion from credit and leisure networks. To use concepts developed

²⁴⁴ Interviewee 12.

²⁴⁵ Interviewee 9.

by Kipnis, these networks were created through a dual strategy of "*guanxi* production" and "*guanxi* avoidance" (Kipnis 2002).

Through this process of social differentiation, the qualities and skills linked to leisure and credit networks became increasingly naturalised: Instead of describing relationships, they came to describe intrinsic individual qualities. Successful entrepreneurs, who were more able to repay loans and to sell better quality products, were considered as intrinsically superior and more trustworthy. As a business owner told me: "*Wealth inequalities are the result of trustworthiness [. . .] For example, if people borrow money from you and give it back within two days, they are trustworthy. So you can assess the value of a person by his trustworthiness [. . .] If you have money, I will lend you some, if you don't have money, I will not lend you money.*"²⁴⁶ Another entrepreneur explained that: "*Small companies are not like big companies. Big companies have a notion of trust, which makes people trust them. But why are Chinese people often seen as dishonest profiteers? Because the bosses of small companies are often dishonest profiteers.*"²⁴⁷ This exemplifies how, in an industry chain that mostly consists of local sellers and clients, trustworthiness is equated to business success.

Entrepreneurs in X County commonly believed that having a large social network was not the result of someone's inherited position in society but reflected on one's individual skills. "Being a successful entrepreneur" meant "being good at creating *guanxi* relationships" — a quality much discussed in people's assessment of other individuals' merits and qualities. As an interviewee explained to me: "*You must know that in China, without honesty and trust you don't have anything. It represents the quality of a person.*"²⁴⁸

Across China, generally, the words used to describe trust and trustworthiness illustrate the interconnection between trust relationships, reputation, and moral quality. *Xinyong* (信用, credit) and *xinren* (信任, trust) describe a relationship, a sentiment of trust that is reciprocal and mutual. *Xinyu* (信誉, reputation) describes something exogenous, depending on the evaluation of society, while *chengxin* (诚信,

²⁴⁶ Interviewee 6.

²⁴⁷ Interviewee 26.

²⁴⁸ Interviewee 22.

trustworthiness, integrity) denotes a quality that is much more endogenous, depending on someone's own character. In the discourse of X County's entrepreneurs, these words were often linked in the same argument. For example, one entrepreneur argued that: *"Reputation (xinyu) is the most important; if you don't have reputation, you don't have anything, right? We rely on trust (xinren) to do anything. Those who are not trustworthy (chengxin) have long gone bankrupt. We have been doing this for more than twenty years and we have clients that have followed us all along these twenty years."*²⁴⁹

Overall, the economy of obligation built through credit and personal relationships has progressively delineated the contours of distinct social groups. Particularistic and local-based ties, and the skills, norms, and qualities they embody, have become the basis of a shared business ethos.

E-commerce changes local guanxi-based networks

While this business culture has permeated local society, there are signs that amongst business owners in X County, e-commerce is associated with new values, new models of business culture and new images of the typical successful entrepreneur.

Entrepreneurs showed a reluctance to engage in personal relationships with local clients and presented e-commerce as a way to avoid the trouble of maintaining their *guanxi*.

Indeed, beneath the veneer of local solidarity, local business owners have grown increasingly cognisant of the systemic risks brought about by credit dependence on each other. In the last two years, a business owner explained, several companies have faced bankruptcy because they had guaranteed bank loans taken by other businesses. The pitfalls of this practice, which has been very widespread until recently, have raised awareness regarding credit interdependence in the local business community. *"We cannot help each other anymore,"* a local entrepreneur concluded, *"even if our relationships are very good. It is too risky."*²⁵⁰

²⁴⁹ Interviewee 26.

²⁵⁰ Interviewee 25.

Trade credit is also the object of increased reluctance to incur debt. Many companies have been pushed to bankruptcy because of trade credit that has never been repaid. The interdependence of companies throughout the industrial chain increases the risk of a general collapse of local industry. But pulling out of credit networks is difficult, and sometimes impossible. As an interviewee explained: *"Part of [this credit] is easy to get paid back, but part of it is difficult [. . .] "Some have difficulties in their business; some have gone bankrupt, so it's impossible to get our money back."*²⁵¹

In addition, many business owners expressed strongly negative views of *guanxi*-production practices, which involve heavy drinking, smoking, and going out, complaining these are excessive and inconvenient social obligations. An interviewee from the first generation of X County's entrepreneurs explained his reluctance to engage in such practices of *guanxi* production: *"We have a lot of business entertainment, but now we're all a bit reluctant to bring clients to restaurants. As a businessman, you often have to go out and drink alcohol, it is hard to avoid. [. . .] In Northern China, if you do not drink, your social network will not be large, because people love to gather together to drink. [. . .] So, I still have a lot of these events, but it annoys me."*²⁵²

Such practices are very expensive. As a local entrepreneur explained: *"When clients come we must eat, drink, plus the personal loans, the interests, the rent, you have to count all this."*²⁵³ In this context, reducing ties to the local community and increasing trade with outsiders — people who would not demand credit favours and with whom there is no strong feeling attached — is seen as a solution. An interviewee, for example, explained that:

"Doing business with people from our village is more difficult than people from outside. Why? Because people from our village are not afraid to open their mouth (and ask for credit) [. . .] When it comes to selling products, I do it when it is easy to get my money back. When it is not easy, I just do not

²⁵¹ Interviewee 13.

²⁵² Interviewee 9.

²⁵³ Interviewee 20.

*do it. [. . .] With people from outside, there is no selling at credit. [. . .] For them, if they do not transfer the money, they do not get the product."*²⁵⁴

*Another business owner explained: "I am selling everywhere in the country. Now I am even developing overseas. [. . .] Now I have very few clients from X County, they are all from other places. With people from here, I cannot work, because they borrow and owe too much money, they only take the product but do not give money. The pressure is too great."*²⁵⁵

For many business owners, the development of e-commerce has been part of a strategy to exit from local credit networks and "dis-embed" themselves from local credit communities. E-commerce allows manufacturers, wholesalers, and retailers to sell directly to clients all over China. With a computer, they advertise their products online and ship them to clients by mail or truck delivery. These new clients are not necessarily locals — in fact, they increasingly do not come from X County. This allows manufacturers, wholesalers, and retailers to diversify their client portfolio and become less dependent on face-to-face interaction with each other.

For example, the director of a township government-owned company that helps entrepreneurs develop e-commerce, reflecting on his own business experience, explained that he was now free from the social obligations that business entailed. With e-commerce, he explained, it is enough to have a good product and to be good at presenting it online.

Thus, X County's entrepreneurs increasingly rely on e-commerce in addition to their network of traditional clients, to break their dependence on untrustworthy debtors or excessively powerful clients who could dictate their conditions. This was the case for one successful owner of a car parts business in the County seat, who told me:

"Now I don't do this [going out with clients] often. I do not drink; I have stopped drinking and smoking. [. . .] I do not even eat a few times per year with my clients. [. . .] Before, my traditional clients were very strong, if you did not sell on credit, if you did not agree with their policies, they didn't buy

²⁵⁴ Interviewee 12.

²⁵⁵ Interviewee 20.

from you. Now I have got rid of them, I'm dealing directly with the customers below them."²⁵⁶

E-commerce, my interviewees explained, allowed businesspeople to develop their own web of clients without local intermediaries. As an interviewee explained:

*"At first, I relied on local people to sell my products, but this meant that they owed me a lot of money, they owed me several millions, so it was too much trouble. [. . .] In 2013, I started to go to Zhengzhou to study Internet. [. . .] I studied in Zhengzhou once, and the second time I went to Beijing to study. [. . .] I want to get out, I want to grow bigger, I don't want to remain like people in this poor area."*²⁵⁷

The development of e-commerce also means that the complex networks of trade credit have become redundant. As fewer and fewer clients are locals, there is no request for trade credit. Even if clients (e-commerce retailers) are locals from X County, they purchase the car parts products *after* having sold them online. They are paid instantly online through e-commerce platforms and can instantly pay the manufacturers without asking for credit. This makes their relationship different from traditional retailers.

The strategy of large business owners to pull out from local networks with untrustworthy small players has been achieved, in part, through the organisational means of the car parts business association. A private organisation with massive state support and supervision, like the industry associations studied by Anita Chan and Jonathan Unger, X County's car parts association mainly represents the interests of the county's largest businesses (Chan and Unger 2015). Based in the county's e-commerce industrial park, it has branches in every district of X County, and is directed by seven directors — all of them owners of some of the county's largest car parts companies.

The business association has allowed the large local manufacturers to collectively push back against the debt and credit practices of local businesses. As one of the local

²⁵⁶ Interviewee 28.

²⁵⁷ Interviewee 28.

manufacturers explained to me, companies in the business association have agreed, in the past few years, to refuse all trade credit, in order to uproot this practice from their corporate community. Only smaller businesses, my interviewer told me, still engage in extensive trade credit relationships with their clients.

The business association has also pursued a strategy of differentiation based on product quality and prices, through agreements that do not include all local car parts businesses. This strategy is explained, for example, by this entrepreneur, one of the largest business owners:

"Firstly, small companies do not have production capacity, secondly, they have a weak technical capacity, and they can't invest much in facilities. The more you produce, the more you can sell at a high price. If you are a small company, your price must be cheaper. [. . .] The companies that agree on prices, they are a few friends who get along well and who have a similar production capacity. [. . .] High-quality and low-quality companies cannot agree on prices because they do not have the same product structure. [. . .] So, there are about two or three different prices."²⁵⁸

The attitude of big car parts entrepreneurs towards e-commerce should be understood in light of this process. While the "*guanxi*-production" practices linked to credit, local ties, and leisure once served to reinforce the sense of belonging to a local business community distinct from fellow villagers, the discourse around "quality" now enables big car parts entrepreneurs to distinguish themselves from small-time or unsuccessful entrepreneurs. E-commerce, with its emphasis on non-reliance on credit and on quality rather than social networks, can be understood as a strategy to achieve "*guanxi* avoidance" (Kipnis 2002), through which the largest local companies distance themselves from smaller players, while they increase their proximity to wealthier entrepreneurs nationwide. Relationships, in this context, are as important as ever, but the *guanxi* that is now emphasised is bound up with a different set of networks and occurs under different circumstances.

²⁵⁸ Interviewee 33.

Product "quality" as the new focus of local business ethos

This change in business operations and client networks, in turn, leads business owners to identify themselves with new values, new models of business culture and new images of the typical successful entrepreneur linked to e-commerce. This new discourse is embodied in the value placed on "quality." As an interviewee explained: *"Before, what people must have [to be a successful businessman], of course was honesty. [. . .] Now, it is honesty and quality."*²⁵⁹

This notion of quality emerges from a broader economic and political context. As the Chinese economy has grown and modernised, companies have gradually standardised and improved their products. As China's auto production has grown, the demand for quality products has also risen. Those who fail to reach the new quality thresholds have been progressively eliminated from market competition.

The Chinese government too emphasises product quality as a key element of sustainable economic growth. As a CCTV news article pointed out, out of the nine major points put forward by the Central Economic Work Conference held in 2014, three referred directly to product quality, and six indirectly. The government's economic strategy aimed to lead China into a "quality era," the article argued ("Xi Jinping's "Endorsement" for China's Quality. Why does the Party Central Committee and the State Council attach so much importance to this conference?" 2017).

Several of my interviewees linked these factors together to explain the structural changes that are affecting rural China's economy. In one interview, for instance, I was told that:

"In the last two years, it has become very hard for companies operating in the real economy in China. [. . .] This may be because of overproduction because there are too many factories. In the Chinese market, you must make good products, have a brand, have an edge, and maybe you will then be able to do better little by little. [. . .] If you do not adapt to the Chinese environment, for example in the fight against pollution, if you have a polluting enterprise, then perhaps little by little you will be forced to shut down. Now it is the

²⁵⁹ Interviewee 15.

*innovation revolution, the economic upgrade. [. . .] This is really like an industrial revolution, it's the Internet revolution, and our traditional businesses will be greatly impacted."*²⁶⁰

Besides economic and political factors, the changes in business model enabled by e-commerce have also contributed to a shift towards quality as the central focus of business success and business identity. According to several of my interviewees, e-commerce is forcing companies to produce higher quality spare parts. For instance, the director of the county's e-commerce administration argued that in the traditional business model, if a client received poor quality products, he would simply call the seller to complain.²⁶¹ The dispute could be resolved by an invitation to drink, a financial compensation, and a promise to do better in the future, especially if the client is a long-term client. By contrast, on e-commerce platforms, if clients are not satisfied with the quality of the products, they post a negative review online, which will automatically be seen by all potential clients, causing a fall in sales. In other words, as the director concluded: *"It does not matter anymore whether you are a good person, or whether we have a good relationship. Now all that counts is quality."*

In my interviews with e-commerce retailers, the discourse on e-commerce also emphasised the specialisation that they saw as increasingly characteristic of China's economy. E-commerce retailers, one interviewee told me, need to be professional and to specialise in either prices, quality, service, or speed, in order to cater to a targeted market.

In addition, beyond the quality of the product manufactured, the concept of "quality" that interviewees talked about entailed the education and technological mastery that are necessary to succeed with the new business model. This is in line with the central government's strategy that emphasises product quality and new profiles and images of the Chinese entrepreneur as young, tech-savvy, capable, and educated. As a 2017 *People's Daily* article argued: "Entrepreneurs are people who bring scientific and technological inventions into economic life and push the economy forward" (Xu and Huo 2017). This article calls for the emergence of a second generation of

²⁶⁰ Interviewee 10.

²⁶¹ Interviewee 71.

entrepreneurs through the "elimination of backward production capacity, and technological innovation."

X County government's discourse has followed suit, linking e-commerce and product quality to the image of the young, capable entrepreneur. This is reflected, for example, in the building of an e-commerce industrial park in the county seat and township seats. In 2019, the park comprised two massive buildings. The first, built in 2015, welcomed companies' offices as well as government agencies related to e-commerce. In 2019, this building was soon to be rebranded as a corporate-government platform and had started offering offices to companies outside the county, and hosting more government branches, including the Party School. E-commerce activities would mostly move to the second, newly built building, which contains an e-commerce service centre, a logistics service centre, an incubator for e-commerce enterprises, and warehouses. In this second building dedicated to e-commerce activities, according to officials in charge, most companies are run by relatively young and educated business owners. Companies will be exempted from rental fees during the first two years, while benefiting from an outstanding location, close to transportation services.

Individuals with higher education, business experience and financial capital are also commonly featured as e-commerce success stories in articles published on the local government website. One story from 2017 presents, for example: *"Zhao Yang, a farmer from Zhao Village in Y. Town, X County, who started his own e-business in his early 30s with a second-hand computer. He has not only solved the livelihood problem of a family, but now also owns his own company and shop"* ("X County's husband and wife run a factory to drive poor households out of poverty and become rich," 2017) According to the article, Zhao Yang started a *Taobao* business in the car parts industry after graduating from a vocational college in Anhui province and working in a hotel in a Henan municipality for several years. He benefited from the free e-commerce training provided by the county government but suffered, at first, from poor reviews and long delivery times due to his location in his remote village. He then invested 100,000 yuan of his own savings, complemented by multi-party financing and bank loans to open two stores in the township, hired six employees and began to turn a comfortable profit.

Indeed, the e-commerce opportunity has encouraged the emergence of a new generation of young, educated retailers, who do not need to cultivate customers through the traditional business networks. Altogether, a few thousand e-commerce enterprises have emerged in X County over the last decade. In some cases, this generation of young, educated, and reasonably well-off rural individuals, who could be considered the local middle class, can climb up the social ladder at the expense of larger enterprises through e-commerce. For example, in an interview, one of the largest car parts manufacturers in the county complained that the employees he had hired to develop e-commerce sales had all left the company after a few months to start their own businesses. He had tried to launch an e-commerce business selling beauty products, because his own products were too heavy to be transported. To that end, he had hired several employees from South China and had paid them 7000 to 8000 yuan a month (less than what some other enterprises elsewhere would offer them, but more than the average experienced employee in X County would be paid). But after only a few months, having accumulated experience of the business, all his employees left to start a business of their own. When I asked him whether or not he believed they had a chance to succeed, he responded that they would, if their family had capital. *"Nowadays,"* he added, *"they don't even need social connections anymore. Money and education are key."*²⁶²

As this interview illustrates, the adoption of e-commerce is changing the configuration of business networks. The new configuration, though more open to individuals outside the traditional networks based on *guanxi* and debt, is also more exclusive in terms of the skills, qualities, and practices it entails.

Overall, this array of economic and political factors has contributed to changes to the norms and practices attached to conducting business, with quality, safety, environmental norms, standards, and qualifications becoming the key concerns for businesspeople in China. The skills and qualities perceived to be required of a successful entrepreneur have also changed, rendering higher education and technical proficiency much more essential to success than four decades ago.

A car parts business owner explained, for example that:

²⁶² Interviewee 32.

*"Back then, entrepreneurship was like this: You just had to bear hardships and work hard, and if you were capable, your chances of success were very high. Nowadays, everything is more fragmented, you must be very specialised, and you have to be more innovative; your thinking must be more pioneering, and you have to be very dedicated and professional."*²⁶³

Another explained that: *"Now science is too developed. But if you do not have education, if you do not have high-tech, you can't do this. You are just slowly eliminated."*²⁶⁴

People who are not able to adapt to new business models are seen as doomed to market failure, in an increasingly competitive and unforgiving environment. One entrepreneur, for example, explained to me that rural people were backward and sluggish because they had difficulties adapting to the new environment. *"It's not only e-commerce,"* he explained:

*"I also have to study internet methods as a whole. We are all considering these new methods, otherwise we all use the old ones, but that path to success is increasingly narrow. [. . .] After I came back from investigating the market, the first thing I observed is the speed of market reaction [. . .] The second thing was that in the countryside people are used to this sluggish and slow pace, but if our ability to carry out things was stronger, we would perhaps have higher efficiency."*²⁶⁵

This change in the configuration of networks further explains why quality is often counterposed as the opposite of *guanxi* in the discourse of e-retailers. This emphasis on quality-based, rather than *guanxi*-based business, is understood in terms of new versus traditional: The former is seen as the future of business, whereas the latter is seen as outdated and backwards. A local businessman, for example, contended that: *"We see that some people do not dare to use these new practices, they still use traditional ways of doing things, in which they have to rely on guanxi."*²⁶⁶

²⁶³ Interviewee 10.

²⁶⁴ Interviewee 22.

²⁶⁵ Interviewee 10.

²⁶⁶ Interviewee 28.

Entrepreneurs claim they see this not only as a revolution in technology but also in people's way of thinking. It is a revolution so important that it was compared by one of my interviewees to the Republican revolution that gave birth to modern China.

"Before, success relied on the sort of strong spirit of that time, being able to bear hardships and work hard, right? Those who were able to bear hardships and work hard could start from scratch and start a business. But we are not very well adapted to today's times. When you say e-commerce, [some] X County's entrepreneurs do not understand, so they reject this new thing. [...] It is just like during the Qing dynasty people found hair in a queue beautiful. When you wanted them to cut it, they did not want to. They were living in the past. Yesterday when I came back [from a business trip], I told everybody: We may have fared well during the last two years, but now we absolutely need to reject old ways of thinking and accept new things."²⁶⁷

This points to the interplay between the social and moral dimensions of occupational identity. The shift in client networks, business operations, and the background and profiles of business owners, along with broader economic and political shifts, have fostered a change in the values and identities that shape the ethos of the business community.

A farther-reaching business community, under the influence of South China's entrepreneurs

This shift in professional identity has been emphasised and reinforced by an increasing cognitive proximity to South China's business owners, whose ideas, values, and practices have shaped X County's entrepreneurs' business ethos. As an interviewee explained:

"While doing business with them, I realised they were keen on details. For example, their desk is always in good order and rather clean. People there are always very knowledgeable. When a businessman talks, his seriousness

²⁶⁷ Interviewee 10.

makes everybody look at him. And the factories are in such good order, right? So, we all want to study these things from them."²⁶⁸

While *guanxi* with local entrepreneurs is seen as negative, personal relationships with southern entrepreneurs is seen as positive, as this entrepreneur explains:

*"X County's people borrow and owe money because they have guanxi. If you have a kin relationship, or a friendship, etc, you will borrow more. [But] the main problem is that their product is not good. So, it is normal that X County people do not buy from other X County people. Why do they buy from companies in Zhejiang or Hebei, even if they have to pay upfront and not ask for credit? The thing is that companies from X County's produce things that people do not want to buy, even if they sell at credit. Why? It is because the quality is not good. If the quality of products is good, people will buy it from you upfront, right?"*²⁶⁹

Driven by this perceived superiority of southern entrepreneurs, X County's entrepreneurs often go to the south to study new business methods. The local government also organises two trips a year to Hangzhou where entrepreneurs and officials study in Taobao University and visits to companies at the forefront in the use of advanced e-commerce. They also have partnerships with companies in Zhejiang and Guangzhou, where they learn the best practices of southern entrepreneurs.

Despite the entrepreneurs' proclaimed reluctance towards *guanxi*-production activities, interpersonal relationships are therefore as important as before, but they are produced through different channels, and with different people. What interviewees describe is not a lesser reliance on interpersonal relationships, but a shift in how these relationships are created and sustained, with whom they are created, and in the norms and practices they entail.

This example also highlights the importance of socialisation and networks in the construction of a professional ethos. The cognitive proximity to southern entrepreneurs allows for a cultural integration of entrepreneurs from different parts

²⁶⁸ Interviewee 5.

²⁶⁹ Interviewee 26.

of China, which in turn provides the basis for a collective self-identification rooted in common values, skills, and practices. It is a process through which a sense of belonging to a broader business community is being progressively defined.

Conclusion

This chapter has shed light on the gradual formation of a professional identity among X County entrepreneurs and shown that e-commerce is one of many factors shaping that identity. Part of broader, state-sponsored changes to Chinese economic structure, e-commerce has responded to, and amplified, the emergence of a business ethos which emphasises product quality and professionalism instead of personal connections and credit interdependence. Both state discourse, economic change, and the technological and operational changes entailed by e-commerce, have played a role in the emergence of this new discourse around product quality among business owners. By promoting new images of the successful entrepreneur, state discourse has also changed the way business owners define themselves.

As a result of developments relating to e-commerce, two parallel changes in the social networks of X County's entrepreneurs have occurred. These networks, first of all, have become geographically farther-reaching and more integrated with national business networks. Secondly, these farther-reaching networks have divided local entrepreneurs and created social differentiation among them. Ultimately, e-commerce has not entailed an eradication of the interpersonal ties underpinning business networks but has profoundly reconfigured who these interpersonal ties link with whom. Overall, this chapter has highlighted the importance of shifting networks and interpersonal socialisation, in the internalisation of professional norms, values, and practices, which together shape a business "ethos" and a particular professional social identity among entrepreneurs.

Chapter Seven: Labour relations and the making of class identity in X County

The relationship between employers and employees in the factory constitutes another important factor shaping the formation of entrepreneurial identities. To quote Andrew Walder: "If one understands how compliance is secured in the workplace, one also understands an important foundation of the national political order" (1988:1). In the context of this study, I would add that if one understands how compliance is secured in the workplace, one also contributes to an understanding of the social identities of entrepreneurs in rural China, their social role, and their relationship and interactions with the rest of the population. This chapter thus addresses the following question: How has the relationship between employers and employees in the factory shaped the formation of entrepreneurs' social identities?

In response to this question, I identify two changes that local private company owners have strived to bring about over the last decade. The first has been a shift from a paternalistic relationship, where bosses employed their relatives and neighbours, to a more distant and impersonal work relationship. The second change has involved moving from loose and flexible supervision of workers towards a stricter monitoring and control of the labour process. Both processes have contributed to the emergence of distinct identities as "bosses" and "workers," which supplant the feelings of commonality and homogeneity among villagers that was highlighted in Chapter 5. Besides, this chapter sheds light on the local diversity in the relationship between bosses and workers and in the disciplinary control of workers. It shows that, as for the professional identities analysed in Chapter 6, the formation of social identities at the factory has contributed to a further differentiation among the population of entrepreneurs, depending on the size and location (village or town) of their business, and depending on their links with business owners and managers from South China.

Sociological studies of labour have sought to understand the diversity of ways in which work has been organised and controlled. One of their core concerns, inspired

by Marxist works, has been to explain how workers' consent is produced, and discipline enforced. The notion of authority is central to this question. I follow Andrew Walder's definition of authority as "a pattern that emerges from a socially structured and highly differentiated pattern of active cooperation, habituation, calculated conformity, and normative acceptance" (1988:24). For the purpose of this study and drawing on the very rich sociology of labour relations literature, I identify four axes, or sets of characteristics, that define authority patterns in a workplace.

The first axis along which authority patterns can be studied is the level of dependency of workers upon their employers: the degree to which the life of a person is organised and secured by his or her employers. At one extreme, in early industrial revolution paternalistic labour arrangements, business owners had personal discretion over hiring and firing workers, but also over their accommodation and children's schooling, as well as their personal and moral behaviour. Likewise, in the "neo-traditionalist" patterns of authority identified by Andrew Walder in Maoist China, clientelist networks tied superiors and subordinates, exchanging personal loyalty and services for promotion and preferential treatment, and creating an "organised dependency" of workers towards their hierarchy (Walder 1988). With neo-traditionalist patterns of authority in the workplace, employers' wish to maximise workers' welfare is often self-serving. In contexts of scarce labour force, the provision of welfare encourages workers to stay in the company. It also maximises workers' productivity and willingness to work, and decreases political and social resistance to labour, as studies of "industrial paternalism" in the United States have demonstrated (Tone 2018). In *The Velvet Glove*, a landmark study of paternalistic relations, Mary Jackman argued that the apparent dominant group's concern for the well-being of the subordinate serves to preserve the exploitation of the latter by the former (Jackman 1994).

At the other extreme, flexibility is key in the neoliberal, post-1968 French society described in Boltanski and Chiapello's *New Spirit of Capitalism* (1999). Workers are turned into autonomous "self-entrepreneurs," controlling and managing their own career, while business owners have withdrawn from providing for their workers' insurance and security. According to these two authors, the shift was facilitated by employees' unwillingness, due to societal changes in the 1960s, to accept "the discipline of the firm and close supervision by bosses," and their wish to stress,

instead, "versatility, job flexibility and the ability to learn and adapt to new duties (...), the capacity for engagement, communication and relational qualities" (Boltanski and Chiapello 2018 [1999]:424-7). According to Mary Jackman (1994), the advantaged group started promoting individualism and flexibility as paramount social values as a way to ensure compliance and discourage resistance, when paternalist relations became impossible or difficult to maintain. In China, David Harvey construed the Chinese ideology in the late 20th century as a "particular kind of neoliberalism interdigitated with authoritarian centralised control" (Harvey 2006:34). From a Foucauldian perspective, Aihwa Ong and Yan Hairong described the emergence of a neoliberal labour regime in China, where employers have retreated from providing welfare to their workers, while an ethos of individual competitiveness has come to define personal lives throughout the country (Ong 2006, Hairong 2003).

The second axis along which authority patterns can be studied is the level of emotional and interpersonal proximity between employees and employers. This axis characterises the degree to which workers' management is personal, or, on the contrary, impersonal, and systematic. Mary Jackman (1994) showed that emotional proximity between dominant and subordinate social groups is a powerful tool of social control which sugar-coats unequal relations and appeases the subordinates' desire for collective resistance.

At the other extreme, bureaucratisation of the social order has increased during the 20th century. Described as an "iron cage," bureaucracy was seen by Max Weber as one of three main types of authority (Weber 1958). In bureaucratic systems, obedience is grounded on a legally established, impersonal order, defined by a systematised set of rules. A great deal of sociological work, following Weber's tradition, has studied the bureaucratisation, systematisation and anonymisation of the labour process in Western countries over the last century. Alvin Gouldner's seminal observations of work in a gypsum mine provided a nuanced understanding of the bureaucratic labour process, showing the various ways in which it was implemented and the various ways in which employees reacted to it (Gouldner 1954). More recently, George Ritzer's observations on the McDonaldisation of modern firms demonstrated that the routinisation of labour, along with electronic surveillance and monitoring, have increased managers' disciplinary power over workers (Ritzer 1998).

In a reversal of the trend towards bureaucratisation and anonymisation of labour, western societies have seen, during the last few decades, a blossoming of managerial theories aiming to encourage friendly relationships at the firm in order to increase employees' motivation to work. This has been found to increase control over labour and, in some cases, to reinforce workers' exploitation (Boltanski and Chiapello 1999, Braverman 1998).

The third axis defining patterns of authority in the workplace is the degree of coercion, or conversely, voluntary motivation, that ensures employees' discipline at work. Burawoy has conceptualised different systems of work control and organisation (what he calls "factory regimes"), varying from "despotic" enforcement of discipline through constraint, to "hegemonic" exploitation enabled by workers' consent (Burawoy 1979, 1985). Unlike the despotic regimes of many companies in the early industrial revolution, a "hegemonic regime" characterises many work situations in contemporary Western societies, he argued (Burawoy 1982). Other scholars have shown, however, that the lesser degree of despotic enforcement of discipline within the factory has entailed a greater degree of despotic discipline within society as a whole. Loïc Wacquant, in *Prisons of Poverty*, argued that a mass incarceration system has emerged in contemporary western countries to deal with the social insecurity resulting from neoliberal labour arrangements (Wacquant 2009).

A great diversity characterises Chinese labour arrangements and patterns of authority, with regard to the degree of coercion they entail. Shen Yuan, drawing on Burawoy's theories, found that all forms of labour regime that have existed in Western societies now coexist in China, from despotic capitalism in coastal factories, to the bureaucratic and hegemonic regimes of big state-owned companies (Shen 2006). In foreign-invested companies, Anita Chan has described the human rights abuses that millions of workers faced in the 1990s (Chan 2001). In private rural industrial enterprises, a "harsh Dickensian work regime" has been observed by Unger, characterised by tough labour, low wages, and precarious status (Unger 2002). Such coercive regimes have worsened, Unger argues, as a result of the collusion between economic and political elites. The most extreme case of despotic labour can be found in Xinjiang, where researchers and journalists have uncovered widespread use of forced labour in re-education camps where Chinese Uyghurs have been arbitrarily detained (Zenz 2019). At the opposite end of the spectrum, Lisa

Hoffman has described the mobilisation of human capital among urban professionals in Dalian, showing that professional choices there rely much less on coercion than on practices of guidance, persuasion, and education (Hoffman 2006).

According to Mary Jackman (1994), social domination is generally ensured by persuasion, rather than force. When open conflict between dominators and dominated occurs, she argues, it shows the failure of domination, rather than its success. This argument is congruent with theories put forward by other prominent scholars. Michel Foucault posited that the exercise of power has shifted, over the last two centuries, from sheer physical force to a more subtle, pervasive, and ultimately effective, control of minds and bodies (Foucault 1977). Similarly, Bourdieu's theory of symbolic violence, "a gentle violence, imperceptible and invisible even to its victims" conceptualises the power of mental and bodily habits in securing consent to oppression (2001:1).

These theories challenge the boundaries between coercion and voluntary motivation. They also raise the question of the forms and effectiveness of resistance to oppression. In Foucault's theory, resistance is co-constitutive of power. But while violent revolution is the most obvious form of resistance, covert practices of resistance, including foot-dragging, sabotage, absenteeism, and humour, are much more common. But, as Dennis Mumby (2005) has argued, the rich literature on workers resistance to management practices has tended to adopt one of two extreme positions: either romanticising resistance and stressing the workers' ability to carve out spheres of autonomy within pervasive disciplinary systems (Scott 1990, Kondo 1990), or interpreting workers' resistance as ultimately ineffectual in transforming everyday relations of power (Willis 1977, Burawoy 1979).

The fourth axis I have identified for the purposes of this study is that of "intersectionality" of labour relations; in other words, the degree to which power relations within the company relate to social divisions such as gender or race. In China, the seminal works of Delia Davin, Elisabeth Croll and Phyllis Andors highlighted the existence of gender inequalities and discrimination against women during the era of Mao's rule, despite the official discourse of communist gender equality (Davin 1976, Croll 1978, Andors 1983). In *Women's Work in Rural China*, Tamara Jacka showed how notions of gender identity, conceptualised through

dichotomies such as inside/outside, light/heavy and unskilled/skilled work, have shaped and legitimated gender divisions of labour in rural post-Mao China (Jacka 1997).

Scholars have also studied the influence of gender relations on the organisation of factory work. Ching Kwan Lee, in her 1998 book *Gender and the South China Miracle*, observed the existence of two strikingly different labour regimes in Hong Kong and Shenzhen. In Hong Kong, she described a "familial hegemony," where women workers were given a high degree of autonomy and flexibility on the shop floor. In Shenzhen, she described a "localistic despotism," characterised by rules, punishments, and constant tensions. These distinct labour regimes, she argued, were the result of the social organisation of the two labour markets from which the factories drew their labour force. In Shenzhen, young women fleeing from patriarchal demands on their labour and from arranged marriages were vulnerable to harsh labour conditions in the factory. In Hong Kong, older women chose to work in the factory close to their homes because of gendered family responsibilities.

All four axes will be explored in this chapter, in an effort to describe the patterns of authority and employer-employee relationships that define X County's labour regime, and the ways in which the social identities of X County's entrepreneurs are shaped by this labour regime. Like previous chapters, this chapter relies on interviews conducted with business owners and workers in X County, but it also draws heavily on first-hand, in-depth participant observation, gained by working for two weeks as a factory worker in a car-parts factory in the county. The first week, I was first assigned to put pieces into a machine, then take them out after they had been curved: repetitive, dirty, loud, and tiring work. During the second week, I worked in a workshop on the third floor of the main factory building, where older workers sorted small pieces and tidied them so they could be used by the downstairs' workers. Every day, I took my lunch with the workers, and dinner with the boss' family. This provided me with fine-grained information about management and supervision in the factory, interactions between bosses and workers, and salary negotiations.

Direct observations also allowed me to identify social actors and social situations, and to analyse acts, linguistic interactions, implicit codes, and role elements that convey and reflect social relations. This method follows Goffman's and Collins'

dramaturgical analysis of everyday life interaction (Goffman 1959, Collins 1988). As Collins has explained: "We live in a world of social relationships, in which roles are acted out (...). This is the core of practical activities and occupations, of power and stratification" (1988:60). Last but not least, working in the factory allowed me to gain the trust of workers and to conduct informal interviews with several of them.

Like previous chapters, this chapter highlights generational shifts in labour arrangements. I also emphasise the local diversity in labour arrangements and the changes advocated by most business owners, which, as I explain in this chapter, I see as indicative of current trends. Based on these observations and interviews, the chapter proceeds as follows: section one shows that the structural and institutional organisation of the labour market in X County enables flexibility, low dependency, and power imbalances in labour relations. Section two shows how gender reinforces a particular social division of labour and shapes social identities. Section three shows how company owners have been striving to move away from close emotional bonds with their workers, replacing paternalistic relationships with a more formal labour regime. Last, section four shows that company owners strive to mould former farmers into disciplined workers, changing the ways in which discipline is enforced in local factories.

The labour market in X County: Mobility, flexibility, and absence of legal constraints on hiring and firing.

Important aspects of labour relations within a factory are related to how the labour market is structured. The first section explores this issue and shows that the local labour market is characterised by great mobility, labour shortages, and the complete absence of any legal constraints on the labour process. This leads to great flexibility in labour relations and low dependency between bosses and workers.

Nationwide, China faces both a labour shortage in its manufacturing heartland, and high levels of underemployment in inland rural areas. Companies in the Pearl River Delta, the manufacturing heartland of China, have reported increasing labour shortages in the last few years. A recent Chinese Academy of Social Sciences report shows that the ratio of job vacancies to job seekers has risen to high levels. In the third quarter of 2018, employers recruited about 4.89 million people, while the

number of job seekers entering the market was about 3.9 million in the 100 cities surveyed, according to the report ("Social Situation Analysis and Forecast of China in 2019," 2018). However, labour shortages coexist with unemployment and underemployment. Even though official unemployment figures have remained around 4 percent throughout the last 15 years, there are suspicions that they do not accurately reflect the reality of the Chinese labour market (Balding 2019).

The labour shortage is mostly due to massive structural reorientation from manufacturing towards services ("The shortage of migrant workers is getting worse! Young people "prefer to deliver food rather than going to the factory," 2019). It is also due to an education mismatch: China lacks skilled workers, while old and unskilled workers face a competitive job market ("China Labour Market Index of Job Vacancies Continued to Fall in the Second Quarter of 2018," 2018). Despite labour shortages, salary growth has been declining for the last decade and will likely continue to decline due to economic pressure.²⁷⁰

X County's situation is a good illustration of the national trend. X County's business owners still have an advantage over southern coastal Chinese enterprises in terms of the cost and availability of labour. Low salaries are one key factor in this competitiveness, compared with southern enterprises. Lin, a car-parts business owner, recalled:

"I was chatting with a business owner from Zhejiang, in the same industry as me. He is targeting the domestic market just as I do, and he told me that companies in the [inland] north were really growing fast. [. . .] I replied that between two companies, one in Zhejiang, and one here, if both have 50 million yuan in revenues, the company here will pay five million less in production costs. [. . .] It is as if we earned five million more for ourselves."²⁷¹

²⁷⁰ The economic slowdown and the overcapacity of some sectors have resulted in slow salary increases. The average wage growth has decreased from 13.5 to 7.7%, manufacturing wage growth from 15.4 to 8.4%. Instead of raising salaries, many domestic and foreign-funded enterprises prefer to relocate in inland provinces or even in South-East Asia where labour costs are more competitive. See for example Tang 2018.

²⁷¹ Interviewee 33.

According to local business owners, X County enjoys low labour costs compared to coastal areas. The business owner Lin explained: "*One advantage of being in a poor county [. . .] is the workers' salaries. [. . .] For instance, if I make the same product as in Zhejiang or Jiangsu, the cost of raw materials is exactly the same, we use the same equipment and technology, but our work environment and the workers' salary is the big difference. We need to take advantage of that.*"²⁷² For that reason, areas like X County have become increasingly attractive to businesses and have developed rapidly over the last twenty years, attracting companies from coastal provinces to set up factories in these poorer inland areas. On average, at the time of my interviews in 2018, an average worker's salary was 2000 to 3000 yuan per month – a low salary by national standards.

X County's business owners also benefit from the availability of a labour force of older people and women. In X County's villages, as in many inland rural areas, most young people have left to work in big cities, where they can earn a higher salary and experience the urban way of life. Those who stay behind are mostly middle-aged women, and elderly women and men. The majority of workers in the surveyed enterprises were 50 to 60 years old, although many young workers (aged 17 to 30 years) were also employed in some surveyed companies. This is why Lin also argued: "*It is convenient to open a factory in the countryside, because workers are very easy to hire.*" Older workers were also considered less likely to change companies, as an interviewee explained:

*"We have old workers; they usually stay in the same company for a long time. The younger workers are much more mobile. They stay here one year, and then they go somewhere else. [. . .] We have seven workers now. [. . .] Most of them are old, about fifty something years old. [. . .] Because young people are too unreliable."*²⁷³

However, more than 50 percent of business owners I interviewed expressed their wish to recruit workers with secondary schooling, which most people over the age of 50 do not have. One entrepreneur explained: "*Usually, [the people I am looking for]*

²⁷² Interviewee 33.

²⁷³ Interviewee 14.

are junior secondary graduates. [. . .] Some are senior secondary school graduates. [. . .] They are at least a bit educated, otherwise I would not hire them. [. . .] They need to be good and capable people." As one entrepreneur explained: "Nowadays, it is hard to find workers who are willing to work. The people we find are not suitable. [. . .] They don't have the proper technical or educational level." Another lamented that: "Like in the south, there is a serious shortage of labour force here. Sometimes, our employees stop working because they have something to do at home, or they have better career options, sometimes they want to do business themselves."²⁷⁴

From one perspective, the shortage of skilled labour gives workers an advantage in negotiating labour arrangements. They express this advantage by frequently changing jobs and companies — a practice company owners see as a liability. As an entrepreneur expressed: *"Sometimes [workers] stay in the company for a while, and then they go to another company. Because here it is not like in very formal enterprises, where they sign contracts and define the working period. So, if one day they decide they want to change and have a different work environment, they are allowed to just do that."* Another complained: *"We cannot guarantee that workers will work a full month. [. . .] So, we have to pay them every day [as opposed to once a month]."*²⁷⁵ In X County, there is a well-known place by the bridge over the main river, where men gather every morning, waiting for employers to offer them a job. I first believed that this precarious situation illustrated the disadvantaged position of workers compared to business owners. However, several interviewees denied this interpretation, telling me that these "day workers" preferred short-term positions, which are better paid and allow for more flexibility.

But the relative advantage skilled workers hold in the labour market does not translate into higher wages. Local perceptions of entrepreneurship versus salaried work explain, in part, why salaries fail to grow fast despite labour shortages. Salaried work is considered as a career choice by default when no better option is available. Therefore, raising salaries would not necessarily increase the locally available skilled labour force. As one business owner told me: *"Raising their salaries doesn't help. They want to develop themselves, not to remain workers."*²⁷⁶ In addition, even if

²⁷⁴ Interviewee 19.

²⁷⁵ Interviewee 9.

²⁷⁶ Interviewee 10.

local company owners were to raise salaries, they would not be able to compete with companies offering much higher incomes in cities, which remain the preferred employment option for many young workers.

In X County, as elsewhere in China, business owners have invested heavily in machinery in order to reduce hiring difficulties. In about 75 percent of the companies I have surveyed, business owners have reduced their workforce over the last few years as the result of increased mechanisation of the factory work. One interviewee told me that: *"The most we had was twenty workers. Now, we only have seven or eight."* Another explained: *"This product does not need many workers. [. . .] Because we use machines. And workers are not easy to find."* The same business owner also explained: *"At first, in the factory, one worker had to manage one machine. Now one worker has to manage three machines."* Investing in machinery is also a way to address growing labour costs, as another interviewee argued: *"Now we need high technology, we need machines, we need robots, so we need less and less workers, but the workers cost more and more. [. . .] Before, we used to have more workers. [. . .] At most, we had about fifty. [. . .] But now we need to streamline things."²⁷⁷*

In addition, a few of X County's business owners have found ways to force workers to stay in their factory for at least a year. One of these solutions is to retain one month of salary, until the worker has stayed the whole year. One entrepreneur explained how he does this: *"I tell [the new workers] that there is only one recruiting process per year, and you must work for one year, otherwise I don't hire. [. . .] If they leave earlier, I will not give them their money. [. . .] The way I do it is that I keep their first month of salary until the end of the year."²⁷⁸*

Another solution to hiring difficulties commonly adopted by business owners has been to limit the mobility of their labour force by working together with other local CEOs and business owners. The business association described in Chapter 6 enables local business owners to organise themselves and fix the local wages. An entrepreneur told me, for example, that:

²⁷⁷ Interviewee 12.

²⁷⁸ Interviewee 25.

"[When new workers arrive] I will tell them: There are lots of factories around here; you work here, but you can also leave; you can try to find a better salary at other companies, it is fine; but bosses all know who works at whose factory. If you leave, your new boss will ask me if you worked well. If you worked well, I would say so, if you do not, I will tell him you do not. If you do not agree with the salary here, if you want to go elsewhere to earn a better salary, I cannot blame you. (...) It happened last year, I had a young high school graduate drive for me, a newly-wed boy who had a driving licence [. . .] The first year, I gave him 80 yuan per day, the second year I offered him 100 yuan, but he wanted 120 [. . .] I said it was too high a raise; other workers wouldn't like that. [. . .] In the end, he went to another company. [. . .] I jokingly told the boss, when we were eating: is it you who stole my driver? He told me: not at all, he was coming to deliver something, but he drives for that other company. [. . .] After a while I learnt that he had a better salary there, but it was more tiring. [. . .] I told the boss: this boy is good; you can hire him."²⁷⁹

However, the shortage of skilled labour has not led business owners to increase workers' welfare. For example, workers do not benefit from work-related social protection. Although such legislation exists throughout China, it is mostly applied in big state-owned companies and in major coastal cities. No company I have surveyed in X County had signed any contract with its workers; nor did they provide any kind of insurance, though it is supposedly compulsory, according to the Chinese Labour Law, effective since 1995.

The absence of any kind of legal constraints over labour relations is reflected in the legal judgments made available online on X County's court website. The number of judgements related to labour disputes is very low, compared to other fields of law: In 2019, only one judgement related to labour disputes was mentioned on the website, as opposed to more than 200 for disputes related to loans and interest, and 30 for disputes related to couple's litigations. In 2018 and 2019, no labour-related dispute concerned smaller companies. One can speculate that it is extremely rare for workers

²⁷⁹ Interviewee 14.

to go to court over labour disputes, and if they do, their claims are usually dismissed by the local Arbitration Committee.

Indeed, when we delve further into the court's judgements, we also observe that labour disputes are most often resolved through arbitration (调节, *tiaojie*), and their content is therefore not available online. In 2019, 88 litigations were resolved that way, while only one was solved through an actual court judgment. The latter case, in itself, is interesting. The plaintiff claims that: "*During the work period, the defendant did not sign a labour contract with the plaintiff, nor paid social security fees,*" despite "*repeated reminders of wage arrears and lack of social security contributions.*" The plaintiff launched litigation at the County Labour and Personnel Dispute Arbitration Commission, which found that the plaintiff's claims were "*not supported by evidence, and the request for wage payment was temporarily not supported.*" The arbitration commission also mentioned that paying wage arrears would be "*punitive measures for the employer,*" "*would increase the burden on the enterprise*" and would not be "*conducive to the development of the company.*" The plaintiff appealed and, only then, a court resolved that the defendant company should pay wage arrears and social security contributions.

The absence of legally binding labour legislation in X County, as well the bias of arbiters favouring companies, works to the advantage of business owners and reflects the power imbalance between them and the workers. The absence of legally binding contracts means that employers do not have to comply with insurance, labour rights, and social security regulations. The low level of social protection granted by bosses to workers ensures a low cost of labour.

Observations in W. Factory shed further light on how bosses and workers strive to use labour flexibility to their advantage. I have observed, in particular, how a young woman negotiated her salary upon arrival at the factory. The whole negotiation happened publicly, so that everybody could hear and see what was said between the boss and the new worker. After about fifteen minutes of negotiations, the young woman agreed on a trial period during which she would earn 60 yuan a day. The agreement also stipulated that if she worked well enough, she would then be paid at a piece rate — something she asked for. One of my co-workers, a woman in her fifties, disapproved of the young woman's negotiation, saying that young workers change

jobs too often, in search for better opportunities and a better salary. Instead, she said, workers should stay in the same factory, do their best at work, and not ask for more. The day following her arrival, the new worker was criticised by the boss for not working fast enough. He told her to go to another workshop, where she was to do a task that requires fewer skills. The previous worker, who had been moved to the workshop upstairs, came back to her position and told me that she knew already that the new worker would not last long. The day before, she overheard that the new worker was not happy with the salary and had tried to find another job in nearby enterprises. However, she explained, the boss must have warned his fellow business owners against that new worker. "*They all know each other and exchange this kind of information,*" she said.

This anecdote shows several things. First, it illustrates the flexibility of the hiring and firing process, the arbitrary nature of employment decisions, and the absence of legal constraints over these decisions. Second, it shows that, despite the mechanisms put into place by business owners to limit the workers' mobility and to constrain their incomes, workers possess significant flexibility and room for negotiation in their labour arrangements. Generational differences emerge regarding the willingness to change jobs and to negotiate better salaries, as the disagreement between the two women in this anecdote illustrates. Younger workers have interiorised the idea of the free market and individual career decisions and see in labour flexibility something they can take advantage of. The anecdote also shows that labour skills are an object of negotiations between bosses and workers. While the young worker tried to put forward her skills to negotiate a better salary, the boss's denial of her skills was intended to demonstrate that flexibility and job-hopping were of no use to her, because her skills were not scarce or in high demand. Ultimately, as this story illustrates, the flexibility of the local labour market often works to the advantage of company owners. As Mary Jackman posited in *The Velvet Glove*, the virtues of individualism and flexible career choices, once accepted and interiorised by workers, provide a powerful tool to ensure their compliance (Jackman 1994).

Flexibility also creates distance in the boss-worker relationship. Although some workers stay for several years in the same factory, there is nothing like the cradle-to-grave employment relationship that was observed by Andrew Walder during the Maoist era (Walder 1988). The situation in X County entails flexible market

transactions in which both employees and employers have very few legal constraints limiting employment decisions, although employers usually enjoy stronger support than workers on the part of local institutions in case of litigation. This distance in the boss-worker relationship, and the disengagement of business owners from their employee's welfare, is the exact opposite of the neo-paternalism encouraged by the local state, as pointed out in Chapter 4.

Gender and labour relations

Another structural characteristic of the labour market which has important consequences for both labour relationships and the formation of social identities is the gendered dimension of X County's labour arrangements. While business managers are all men, the vast majority of the workers are women. These gendered arrangements are the result of local conceptions of the role of men and women in society, whereby women are considered more suitable for domestic affairs, while men are responsible for all things professional. As many interviewees pointed out, the impact of traditional gender roles is more salient in northern rural China than in southern coastal cities.

Running a company is very often a couple's business, where husbands and wives share tasks. However, both clients and the public perceive business heads almost always as men. As a male business owner explained:

"Lots of women here do car parts business. Some help their husbands, when the husbands are out with the clients, they manage the shop. [. . .] Some come pick the raw materials. A lot of wives do that; they are sometimes more skilful than their husbands. [. . .] But very few do business alone. [. . .] Here, most of the entrepreneurs are men, and the wives only help. In the south it is different, a woman can have her own company."²⁸⁰

While constrained by local perceptions of women's position in society, the role of business owners' wives varied significantly among the enterprises I surveyed. In about 20 percent of companies surveyed, running the company was entirely the man's business. One first-generation entrepreneur, for example, explained that: *"My*

²⁸⁰ Interviewee 18.

wife has no education. She did not go to school even for a single day. So, she cannot help. [. . .] In fact, it is difficult for me, I think that if I had had an educated wife, it would have been easier. [. . .] She just takes care of the children."²⁸¹ In about 50 percent of companies, wives worked in the factory either for a salary like regular workers, or voluntarily. One first-generation entrepreneur told me that his wife "helps in the factory. [. . .] It is voluntary labour."²⁸² Another explained that:

*"My wife cannot manage anything. She is a worker in the factory. She gets a salary. [. . .] She gets 20,000 yuan per year. [. . .] She does not have a precise task; she just helps in the factory. [. . .] My son's wife also works in the factory. [. . .] She earns money by the piece. [. . .] My wife never goes with me on business trips. She has no education. She never went to school. Not even primary school."*²⁸³

In about thirty percent of companies, women manage production, while their husband deals with clients. One entrepreneur explained: *"She manages the workers, and I do the sales. We divide the work very clearly."*²⁸⁴ In another company, the couple discussed their respective roles:

"Husband: Before getting married, she worked in another factory. [. . .] Now, she works in my factory.

Wife: Long-term worker!

*Husband: In fact, she manages the workers in the factory."*²⁸⁵

In yet another enterprise, the wife was responsible for sales, while her husband was responsible for buying the raw materials. As in all other arrangements I have observed, the man's responsibilities involved frequent trips within China, while the woman remained within the county.

Of all the 42 enterprises I surveyed, only one was run, de facto, by a woman. She explained that she took all the important business decisions because she was much

²⁸¹ Interviewee 28.

²⁸² Interviewee 11.

²⁸³ Interviewee 17.

²⁸⁴ Interviewee 23.

²⁸⁵ Interviewee 16 and wife.

smarter than her husband. However, she also told me that: *"To the clients, I must still appear as if I was only helping my husband and he was making the decisions. Otherwise, they would not take us seriously."*²⁸⁶

In contrast, in most of the surveyed car-parts enterprises, women made up the majority of workers. Companies also employed men, but usually in specific jobs that required either heavy physical labour or do not require meticulous work. In the company where I worked, five men were employed: two to carry heavy packages, one as a driver, one as a cleaner and handyman and one as "technical manager," a position often called "teacher" (*laoshi* 老师), or "master" (*shifu* 师傅). Only in about 5 percent of the surveyed car parts companies were men a majority, and in about 30 percent of the companies, men and women were equally represented in the workforce.

Local companies often employ more women for two main reasons. The first is that women are perceived as being idle and therefore available for factory work. As one entrepreneur explained: *"Here, most of the workers can be women because there is no heavy labour. [. . .] For a portion of the workers, their husbands are doing business outside the county. For others, their husbands farm the land at home. A few husbands are workers outside the county, but not many. Some of them also work here in construction."* Another interviewee argued that: *"Workers are easy to find [because] lots of women stay idle at home. Some cannot go far after they get married."*²⁸⁷

Another reason why business owners employ women rather than men is that they can pay them lower salaries. In all the enterprises I surveyed, women were paid less than men. Most commonly, the average salary for a female worker was 2400 yuan, while it was 3000 yuan for male workers. Even when men and women do the same job, women are paid less, as this business owner acknowledges: *"We have thirteen workers. [. . .] Women and men do the same work. [. . .] But the salary is different, it is lower for women. [. . .] It is around 90 or 100 per day for women, 10 yuan more for men."*²⁸⁸ Many business owners justified unequal pay rates by explaining

²⁸⁶ Interviewee 40.

²⁸⁷ Interviewee 6.

²⁸⁸ Interviewee 19.

that women and men were responsible for different tasks: Women undertook "light" work, while men undertook "heavy work." An interviewee pointed out that: *"I only have female workers. [. . .] I produce small parts. [. . .] It is not a heavy job; it is a job that women can do. It is assembly work."*²⁸⁹ In light work such as packaging or assemblage, women are also seen as faster, nimbler, and more suitable for meticulous work than men.

Another justification is linked to women's psychology, as one interviewee explained:

*"The men operate the machines; the women are responsible for packaging. [. . .] It is because the women here are not very brave, they do not dare to operate the machines, they are too afraid. But in fact, elsewhere in the country, they all use women to operate the machines, because they pay by the piece, and women are fast."*²⁹⁰

In addition, as an interviewee told me, unlike young males, women "stay here longer term." He further explained:

*"Women who have left this company did it because of special circumstances, but not to find a better job elsewhere. Some women left because their husband had become successful outside of the county, so they went to help their husband. Some women left because they had grandchildren and had to take care of them."*²⁹¹

Despite these justifications, the differentiation between men and women within family roles and within the labour force is best explained by a phenomenon observed centuries ago by John Stuart Mill: "When the efficiency is equal, but the pay unequal, the only explanation that can be given is custom; grounded either in prejudice, or in the present constitutions of society, which, making almost every woman, socially speaking, an appendage of some man, enables men to take systematically the lion's share of whatever belongs to both" (Johnson 2010:85). The categorisation of work as "light" and "heavy," according to Tamara Jacka, dates back to struggles over remuneration that occurred in rural areas under the collective system (Jacka 1997).

²⁸⁹ Interviewee 20..

²⁹⁰ Interviewee 14.

²⁹¹ Interviewee 6.

Jacka also showed that the post-Mao era's ideology towards women promoted differentiated tasks, "in part as a way of relieving female underemployment, and in part as a way of taking full advantage of the cheap and flexible labour of women working at home" (1997:42).

The distinction between men and women within the factory, however, goes beyond a simple boss/worker distinction. Both men and women sometimes hold skilled positions within the company, although these positions are themselves differentiated according to gender. For example, in all the enterprises I surveyed, young women worked in the accounting departments, and in online sales wherever that department existed. They were educated (often at university level, although I have met some who were taught at county vocational schools), well-dressed and well-spoken. Although they usually worked in an office, they showcased the company, which made their outward appearance important. By contrast, skilled men worked as "technical managers." Above the workers but still working in the factory, these people were responsible for preparing, fixing and sometimes upgrading the machines, as well as managing production and leading the workers. They, too, often had a university degree or a vocational school education and were by far the best paid employees within the company, usually earning twice as much as the female accountants.

In W. Factory, the boss's wife was responsible for giving workers their salaries. Once a month, workers went upstairs to the boss' office, where they signed on a list which mentioned the names and salaries of all workers. A quick look at the list showed that most salaries ranged from 1000 to 3500 for the workers, and 6000 for the two technical managers. The accountants, all women, only earned 2000 yuan that month. This highlights that, while formal education and "cultural quality" are seen as typically feminine characteristics (as I have argued in Chapter 5), skills associated with men and hard labour are structurally better remunerated.

Overall, the gendered dimension of labour arrangements has several important consequences for shaping the identity of both workers and bosses. First, the captive labour force of women, who have little choice but to stay in rural areas, counterbalances labour shortages. The phenomenon of "left-behind" women in local industry drives wages down, while also providing business owners with an easily available workforce. The second consequence is that it singles out the business owner

as a masculine identity, even though women do participate in running factories behind the scenes. Gender inequality strengthens the social inequality between bosses and workers, both by widening the income gap and by making the differences between the identities more obvious. However, rather than gender inequalities and class inequalities overlapping neatly with each other, we observe a more complex picture, where wives of business owners play an ambiguous role, bridging the gap between these two inequality systems, as we will see in the next sections.

Proximity and distance: The relationship between employees and employers

Despite the mobility and flexibility that characterise the labour market in X County, relationships between bosses and workers have long remained highly personal. However, in the last few years (that is, in the late 2010s), there has been a tendency throughout the county, and especially in bigger enterprises, for the social distance between the two groups to be increased. This distancing tendency is very visible in the hiring process, and it has important repercussions for the relationships between bosses and workers and the formation of social identities.

In the first stages of developing their enterprises — usually as a workshop in their home village, the first-generation business owners relied on a labour force drawn from their family, relatives, and neighbours. That entailed a high psychological and emotional proximity between employers and employees. A village workshop owner explained: *"It's an employment relationship, but some of the workers are friends. Well, we cannot really say they are friends; they are from the village, they are from the same lineage. [...] Of course, we knew them before hiring them. [...] There are a thousand people in the village, so we all knew each other. It is not like in the city. [...] They do not call me boss (laoban, 老板), they call me by my name. We know each other too well. [...] If they called me boss, it would feel too distant, right?"*²⁹²

But as companies grew, they started employing workers from nearby villages rather than their own. The first reason for this evolution is that when business owners

²⁹² Interviewee 20.

employ relatives or neighbours, they cannot refuse to help them start their own companies. The owner of a village workshop, in a rather poor village, explained:

*"Most [of my workers] come from this village. They are all young, about 20 years old. They work here after they graduate. [. . .] Some leave after staying a few years, when they are experienced, to start their own business. [. . .] Usually they would not make the same product as me. So, they can have the same clients, this is not a problem. [. . .] I will even introduce the clients to them."*²⁹³

One business owner, whose company is located in Shandong, has done just that. He explained that he started working in his uncle's company as a worker. After a few years, as he had learned about the business and met his uncle's clients, he decided to start a business of his own. When asked if his uncle was happy about this decision, he answered: *"Of course, he was not really happy. But he couldn't refuse to help."*²⁹⁴

As a result, villages with successful companies tend to develop a whole industry chain around these industries, and local villagers progressively have moved up along that industry chain. Over time, those villages started lacking a labour force, because all of the local residents turned to better paid opportunities, becoming entrepreneurs or managers themselves. An interviewee explained that:

"[My workers] are now from nearby villages. We do not have workers from this village. [. . .] At first, when we started, we hired people from this village. But after a while, they also became entrepreneurs. [. . .] They started their own companies [. . .] or some became technical managers."

Another interviewee added: *"Most people from my village do car parts business, they do retail sales outside of the county, and they have been in this industry for a long time. So, all the young people have left the village to do retail."*²⁹⁵

²⁹³ Interviewee 18.

²⁹⁴ Interviewee 43.

²⁹⁵ Interviewee 12.

Even when workers come from nearby villages, business owners usually form a close, if not friendly, relationship with their workers. This is how an owner described his relationship with his workers:

"They are from a nearby village. [But] when they have worked here for a long time, there is a friendly relationship. [. . .] We eat together, and for example if their children are getting married, or if their parents die, we attend the ceremonies. As a boss, you also need to participate in the donations for these ceremonies. [. . .] We all get together about ten times a year, for festivals and other occasions and we eat together there."²⁹⁶

The proximity between bosses and workers can even be observed in the physical arrangement of factories. In W. Factory, for example, the enterprise included three buildings. Two were factories and were reserved for employees working on machines. In the third one, the boss and his family lived in a small apartment they had built on the second floor. The second floor hosted the boss' office, where he and his wife sometimes worked and where he welcomed clients. On this floor, there was also another room, arranged as a restaurant room, to which guests were invited for meals and drinks. On the first floor, there was a newly arranged desk where the accounting women worked. These were the first persons anyone entering the enterprise would see from the outside. On the third floor, women workers, older than the average in other factories, did meticulous handwork, paid at piece rate. The boss and his wife were always present in the enterprise. Both often came to inspect the factory buildings, and they were also physically available at all times, in the intimacy of their home, when workers needed them. Once, for example, my co-worker needed to talk to the boss about her work schedule. She entered his apartment without knocking. She talked to the boss without any sign of distance or particular respect, and she knew his whole family, including children and grandchildren, by name. She later mentioned to me that the boss was a very good man, and their relationship was excellent.

To a certain extent, the proximity between bosses and workers is used as a tool of management by the business owners. By creating a family-like relationship with the workers, they also develop a moral tie that encourages employees to be loyal and

²⁹⁶ Interviewee 14.

obedient. One entrepreneur, in particular, gave me a vivid account of how he did that. He boasted about how he forced his employees to stay in his factory, instead of leaving for better opportunities or even opening their own business.²⁹⁷ *"My employees? I control them like that!"* he said, clenching his fist to illustrate how powerless his workers were in this situation. He then gave me several examples of how his generosity has compelled employees to be loyal to him. For example, he said:

"Today, I knew one of my employees had problems at home and did not have any money. I said I have money; I gave him my credit card to pay for his children's healthcare. Just a gesture like that, and the employee will work for you all her life. [. . .] It is different from big enterprises. Here there is a sense of trust."

However, precisely because business owners can use their proximity to the workers to their advantage, several of the workers I interviewed in W. Factory were reluctant to be too close to their boss. According to one of my co-workers, it was common for bosses to go to their workers' celebrations, either weddings or funerals. One boss, she said, had invited all his workers to his child's wedding. However, she added that she did not like such proximity. *"If workers are invited to their bosses' private ceremonies, they will find it much harder to refuse when bosses ask them favours, or to work extra hours,"* she explained.²⁹⁸ Another co-worker told me she would not invite the boss to her children's wedding; and the boss would not invite her to his children's wedding either. *"If you do that, you create social obligations that interfere with your employment relationship. You would feel obliged, for example, to return favours, and to work more. It would be a bad thing for both bosses and workers,"* she explained.²⁹⁹

This confirms Mary Jackman's findings that the creation of warm and positive feelings and of mutual help between members of an advantaged and a disadvantaged group may, in fact, entrench their inequality, by sugar-coating the dominant group's control over the other group (Jackman 1996). However, the proximity between bosses and workers is not only to the formers' advantage. In fact, it is also used by employees to increase their job prospects by currying the bosses' favour, or to make

²⁹⁷ Interviewee 43.

²⁹⁸ Interviewee 58.

²⁹⁹ Interviewee 57.

their job more flexible, and discipline less strict. As I have mentioned above, a close relationship between employee and employer means that business owners cannot refuse to help their workers if they want to start their own company. This entails increased competition in the future.

A close relationship also means that it is harder for business owners to control their workers and enforce work discipline. For that reason, business owners often tried to reduce their proximity to their workers. As one business owner explained: *"Now, we don't have workers from our own village. At first, when we were a small workshop, we did. [. . .] But it is not good to hire your own people to work with you. It is not the same logic, you know. It is always very complicated [to deal professionally with people that you know well]. So, workers are all from nearby villages."*³⁰⁰ Another business owner likewise argued that: *"We do not want to hire friends; they are too difficult to manage. We do not want relatives either. It is never a good idea to hire relatives or people you know well."*³⁰¹ Another entrepreneur told me that: *"For good management, it is good to separate both worlds. If our relationships are complicated, it will have a negative impact on production."*³⁰²

By recruiting further from their own villages, business owners widen the distance between themselves and their employees, and create a relationship that is more professional, and less personal. This is reflected in the way employers and employees address each other within the factory. This discussion between two business owners in X County illustrates the diversification from a personal to an impersonal and more purely professional labour relationship:

- *Business owner A: "Workers from my village address me according to the traditions. Some call me grandpa, others call me uncle.*

- *Business owner B: They call me director.*

- *Business owner A: This is not necessary. [. . .] They do not call me boss. Even workers from nearby villages call me uncle etc. Around here we are not used to calling people "boss."*

³⁰⁰ Interviewee 27.

³⁰¹ Interviewee 26.

³⁰² Interviewee 24.

- *Business owner B: That is because your workers are mainly from your village. That's why they don't call you boss.*"³⁰³

The process of differentiation and distancing between bosses and their workers has progressed at a slow and uneven pace. Despite what business owner B argues, among the companies I surveyed, more than 80 percent of business owners were still called "uncle," rather than "boss," by their employees, even if the workers were not from their own villages. As one interviewee, who employed only workers from nearby villages, explained: *"They call me uncle or brother. [. . .] Calling someone "boss" is a habit from the city.*"³⁰⁴ Another business owner, also employing only workers from nearby villages, told me: *"According to the Chinese system, we should have a hierarchical relationship, but in fact, we deal with each other as if we had a relationship of equals. If anything happens, we discuss it together."*³⁰⁵

In short, a wide variety of relationships, from very close to very distant, ties business owners to their workers in the enterprises I have surveyed. The comparison between the following three interviews illustrates this:

*Business owner A: "Our relationship? They work, we give them money. [. . .] Nothing more. [. . .] Usually, they call me uncle. Here, people are not used to calling us "boss" [. . .] It doesn't feel right to call us that."*³⁰⁶

*Business owner B: "We have a friendly relationship, there is no hierarchy between us [. . .] They call me boss. During the working hours, they can only call me boss. But outside working hours, they can call me uncle, or brother, it is fine. [. . .] Our employees here respect me very much, and I also value them very much. It is actually a friend's relationship. It is a headache for a good boss to find a good employee. It is also a headache for a good employee to find a good boss."*³⁰⁷

³⁰³ Interviewee 17 and colleague.

³⁰⁴ Interviewee 27.

³⁰⁵ Interviewee 6.

³⁰⁶ Interviewee 12.

³⁰⁷ Interviewee 11.

Business owner C: *"Some of them call me by my name, some call me boss. Some younger workers call me "older brother." [. . .] They are all from nearby villages [. . .] but I didn't know them before."*³⁰⁸

Within the same company, different relationships also coexist. This was the case in W. Factory. All but one of the workers there were from villages near the factory. As the factory itself was located in the county seat's industrial park (relatively far from the business owner's home village), the boss did not know any of his workers before hiring them. Only one 70-year-old employee was from the boss's village. He was also the oldest employee. He was responsible for cooking lunch for the workers, but only worked part-time. He and the boss were visibly familiar with each other. He was sometimes invited in the boss' home and offered tea and cigarettes. I also saw him and the boss often smoking and chatting together in the courtyard — something I saw no other employee doing. He told me that, when they were young, the boss's father was an average farmer, neither poorer nor richer than the others. Although they did know each other, they were not close and did not work in the same production team during the Maoist era. There were five teams of about 200 people each, he explained. Besides, him and the boss were not from the same extended family (*jiazu* 家族) so they do not share the same family name.

Another one of my co-workers, by chance, had the same family name as the boss's wife: According to traditional Chinese lineage custom, they were from the same extended family, although not from the same branch. However, she was not from the boss' village or nearby village. According to this co-worker, this had never entailed any additional familiarity between them. However, it might result, she wondered (while seeming highly sceptical of that possibility) in the boss's wife being more polite and decent when dealing with her if there were tensions in the future.

Many business owners have mentioned it was hard to let go of some older workers with whom they had formed emotional bonds. As one entrepreneur told me: *"Usually the young workers are good, we prefer young workers. But there are some workers who have worked for a long time, so we have feelings. [. . .] So, if there is no major problem, we keep them working here."*³⁰⁹ This is why, within the same company,

³⁰⁸ Interviewee 33.

³⁰⁹ Interviewee 6.

different workers have more or less distant ties with their employer. As another interviewee explained: *"We cannot say we are friends, they are just workers, and I am just responsible for giving them a salary, there is no other relationship. [. . .] But some call me by my name if we are familiar with each other. [. . .] Some other workers call me Director Y."*³¹⁰

Overall, however, the tendency has been for business owners to try and disengage from patronage relationships with their workers. Most entrepreneurs emphasised their desire to implement a relationship as systematic and impersonal as possible. The influence of management practices in richer Chinese provinces, especially in the south, has shaped this evolution. An entrepreneur mentioned: *"I have studied many companies in Shenzhen, Jiangsu, and Zhejiang. I asked them how they manage their workers, and they tell me."*³¹¹ In particular, under this influence, business owners separate the two worlds of friendship and employment relationships by employing a professional manager who acts as an intermediary between them and their workers. According to interviewees, the presence of a specialised manager prevents "complicated feelings" from interfering with employment relationships, as a business owner told me:

*"We have people from our village [working in the factory], but we consider them as normal workers, just like the others. [. . .] Because the management is taken care of by a professional manager from outside. Otherwise, if people say they are the boss's relative, they are too difficult to deal with, right?"*³¹²

Therefore, most of the professional managers are not local, and they often come from other provinces. About 60 percent of entrepreneurs I interviewed had hired managers from other provinces, whom they attracted to this remote area with a very high salary. One interviewee, for example, mentioned that the manager *"can get seven or eight thousand a month, nearly 10,000. [. . .] At least he is guaranteed 5000 a month."*³¹³ Hiring educated employees to come to this remote area, the interviewee explained, is very difficult and costly.

³¹⁰ Interviewee 23.

³¹¹ Interviewee 25.

³¹² Interviewee 26.

³¹³ Interviewee 11.

Recruiting managers from outside has several advantages. First, it is harder for them to establish ties with workers that go beyond professional bonds. In addition, although managers are familiar with the production process, it is much harder for them to create their own businesses locally, and this limits potential new competitors. This argument is illustrated by a discussion with the technical manager of W. Factory, whom everyone called "teacher" or "master" (*laoshi*, or *shifu*). He had worked in W. Factory for several years but came from Guizhou. He was the only person, except for the boss and his family, to live in the factory. He frequently ate dinner with the boss' family and had developed a very close relationship with them. He also gave them advice on how to develop the products, what machines to buy, and how to manage the company. As he was more educated than them (a vocational college graduate), they respected him for his knowledge. But knowing the production techniques, the *shifu* explained to me, was not enough to success as an entrepreneur.³¹⁴ "*The key is access to the local clients,*" he added. This, however, was impossible for him, coming from Guizhou. As an outsider, he did not pose the risk of stealing clients from his boss.

The manager, as an intermediary between workers and bosses, creates a distance between workers and bosses. Although bosses and workers had direct communication channels and often got to talk to each other, the *shifu* played an important role as an intermediary between them. Several times, he jokingly told me that he was worth less than the workers, as they were the ones working hard and who possessed the actual working skills. He often downplayed his own role, saying he was only one of the employees. However, he clearly had a position that differentiated him from the workers.

The new management methods not only increase the distance between workers and bosses. They also tend to emphasise the manufacture of a "velvet glove" of artificial proximity between them, which bosses try to achieve by organising lunches and trips together with their workers, providing rewards for good work, and giving inspirational speeches. In other words, the new management methods entail business owners and managers trying to achieve a patriarchal relationship, though in more subtle ways than previously.

³¹⁴ Interviewee 77.

According to the business owners, their relationship to the workers should be neither too close, nor too distant. Such ambiguity is well expressed in this interview with a second-generation business owner:

"In the south, they are good with their workers, they relax a bit with them. [. . .] You cannot be too close to the workers. You must have at least 60 percent of the workers who say that you are not good. If they all say that you are good, then you are not managing them properly. You cannot be too close. That is why I have someone who takes care of managing them. [. . .] But if your relationship with the workers is not good, you cannot earn money. You can ask the workers in the factory when I am not around. For example, if they need money at home, ask them, they know I will give them some. [. . .] We do not specify working periods. If the workers are here at home for a year and they want a job, they come here. The next year, they do something else."

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Among the ways bosses seek to manufacture proximity with workers is to organise regular team lunches and annual trips with them. As an interviewee explained:

"I don't have any particular relationship with workers. [. . .] But every month or two months, we eat together. We also do a small trip with them every year, in the neighbourhood. [. . .] Now it is as in the whole country: the humanisation of management. [. . .] Now, you see, there are so many factories that workers are not easy to find, so we take them to eat and sometimes to travel, so they can be in a good mood."³¹⁶

This was very common among the companies I surveyed. Another business owner mentioned that: *"Every year before the spring festival, we all organise a trip together, to relax a bit. [. . .] We visit something nearby; we eat together and chat with each other."* Yet another emphasised that: *"For example, every month we gather for a meal, and I talk to them. It is a good way to improve our relationship. [. . .] Our management is very human, to be honest, really. No oppression, no exploitation, it's voluntary. "*

³¹⁵ Interviewee 9.

³¹⁶ Interviewee 19.

Another solution to increasing the morale of workers, while maintaining an impersonal relationship with them, is to organise awards for the best employees. One business owner explained this form of management: *"We often have dinners and tours during our holidays, and we also have awards every quarter. [. . .] Yes, every quarter we have awards, the best employee awards in the first half of the year, the middle prize, this or that award, we have honorary certificates, gifts, etc. [. . .] We studied that from other companies. [. . .] Every month there's workers' full attendance awards, as well as work rewards."*³¹⁷

Overall, the trend over the last few years, described by both business owners and workers, has been one of declining proximity and increasing formality in labour relations. This trend is well accepted by both social groups, who see interpersonal proximity as a heritage of the past, when factories were built in villages and geographical mobility was low. Even though this trend is driven primarily by business owners' practices and strategies, workers attempt (and indeed, sometimes manage) to benefit from the lesser interpersonal proximity.

But there is considerable local diversity in terms of interpersonal proximity and emotional bonds between bosses and workers. This diversity, driven by the different sizes of businesses, the location (in villages or in towns), the identity of workers (relatives or not), and the links between X County entrepreneurs and business owners from South China, has contributed to a differentiation among the population of X County entrepreneurs. Smaller entrepreneurs have usually remained close to their villages and emotionally close to their workers, while bigger entrepreneurs strive to de-personalise the relationship with their workers. This has resulted in different feelings of identity, among X County's entrepreneurs, in relation to their workers.

Discipline in the factory

The flexibility and the gendered dimension of local labour arrangements, as well as the shift away from emotional bonds between bosses and workers, have important consequences for the disciplinary regime imposed on local workers.

³¹⁷ Interviewee 26.

The dual role of local female factory workers, as both mothers (or grandmothers) and workers, and the absence of a longstanding local culture of factory labour among employees, prevents bosses from enforcing too strict a discipline. Both men and women usually work eight hours a day (nine in some companies), and up to ten hours in summer. However, the working hours are flexible and can be changed depending on the workers' requirements ; in particular, the women's need to take care of their children and visit relatives.

As a business owner explained:

"Here we don't have very strict rules. As long as we feel workers are motivated and they are good people, it is fine. We cannot have too strict requirements because workers here are all like that. Lots of the men around here do business, especially in this area, they often do business outside the county, so the women stay at home to look after the children, but they don't want to stay idle while the children are at school, so they come to the factory to work. If your management is too strict, they cannot accept, because the children will always be the priority."³¹⁸

Likewise, a business owner justified the flexible hours at the factory:

"They work eight to nine hours a day. Work is very flexible here, because workers all have small children to look after, they need to go to school to pick them up. So, it needs to be flexible. [. . .] They can work a bit less if they want, or if something happens at home they can say: I am not coming today. They just have to let me know. It is not like in big companies, where you have to work a fixed amount of days per week. Here it's freer."³¹⁹

This flexibility is not only due to the dual role of women, but also to the habits of local workers. Most of them come from rural backgrounds and are used to farming the land. As a result, they are not used to the strict discipline that rigid working hours entail. As an interviewee explained:

³¹⁸ Interviewee 9.

³¹⁹ Interviewee 20.

"You know, it is also difficult for the ordinary workers. They used to cultivate the land; they were not used to this way of working. Since 2010, I have a few old workers who have not left this place, they have been working here for six or seven years, even eight years, and their awareness is slowly improving. For people who are used to farming the land, it is very hard to make them turn to a very standardised way of working. They need some time."³²⁰

Business managers counter the potential problems associated with workers' flexibility by paying employees piece rate. This motivates workers to be diligent and spend long hours working, even though it also gives them a certain freedom regarding their working hours. It also allows for a wide range in the workers' salaries. As a business owner explained: *"When you pay by the piece, workers are easy to manage. You just have to control the quality."*³²¹ Another interviewee told me: *"We pay a piece rate, so if they have experience and technical skills, they can earn more, at most, two hundred yuan per day. For those who do not have skills, it is about fifty or sixty yuan per day."*³²²

Not all jobs can be paid a piece rate, however. Some tasks for which special meticulousness is required are not appropriate for remuneration by the piece, as an interviewee explained: *"Here we have a piece rate, and also salary according to time; it depends on the job. [. . .] For some pieces, the work has to be very careful, so if workers are paid by the piece, I fear the quality won't be good enough."*³²³

In the factory where I worked, both types of remuneration coexisted. Young, fast-working women told me they preferred piece rate because they could earn more. However, other workers preferred a day salary, which allowed them to work more slowly and be more relaxed in the factory. In one workshop of W. Factory, two women were paid at a piece rate because their work was harder, and they would not do it otherwise, while the other workers were paid by the day. As a result, the two women paid at piece rate often worked more, especially during lunch time. The older women upstairs were also paid by the piece. Nobody watched them, so they spent

³²⁰ Interviewee 33.

³²¹ Interviewee 14.

³²² Interviewee 12.

³²³ Interviewee 23.

much time chatting about their lives, chores, husbands, and grandchildren. They could make tea whenever they like; they could also go to the bathroom, make phone calls, and take breaks whenever it pleased them. All workers, however, were fast and focused despite chatting. Being paid at piece rate motivated them to work hard, while allowing for a certain freedom as to when and how to perform their tasks.

In the factory where most workers were paid at a day rate, on the other hand, the boss had placed video surveillance tools inside to control the labour flow, which he could watch remotely from his phone. According to my co-worker, he rarely told workers off for working slowly or chatting on a daily basis, but he sometimes blamed them during team meetings, which were held about once a month. During these meetings, workers were individually and publicly criticised, for example for playing on their phones during working hours, or for chatting too much with their co-workers instead of focussing on the work. Overall, she said, they were relatively free in their work; but the boss, ultimately, knew who worked well and who did not.³²⁴

When asked about the video surveillance, a business owner replied that:

"It is not really to see if they are idle, it is mainly to check if they are tidy and clean, and also to see the flow of goods. Sometimes, I just look at the video from my office, I take care of that from there. You see, there is a lot of equipment of all kinds here, so security is very important."³²⁵

The incentives linked to being paid at a piece rate, or at a day rate, are very different, and lead to very different kinds of disciplinary regimes. The piece rate remuneration makes workers responsible for their own income and provides incentives to work more in order to earn more. Discipline is less crucial in this case because productivity is ensured by economic incentives. On the other hand, when paid at a day rate, workers are more frequently watched and watched in order to ensure their assiduity and speed.

Sometimes, the coexistence of both modes of remuneration led to conflicts in W. Factory. Once, a conflict happened between the old workers from upstairs and two

³²⁴ Interviewee 78.

³²⁵ Interviewee 33.

younger workers from the machine factory. The old workers were accused of working too fast (as they were paid at a piece rate), which meant that the young workers, paid by the day, had to process more pieces while being paid the same salary. The boss sent them all back home for the day, telling them to calm down. The following day, he moved the young workers to other tasks.

This dispute and the way it was resolved illuminates the different incentives behind the different types of remuneration, but also the role of the business owner as the sole decision-maker regarding hiring, firing, and moving workers around. This way to deal with discipline in the factory is far from the despotic regimes observed by researchers in other regions of China, or in other countries and periods of time (Chan 2016). Working hours, here, are not enforced through punishments or disciplinary measures, but by a mixture of economic incentives (workers earn more if they work more) and the charismatic and personal involvement of the business owner, who watches workers and has the liberty of telling them off or firing them if they do not work properly.

However, I have also observed a tendency among X County's business owners to try to enforce stricter rules and tighter discipline, in order to make mothers or former farmers into modern, disciplined workers. Much of this new attempt at stricter discipline derives either from discussions with entrepreneurs from the south, or from study sessions organised by the local government. A local entrepreneur told me, for example, that: *"We must learn how to manage people. The government organises study sessions for us. We learn new management techniques that we had not thought of, or that we were not able to implement. We are always improving and strengthening this aspect."*³²⁶

According to interviews with both entrepreneurs and local officials, the local government is very active in providing training to improve local business owners' management. As an entrepreneur explained:

"There are management classes in our county town. Usually four per year. There are experts from above who come to our class to analyse these things. [. . .] Usually they are Party School teachers. [. . .] It is very important,

³²⁶ Interviewee 33.

because we are still inexperienced in those things. I have changed a lot through these classes. Now I have implemented a series of regulations to improve the management."³²⁷

Entrepreneurs also learn from what they consider as more advanced enterprises elsewhere in the country, especially in coastal South China. As one business owner explained: *"I don't know if it comes from America, from abroad, but we learnt about it in South China, because the south is more advanced."*³²⁸ Under this influence, business owners in X County try to infuse into their workers a sense of discipline. In W. Factory, the boss often talked of his attempts to enforce a stronger discipline and to train workers who otherwise would be left to their lazy habits. Every morning, the boss inspected the factories and checked whether workers had arrived. Working hours, when I was working there, were 7:30-11:30 plus 1:00-5:30.

The managers enable business owners to enforce discipline in a more systematic manner. It allows them to watch employees more closely, as this interviewee explained: *"We have one person responsible for management in each line of production [. . .] So there will be one manager for a smaller number of people, to tell them how to make the products and how much to produce."*³²⁹ By recruiting these intermediaries, business owners try to implement a management that is not only more impersonal, but also more systematic. An interviewee, for example, explains that: *"I have an office director. He has a written guideline, and it must be systematic, to manage people well. You have to follow the system."*³³⁰ Another business owner explained that:

*"For the management, we have a managing system, with a system for each position in the factory. Because it is not easy for individuals to manage individuals; so, we have a system to manage individuals. [. . .] Our engineer takes care of that. We also want all our workers to follow a uniform system."*³³¹

³²⁷ Interviewee 11.

³²⁸ Interviewee 9.

³²⁹ Interviewee 33.

³³⁰ Interviewee 27.

³³¹ Interviewee 26.

By striving for a more systematic style of management, X County's business owners strive to shift the control of labour from "simple" to "technical," to borrow from Edwards' concepts (Edward 1979). Making labour control more systematic — if not yet bureaucratic — reinforces the impersonal nature of the employer/employee relationship that I have described in the previous section. It also emphasises the distinct nature of the roles of business owner, managers, and workers. Or, to use Weber's conceptualisation of the three types of authority, business owners strive to move away from a traditional type of authority, towards a bureaucratic type, where institutionalisation and depersonalisation enable a stricter control of the workers. This shift includes a moral component, as business owners claim to transform mothers and peasants into modern, disciplined workers. An entrepreneur, for example, told me that workers in X County, unlike workers in southern provinces, were difficult to work with because they were "backwards" and not disciplined. Thoughts about modernity, here, go hand in hand with encouragement of an increasingly strict disciplinary regime in X County's factories.

The insights from these managers, however, are not always applicable in X County, and local entrepreneurs experienced difficulties implementing the new management techniques they learnt there. One business owner explained:

*"At first, I asked a CEO from Foshan, Guangdong, to help me with the management, but the workers were very unhappy. They said: I have relatives at home, or I need to visit relatives, you cannot prevent me from going! It was not realistic. [. . .] So now the working hours are still very flexible. [. . .] On average they work eight hours per day. [. . .] Normally, they rest two days per month, but they can ask for a day off whenever they want."*³³²

Several local entrepreneurs experienced similar difficulties resulting from the discrepancy between local and southern labour traditions. An interviewee, for example, recalled:

"Last year, we considered hiring a manager here. We found a director called Zeng who managed a small factory of about 20 people, and he had also managed bigger factories with more than a thousand people. But when he

³³² Interviewee 9.

came here it did not work; he worked here for two months but it did not work, and he had to stop because the local conditions and local life habits are different. The management is sometimes quite different from in the south."³³³

Another interviewee explained:

"I have progressively studied management. After a while, I abandoned the practices that did not work, and I turned to better ways of management. To be honest, we do not use the rigid knowledge that you can find in the books. It is too strict. For example, here the workers can arrive a bit late or leave a bit early if they have something to do at home. If you blindly follow the rules, it cannot work."³³⁴

Systematic labour control, encouraged by state-sponsored trainings and by entrepreneurs from southern provinces, is not accepted well by workers, who resist through foot-dragging or quitting their job. Several workers told me that they would not hesitate to quit their job if discipline was to become too harsh and not allow them some flexibility to take care of their family. The process of transforming peasants into disciplined workers, it turns out, will take a long time — perhaps several generations — to accomplish.

This chapter has shown that in rural X County, local labour arrangements are characterised by great flexibility, low dependency of workers on bosses, and numerous intersections between gender, and other aspects of power relations and social identity within the labour regime. The chapter also has highlighted two major shifts in the relationship between bosses and workers in the last decade. First, a paternalistic relationship where bosses employed their relatives and neighbours has been shifting toward a more distant and impersonal work relationship. A second shift entails moving from loose and flexible supervision of workers towards stricter monitoring and control of the labour process. However, although the first shift is well accepted and encouraged by workers, the second shift is strongly resisted, albeit in subtle ways.

³³³ Interviewee 11.

³³⁴ Interviewee 23.

One particular anecdote illustrates how these four aspects are interwoven to constitute local labour arrangements and shape social identities. A few months before I came, W. Factory's boss started to use speeches to encourage workers. About two weeks after the Spring festival, the boss and his wife invited all the workers for lunch, in a rather upscale restaurant nearby. All female employees (who amounted to about 90 percent of the company's workforce) sat at one table, while the few male employees sat at the bosses' table. The boss' wife sat at the men's table, but on numerous occasions came to chat with the female employees.

Before anybody started eating, the boss stood up and made a speech, in which he mainly blamed employees for lacking discipline. His first concern was that workers should not look at their cell phones during working hours. Even though their work may include idle moments while they are waiting for raw materials, they should use this time to check the products' quality, instead of playing on their phones. Second, if employees stay at the factory for lunch, they should take a shorter lunch break. Lunch is provided for free, the boss said, so you need to give me a good reason why I should do that for you. Third, from now on, he explained, workers cannot arrive late at work. The factory gates will now close at 7:30am, and those who arrive late will have to apologise and ask for permission to enter. Gates will open again at 11:30am, the boss added, and close again during the afternoon shift. Moreover, he said, it is now spring, and the days are getting longer, therefore employees will be required to work until 6pm, instead of 5:30. As a conclusion, the boss exhorted workers: "Stop being lazy! Work more to earn more and give me a good reason to hire you."

Next, the technical manager stood up and also gave a speech. He insisted that workers should always leave their machines clean at the end of the day. He mentioned one worker in particular, who had recently failed to clean her workplace before leaving. The woman started mumbling an explanation, but the manager did not listen, and continued with a tirade on the importance of cleanliness. During the two speeches, however, the women barely listened or reacted. Most chatted with each other, played on their phones, and refused to look at the speakers. Last, the boss' wife took the floor. Unlike the two men, she did not blame anybody. She simply wished everyone happy Women's Day (it was the 8th of March) and encouraged women to toast and drink together (soy milk — while the men drank *baijiu*). Everybody applauded, and the lunch finally started.

This anecdote illustrates, first of all, the attempts to enforce a strict discipline within the factory. The insistence on cleanliness and punctuality is symbolic of the transformation business owners expect from local workers. The speech, however, also reveals the clumsiness and ineffectualness of the boss's attempt at re-creating a friendly relationship within the factory by inviting all the workers to a restaurant. The fact that they are not sitting at the same table; the fact that only one side gets to publicly express opinions, effectively divides the company into two groups of "bosses" and "workers," and effectively reinforces the distance between the two groups.

This division is coupled with a gender division that reinforces the social distinction between bosses and workers. Between these two groups, the technical manager and the boss's wife both hold intermediary positions, which result from their contradictory positioning on the gender and social scales. The boss's wife, while a business owner, is a woman and therefore does not criticise workers but rather tries to overcome the distance between them. On the other hand, the manager, due to his gender but also his status as an educated, better paid employee, also stands between both groups.

Third, the opposition in the language used to talk about workers (lazy, dirty, unwilling to work hard) and bosses (clean, well-intentioned, hard-working) reveals the distancing process at work, even as the speech's intended purpose is supposed to be to create proximity between them. The infantilising discourse about workers, intended to turn them into better, modern, and "disciplined" workers, in fact emphasises the distance between them and their employer, and shapes the social identities of both groups.

The female workers, in this process, silently resist the introduction of disciplinary measures to control their work, by foot-dragging whenever possible, but also by not listening to the boss's speech — even though they all privately admit that he is a good boss and they appreciate him as a person. By neglecting or mocking his speech, they take back the initiative of creating a distance between him and them — the boss and the workers. This dual distancing process, reflected and enacted on both sides, contributes to the formation of distinct social identities for everyone in the factory, including the boss and the workers, and those positioned in-between the two groups.

Conclusion

Through the intentional distancing and depersonalisation of labour relationships, and through disciplinary measures and the corresponding resistance of workers, the distance between employers and employees from a similar farmer background has widened and two social identities, as workers and as bosses, have emerged over the last decade, as businesses grew and relocated away from villages. But this chapter has shown that the emergence of two distinct identities is not homogenous across the business community. As in Chapter 6, this chapter has shown that the social differentiation process also happens within the business community. Bigger entrepreneurs, more connected to their southern counterparts, pave the way to intentional distancing and depersonalisation of labour relationships; while smaller entrepreneurs, more closely attached to their village and more emotionally tied to their workers, have very different ideas of themselves and of their position in the local community.

As Ching Kwan Lee observed in her South China fieldwork, the labour market and the gendered organisation of society are important factors in shaping labour regimes in X County (Lee 1998). X County's labour market is scarce in skilled, younger, and male workers, and abundant in low-skilled, older and female workers. As in the "familial localism" described by Ching Kwan Lee in Hong Kong, workers in local factories are mainly middle-age women, who have chosen to work close to their homes because of family responsibilities, and whose husbands earn most of the family's income by working outside the county. As in 1998 Hong Kong, this pattern has led to a great flexibility in working times and conditions, as workers must take care of their families.

However, the comparison with Ching Kwan Lee's study also highlights two important differences between X County and 1998 Hong Kong. First, X County's labour market is characterized by a very high fluidity and flexibility, with workers (especially younger ones) rarely staying long in one company and using this flexibility to negotiate their salaries and working conditions. Second, X County's labour regime has been evolving towards a more strictly organised, formal, and standardised regime, and towards less emotional proximity between bosses and workers. In this regard, this chapter has described a gradual (though largely incomplete) shift from a

"familial localist" labour regime towards a more technical and impersonal labour regime, where compliance is ensured through rules and discipline enforced by intermediaries rather than by the boss himself. In fact, the work regime enforced by X County's business owners bears similarities with the forms of neoliberalism that have been observed in Western countries, where individualism, flexibility and a free labour market are central to workers' compliance with work discipline.

How can we explain this shift? Generational change offers a plausible explanation. As this chapter has shown, younger women are tied to very different perceptions of gender and work than the older generation of female workers. First of all, although they are expected to take care of similar family duties (taking care of children and staying at home while their husbands work outside the county), they are more educated than the older generation, and also often considered as more educated than men. As Chapter 5 has argued, daughters of entrepreneurs are encouraged to take on university or vocational college education while their sons are encouraged to take over the company without completing formal education. Their gendered cultural abilities are showcased in client-facing interactions through accounting departments and sales. Secondly, younger workers have grown up in a freer and more loosely organised society where job-hopping is encouraged and considered favourably. Perceptions of entrepreneurship matter too, because of the generally accepted idea that starting one's business is more valued than factory work, even though it may earn less money. This increases flexibility as few workers perceive themselves as workers for life; but rather as temporarily employed as workers and waiting for better opportunities. Reflecting this preference for flexible and temporary labour, younger workers also prefer to be paid at piece-rate rather than for the day. To a great extent, this neoliberal labour flexibility characterized by an ethos of individual competitiveness and the absence of paternalist relations between bosses and workers has been not only well accepted by the younger workers, but also, to a large extent, driven and encouraged by them.

Besides generational differences in the labour market and the perceptions of women, this chapter has also highlighted the diffusion of ideas from other regional areas as a crucial factor shaping the local labour regime. Ideas coming from South China and Western countries, transmitted through government-led classes and visits to

southern enterprises, have shaped local business owners' ideas about discipline, labour, and boss-worker relationships.

In this context, social identities as workers and bosses have emerged as much through interpersonal relations as through conscious effort to limit interpersonal interactions. They also have emerged, in part, from resistance and contestation to new labour arrangements. The stricter enforcement of work discipline and, to a lesser extent, the gendered dimension of labour arrangements, face resistance from workers. Given the tremendous flexibility and mobility that characterise the local labour market, workers can "vote with their feet" and leave companies that do not treat them well. They can also silently resist, covertly making fun of bosses, or slowing down the production process through foot-dragging.

Conclusion

Self-made entrepreneurs

One of the major contributions of this thesis has been to show the existence of a "self-made entrepreneur" narrative, which crystallizes many of the hopes, expectations, and moral standards of society in rural inland China.

Many similarities can be found between the American "self-made entrepreneur" narrative and that described in this thesis. In X County, as in America, success is primarily defined through business and wealth. In both places, the self-made narrative emerged in contrast with a previous context (Britain, in one case; Mao's rule, in the other) in which opportunities were scarce and social mobility low. In both places, too, the self-made entrepreneur narrative is heavily gendered – so much so that in the United States, it is widely understood as a "self-made man" narrative (Catano 2001).

Deeper similarities also exist between the two narratives. In the United States as in X County, the narrative's rise to prominence came in a period of great economic and social change and major disruption of social hierarchies. In the former case, as Wyllie et al. wrote: "On every side, American opportunities damaged class patterns inherited from Europe, and altered old orders of caste and custom" (Wyllie 1965:11). In the latter case, the reforms initiated by Deng Xiaoping's administration after 1978 have transformed previous hierarchies. As the thesis has demonstrated, X County underwent a rapid process of relative and absolute social mobility, as the local economy massively expanded during that period and allowed the category of middle-class and upper-middle class to dramatically grow.

In X County, as in the United States, the self-made entrepreneur narrative served as a justification for the rise to prominence of a new class of wealthy individuals, as the personal qualities that made the self-made entrepreneur were internalised and associated with moral qualifications. In both contexts, too, the self-made entrepreneurs' narrative, and the legitimation associated with it, have survived longer than the conditions in which the stories originated. In the United States, studies have

shown a substantial decline in social mobility since the late 19th century (Song 2020). In China, scholars have argued that social mobility has declined in the last two decades (Li Chunling 2005; Sun Liping 2003). My thesis has presented a similar trend for X County. Nonetheless, I have argued that the decline of social mobility has not prevented the self-made entrepreneur narrative from spreading in the wider community of X County or from playing an important role in people's perceptions of contemporary social fairness and social mobility. The self-made entrepreneur narrative thus helps explain why the "social volcano" of discontent and conflict feared by Chinese observers and leaders has remained mostly inactive, at least when it comes to the position of private entrepreneurs in the Chinese social hierarchy.

A bottom-up model of perception change

The rapidity of change and the accessibility of the Chinese case have made it an excellent theoretical laboratory to understand how new social perceptions come into existence and develop. The thesis has drawn on the constructivist theoretical framework in which perceptions are shaped by "typifications" of routinised human behaviour, but it has gone further in attempting to understand how, why, and over what period of time, certain routinised human behaviour is typified and how these typifications evolve. By exploring the birth and propagation of perceptions about entrepreneurs, this thesis has brought into focus a phenomenon otherwise rarely observable in such detail.

A key finding of this case study is that new perceptions about entrepreneurs have followed a bottom-up model, in which exemplary stories were born out of individual experiences. The thesis has highlighted a massive relative, inter and intra-generational, social mobility during the early decades of the post-Mao period in X County. Although education, lineage, family background, parents' relative wealth and connections with government officials probably helped some entrepreneurs, many of today's successful entrepreneurs did not enjoy any of these privileges.

In these conditions, although being self-made was not the only profile of early entrepreneurs in X County, it fitted a large proportion of early entrepreneurs. It was typical, inasmuch as it captured the experiences, hardships, dilemmas, and successes of many of X county's entrepreneurs. In addition, the prowess of successful self-made

entrepreneurs with no advantageous background may have especially captured the imagination of local entrepreneurs. They became exemplary, in the eyes of the local population. Stories, based on the life of well-known local figures such as Wang, were both exemplary and typical. This explains why they became "typified," to use the framework elaborated by Schutz and Berger and Luckmann, who described how, due to the routinised character of human behaviour, individuals attribute a certain set of habitual, "taken-for-granted" behaviours to each other (Schutz 1932, Berger and Luckmann 1966).

These stories first circulated within a restricted network of individuals who shared similar experiences and lifestyles, and who knew each other. But outside of their social circle, first-generation non-entrepreneurs held very different ideas of what entrepreneurship was and how it came about. This changed in the second generation, when the self-made entrepreneur narrative permeated, diffused, and homogenised across occupational and economic divisions, and the story of Wang became a dominant ideal type in the county.

How can we explain the differences in patterns of diffusion of the self-made narrative between the two generations of individuals in X County? One explanation proposed in this thesis is that the narrative had more explanatory power among the second than the first generation. Indeed, for first-generation non-entrepreneurs, born and raised in a relatively equal rural community, the success of a few entrepreneurs could not be explained solely by merit, without representing most of their community (including themselves) as meritless. However, second-generation individuals, born in a society in which social differentiation has already taken place, feel a need to rely on legendary events from the previous generation to explain and justify this social differentiation. In this context, stories of entrepreneurs as the heroes of local economic development help explain and justify entrepreneurs' privileged position in today's society. This explanatory function of the narrative resembles what the public lawyer Georg Jellinek called "the normative power of the factual" in the early 20th century, by which he meant people's tendency to perceive "what is" as "what should be" and assign normative authority to the existing state of affairs (Jellinek (1882), cited in Ladavac and Trautmann 2019).

A second explanation is that the locally dominant discourse can accommodate contradictions and inconsistencies. One of the most striking examples discussed in the thesis is that of second-generation non-entrepreneurs who have not experienced upward social mobility and yet believe that the self-made entrepreneur narrative is still an accurate description of social mobility in X County. This thesis has shown that among this group, the example of early entrepreneurs is used as proof that social mobility is possible and as an encouragement to emulate the great examples of the past. As a result of the stories and images conveyed in the collective discourse about entrepreneurship, young respondents also strongly associate upward mobility and high social position with business undertakings and risk-taking. But while they held on to the idea that self-made entrepreneurship is possible and that society rewards effort rather than the privilege of birth, many of my young, non-entrepreneur interviewees also expressed the feeling that social mobility was declining. Very often, interviewees expressed contradictory beliefs during the same interview. This ability of people to accommodate contradictory beliefs helps explain how a narrative can continue to hold ground even as it does not accurately describe the reality anymore.

Another important mechanism presented in the thesis helps understand how people resolve contradictions between a locally dominant discourse and the reality they experience. Negative depictions of the *fu'er dai*, who embody the contradiction between the self-made narrative and the reality, serve to resolve this contradiction and, ultimately, to reinforce the belief in downward social mobility. *Fu'er dai* are considered as very likely to experience downward social mobility because of their negative characteristics (they are seen as lazy and incapable). In turn, Chapter 3 showed that the belief in the ultimate downward mobility of *fuer dai* entails a corresponding belief that hard work will be rewarded, and therefore in the upward social mobility possibilities for the rest of the population.

State power and the diffusion of narratives

This thesis also examined how such perceptions of social mobility were shaped by state power. In this regard, the local case-study approach that I took in the thesis has allowed me to add nuance and qualify the well-accepted idea, according to which power struggles explain the diffusion of certain perceptions. The circulation of ideas has usually been studied from a top-down perspective. The influence of mass media,

as well as that of the government, have been the focus of most of these studies (Brady 2008; Perry 2013; Shambaugh 2007; Esarey 2015; Repnikova 2017). Combining the study of state power with the analysis of local dynamics of power and local interactions between individuals and social groups has allowed me to show how important the micro-level is in shaping individuals' perceptions.

This thesis has also shed light on other, less institutionalised, processes at work. The entrepreneurs described in the thesis have much less institutionalised power than government officials. The local media (newspapers and television) follow the state's view rather than that of wealthy local entrepreneurs. Local entrepreneurs have not conducted any systematic, concerted communication effort. Rather, the propagation of their stories has followed informal, word-of-mouth, channels. Yet, although they did not consciously intend to spread it, they have had tremendous success in diffusing their narrative of the birth and development of local entrepreneurship.

The fact that the official discourse about entrepreneurs is muddled has probably contributed to diminishing its power in shaping local narratives. As the thesis has demonstrated, state discourse on entrepreneurship is rife with contradictions. Chinese prime minister Li Keqiang is known to be sympathetic to private industry and entrepreneurship, while Chinese president Xi Jinping rather emphasises the role of state-owned enterprises and state intervention in the economy (Shi Yuzhi 2013). Despite claiming that "*market-determined allocation of resources is the general law of the market economy*" as the "Decisions" issued at the Third Plenary Session of the 18th CPC Central Committee put it, the Chinese government has increasingly privileged state-owned companies at the expense of private capital during Xi Jinping's presidency (Hillman 2019, Johansson and Feng 2016).

Contradictions between official discourse and the central and local levels also abound. Given that local government officials' job performance is evaluated at least in part on their success in stimulating economic growth, it is in their own self-interest to promote entrepreneurs as heroes. But while the figure of the entrepreneur as innovator and pioneer has become central in the national government's official discourse, the local state's discourse presents entrepreneurs as hard-working people who benefit from opportunities offered by state policies and follow the state's guidance, without which they would not succeed. Interviews showed that the very

concept of a market economy remained somewhat foreign to local officials, suggesting that part of the central state ideology about the market economy is inaudible at the local level.

To some extent, state narratives coincide with the bottom-up narrative observed in X County. Placing welfare and poverty alleviation into entrepreneurs' hands, for example, has reinforced widespread popular representations of entrepreneurs as pioneers, who lead fellow villagers out of poverty. In this context, the policies of state-sponsored corporate paternalism, by giving business owners a central role in welfare distribution, have actually strengthened the dominant position of entrepreneurs in the local community. State intervention in the economy is also well accepted by many entrepreneurs and non-entrepreneurs, and in most of my interviews, was viewed as fair. Most entrepreneurs managed to reconcile their belief in the self-made entrepreneur narrative with state intervention. They understood economic upgrading as a government-driven process, in which private enterprises had to follow and adapt themselves. For them, being a successful entrepreneur meant being able to comprehend the government's plan and to integrate one's own business in it. Being supported by the state did not challenge their sense of legitimacy, but rather demonstrated their intrinsic value, and became a reason for pride. If the state provided a fair and growth-conducive business environment, they thought, failures must be interpreted in terms of personal insufficiencies.

But the thesis has also shown that these opinions were debated and far from unanimous. Many entrepreneurs opposed this state-sponsored role as welfare providers. Many saw the state narrative, in which individuals are pictured as elevated and groomed by the state, and whose wealth ultimately depended on the Chinese Communist Party, as deeply at odds with their understanding of being a self-made entrepreneur, and they opposed the state narrative on this ground. Ultimately, the thesis has thus shown that the bottom-up local narrative was more entrenched in local collective imagination than state discourse. Whenever the state discourse coincided with the local narrative, it reinforced it, but when it did not, local people primarily held beliefs rooted in the local narrative rather than the state discourse.

To a certain extent, the belief in the self-made entrepreneur narrative helps explain the continued legitimacy of China's political regime, as it has laid the cognitive basis

for a popular faith in the social fairness of Chinese society. However, the thesis also indicates potential limitations of this legitimacy. In particular, it suggests that governmental policies of privileging state-owned companies at the expense of private capital – policies which have received wide attention among China observers and scholars – may undermine public support for the regime, if they come to be considered as contradictory with the self-made entrepreneur narrative. Both entrepreneurs and the wider community in X County expressed a strong sympathy for private businesses. Many of my interviewees told me that the businesspeople they admired most were Alibaba's founder Jack Ma and Huawei's founder Ren Zhengfei. When asked why, they explained (rightly or wrongly) that these entrepreneurs corresponded to the ideal of self-made entrepreneurs and had not been supported by the state. If their sentiment proves to be widely shared across China, such public support for self-made private businesses could make it difficult for the government to justify a further squeeze of private capital and more support for public enterprises. This illustrates that even a state apparatus as powerful as that of China encounters failures in spreading its own narratives and objectives among the population.

Status and market: Coexistence of non-overlapping stratification systems

Besides studying the change and diffusion of perceptions about entrepreneurship, this thesis also examined how social identities emerged among local entrepreneurs. In particular, it examined how China's rural-urban divide and wealth inequalities have shaped the consumption patterns, self-identification, and educational attainment of X County's entrepreneurs.

In this regard, this thesis has also made several contributions to theoretical debates on social identities. The case of X County's entrepreneurs has illustrated Weber's theory that two social stratification scales (status and market) may coexist without necessarily overlapping. The thesis has highlighted that social hierarchies in X County are structured both by a stratification system based on the rural-urban divide, and one based on income success in market competition. The dominance of the stratification system has prevented the latter from taking a prominent role among the first generation of entrepreneurs. But the emergence of social differentiation based on wealth and occupation in the second generation has not superseded identities

linked to the rural-urban divide. Rather, both now shape younger entrepreneurs' lifestyle and sense of identity, and the coexistence of these two lines of identification leads to ambiguous and sometimes contradictory feelings of belonging and identity.

The thesis, therefore, adds nuance to Bourdieu's theory, which points to an alignment of different forms of capital, whether social, financial, or cultural (Bourdieu 1984). While Bourdieu's theory may be accurate at the national scale and in the long term, my research indicates that it may not hold at the local scale, and within the first two generations of a socially mobile population. Although some rural entrepreneurs try to transform their newly acquired wealth into meaningful cultural capital for their children, they often face difficulties and failure in doing so. To some extent, cultural capital has even been seen as incompatible with financial capital, in the eyes of the local population. In addition, examining the educational patterns among X County's population has shown that instead of two identities simply coexisting, a more complex picture has emerged, in which various factors provide individuals with alternative sources of social status and pride, depending on their educational and life-path choices. The propagation of mass consumption to the countryside has enabled rural residents to emulate urban lifestyles and consumption patterns, and education in rural areas is now considered a common path to lower-middle class positions. As a result, many young people prefer employee positions to entrepreneurship because they are seen as prestigious among a significant part of the population. Among my interviewees, those who preferred education to business often justified their choice by emphasising the lack of *suzhi* (quality) among rural entrepreneurs, while they put forward urban models and ways of life. People's sense of identity does not neatly follow either rural-urban lines or income lines: it has become more complex, multi-faceted, and cutting across previous social stratification systems.

The separate study of different elements of social identities has allowed me to show to what extent they overlap with each other, and to examine the different paces at which they evolve. The thesis has demonstrated, for example, that ideas about who entrepreneurs are, where they came from, and what social group they belonged to, were circulated very early on, among the first generation of entrepreneurs, in the form of stories. These stories which delineated an ideal type of entrepreneur were, at first, only internally relevant within the group of local entrepreneurs. Then they started to infuse the way other people, too, talked and thought about entrepreneurs.

At the same time, however, Chapter 5 has shown that consumption patterns have changed at a much slower pace. Only in the second generation of entrepreneurs did consumption patterns start to depart from those of the wider local community. The sense of belonging to a population of entrepreneurs, which was circulated verbally through stories was therefore much faster to emerge than the sense of commonality which resulted from shared cultural and behavioural dispositions, distinct to the rest of the population. In this regard, the thesis has contributed an important modification to Veblen's theory. It has shown that conspicuous consumption is not inevitable among the first socially mobile generation in a modern society; and it is strongly conditioned by local social relations and by pre-existing social hierarchies. In X County, the strong impact of the rural-urban divide on consumption and lifestyle patterns can be explained by the early socialisation context of first-generation entrepreneurs, as well as by pragmatic and moral factors.

The thesis has also highlighted the importance of the geographical basis of identity. While social identities linked to a common rural belonging oppose local village communities to cities, social identities linked to wealth and occupation divide the population within local communities. Both lines of division often coexist within the same person, depending on the situation they find themselves in, who they are talking to and what aspect of their daily life is at stake. The importance of wealth in shaping their sense of worth and identity is linked to whether they consider themselves in relation, or in comparison to, a local community or a national one. But as social identities have progressively changed, a change in the geographical basis of social networks has also happened in the last two decades. As the thesis has shown, these networks have progressively become geographically farther-reaching and more integrated with national business networks. At the same time, they have divided local villagers and local entrepreneurs and created social differentiation among them.

While senses of commonality and shared cultural and behavioural patterns have evolved rather slowly, the thesis has highlighted intentional depersonalisation of social relationships as an important social mechanism through which social identities emerge within local communities. The use of e-commerce by local entrepreneurs has provided a first concrete example of this mechanism at work. Instead of seeing e-commerce as triggering a non-intentional depersonalisation of social relationships, I have shown how entrepreneurs intentionally use e-commerce to disentangle

themselves from the local community. For them, reducing ties to the local community and increasing trade with outsiders — people who will not demand credit favours and with whom there is no strong feeling attached — is seen as a solution to excessive and inconvenient social obligations. The development of e-commerce has been part of a strategy to exit from local credit networks and "dis-embed" themselves from local credit communities.

Such depersonalisation is associated with shifts in the norms and values attached to doing business. While "*guanxi*-production" practices linked to credit, local ties, and leisure, once served to reinforce the sense of belonging to a local business community distinct from fellow villagers, the discourse around "quality" now enables big car parts entrepreneurs to distinguish themselves from small-time or unsuccessful entrepreneurs. The skills and qualities perceived to be required of a successful entrepreneur have also changed, rendering higher education and technical proficiency much more essential to success than four decades ago. This shift in professional identity has been emphasised and reinforced by an increasing cognitive proximity to South China's business owners, whose ideas, values, and practices have shaped X County's entrepreneurs' business ethos.

There has also been a depersonalisation of boss-worker relationships. I have observed a tendency for business owners to disengage from patronage relationships and emotional bonds with their workers, and to implement a relationship as systematic and impersonal as possible. In the first stages of developing their enterprises — usually as a workshop in their home village, the first-generation business owners relied on a labour force drawn from their family, relatives, and neighbours. That entailed a high psychological and emotional proximity between employers and employees. But as companies grew, they started employing workers from nearby villages rather than their own. The influence of management practices in richer Chinese provinces, especially in the south, has shaped this evolution. Under this influence, business owners separate the two worlds of friendship and employment relationships by employing a professional manager who acts as an intermediary between them and their workers. According to interviewees, the presence of a specialised manager prevents "complicated feelings" from interfering with employment relationships.

Even though this trend is driven primarily by business owners' practices and strategies, workers attempt to, and often succeed in benefitting from the lesser interpersonal proximity. As Chapter 7 argued, workers are particularly wary of bosses who try to create a family-like relationship and develop moral ties that put pressure on employees to be loyal and obedient. For that reason, workers, too, try to depersonalise their relationship to their bosses. This depersonalisation means that workers can "vote with their feet" and leave companies that do not treat them well. They can also silently resist, covertly make fun of their bosses, or slow down the production process through foot-dragging. Throughout these transformations, the distance between employers and employees from a similar farmer background widens, and two social identities, as workers and as bosses, emerge.

Potential for generalisation

How generalisable are these observations? A first important factor when examining this thesis' main findings' potential for generalisation is industrialisation patterns. As Chapter 1 has mentioned, different parts of China have experienced a range of patterns of industrialisation in the 1980s and 1990s, from industrialisation led by collective enterprises, to that led by foreign capital, and that led by private entrepreneurs. This no doubt has a massive influence on the way people think about entrepreneurship. In regions where collective enterprises were privatised and taken over by their manager, as in the Shandong prefecture studied by Ray Yep, memories of entrepreneurship are likely to emphasise the political capital needed to start one's business rather than entrepreneurs' ability to start from scratch (Yep 2003). Besides, education and professional knowledge are likely to be much more important components of the public imagination related to entrepreneurs than in X County. The areas where X County's findings are the most obviously generalisable are therefore areas where industrialisation followed a similar pattern of private, individual-led entrepreneurship.

A second important factor is the rural-urban divide. In several chapters, I have argued that social and cultural differences resulting from the rural-urban divide have weighed heavily on entrepreneurs' sense of belonging and identity. Cities and rural areas have had a very different experience of entrepreneurship. In cities, many people "plunged into the sea" and experienced entrepreneurship after they were laid-off

during the massive restructuring of state-owned enterprises in the 1990s (Yueh 2010:118). By contrast, the rural population has never enjoyed the secure jobs that the urban population had until the 1990s. Urban entrepreneurs, on average, are also more educated than rural entrepreneurs (Yueh 2010:118). These differences mean that the narratives surrounding entrepreneurship in urban China are likely to be different from those observed in X County.

It thus seems reasonable to generalise the narrative identified in X County to large portions of the inland rural Chinese territory that has experienced similar industrialisation patterns. Beyond these caveats, the self-made entrepreneur narrative could well exist, in one form or another, beyond inland rural China. In cities, libraries abound with stories of famous entrepreneurs, from Steve Jobs to Alibaba's founder Jack Ma. This indicates that a certain fascination for self-made entrepreneurs has pervaded Chinese society as a whole. More research is needed to identify the similarities and differences between the self-made entrepreneur narrative as I have described it in X County, and the narrative about entrepreneurs in other areas of China.

This thesis has proposed a complex and multi-faceted understanding of how narratives emerge, and perceptions evolve. It has shown that lived experiences and recollection, the power of narratives to encompass diverse and contradictory experiences, shifting social networks and interpersonal ties, and the circulation of external ideas and influences, are all contributing factors in explaining changes in perceptions over time. Rather than changing all at once, perceptions and social identities of entrepreneurs in X County have evolved at differing paces, as a result of different conjunctions of factors. In this regard, the ideas developed in this thesis may help cast light on the complexity of perception change, and add nuance to studies of narratives and perceptions in other places and other times.

Table 8 - Appendix: List of interviewees

Code	Occupation	Gender	Location	Age
1	Self-employed	F	County seat	30
2	Employee	M	County seat	30
3	Business owner	M	County seat	32
4	Business owner	M	County seat	34
5	Business owner	M	Village	56
6	Business owner	M	Village	60
7	Business owner	M	Village	59
8	Business owner	M	Village	45
9	Business owner	M	Village	45
10	Business owner	M	Village	35
11	Business owner and village head	M	Village	51
12	Business owner	M	Village	55
13	Business owner	M	Village	40
14	Business owner	M	Village	54
15	Employee	M	County seat	60
16	Business owner	M	Village	36
17	Business owner	M	Village	56

18	Business owner	M	Village	54
19	Business owner	M	Village	55
20	Business owner	M	Village	37
21	Business owner	M	Village	38
22	Business owner	M	County seat	48
23	Business owner	M	Village	36
24	Business owner	M	Village	35
25	Business owner	M	County seat	49
26	Business owner	M	County seat	45
27	Business owner	M	County seat	43
28	Business owner	M	County seat	45
29	Business owner	M	County seat	52
30	Business owner	M	County seat	40
31	Business owner	M	Township	34
32	Business owner	M	Township	45
33	Business owner	M	Township	38
34	Business owner and village head	M	Village	62
35	Business owner and village head	M	Village	60

36	Business owner	M	Township	57
37	Business owner	M	Township	51
38	Business owner	M	County seat	65
39	Business owner and township official	M	Township	35
40	Business owner	F	Township	35
41	Business owner	M	County seat	42
42	Self-employed	M	County seat	30
43	Business owner	M	Outside Henan	35
44	Self-employed	M	Township	28
45	Business owner	M	Outside Henan	32
46	Employee	M	County seat	36
47	Township government official	M	Township	34
48	Township government official	M	Township	31
49	Township government official	M	Township	40
50	Township government official	M	Township	40
51	County government official	M	County seat	38
52	Self-employed	M	Outside Henan	53
53	Self-employed	M	County seat	30

54	Self-employed	M	County seat	27
55	Self-employed	M	County seat	64
56	Self-employed	F	County seat	46
57	Worker	F	County seat	50
58	Worker	F	County seat	43
59	Not employed	M	County seat	32
60	Self-employed	M	Village	45
61	Self-employed	M	County seat	33
62	Employee	F	County seat	29
63	Employee	F	County seat	23
64	Business owner	M	Township	25
65	Business owner	M	County seat	40
66	Employee	M	County seat	33
67	Worker	M	Outside Henan	51
68	Employee	F	Township	38
69	Self-employed	M	County seat	26
70	Employee	M	County seat	34
71	County government official	M	County seat	48

72	County government official	M	County seat	42
73	Township government official	M	Township	39
74	Self-employed	M	Township	27
75	Self-employed	M	County seat	35
76	Worker	F	County seat	32
77	Skilled worker	M	County seat	29
78	Worker	F	County seat	54
79	Not employed/retired	M	Village	76
80	County government official	M	County seat	52
81	Not employed	F	Village	45
82	Self-employed (agriculture)	M	Village	60
83	Self-employed (agriculture)	M	Village	47
84	Not employed/retired	M	Village	59
85	Self-employed	M	Township	31
86	Self-employed	F	Village	50
87	Self-employed	M	Village	55

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