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PERSONAL POLITICS IN THE CHINESE *DANWEI* UNDER REFORM

Lowell Dittmer and Lu Xiaobo

The *danwei*, an enclosed, multifunctional, and self-sufficient entity, is the most basic collective unit in the Chinese political and social order. It plays both a political (statist) and an economic (societal) role. As a basic unit in the political order, the *danwei* functions as a mechanism with which the state controls members of the cadre corps and carries out its policies; as an economic and communal entity, it fulfills the welfare and other needs of its members. *Danwei* membership is quasipermanent, entailing entitlement to the goods and services provided by the unit such as housing, rationed goods, bonuses, food or transportation subsidies, even organized recreational activities. Yet, entry into and exit from the *danwei* is not voluntary. One of its best known powers is control of the personnel dossiers (*dang'an*) that accompany public employees to any work unit to which he or she is assigned. The *danwei*'s inclusive functions thus have a relationship of mutual dependency between the organization and its membership.[1]

Danwei was brought to the attention of the West by the first wave of reporters to take up residence in China after the Cultural Revolution, which provided them an opportunity to experience the social structure of the unit firsthand. It has subsequently become the object of social scientific analysis.[2]

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1. See Martin King Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984), esp. chapters 1–4; Andrew Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986); Jean Oi, *State and Peasant in Contemporary China* (Berkeley: University of California Press, 1989); Mayfair Yang, "Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory," *Australian Journal of Chinese Affairs*, no. 22 (July 1989), pp. 55; and Corinna-Barbara Francis, "Paradoxes of Power and Dependence in the Chinese Workplace," unpublished dissertation, Political Science Department, Columbia University, 1993.

2. See, for example, Ross Munro's series in Toronto Globe and Mail in October 1977, also Fox Butterfield, *China: Alive in the Bitter Sea* (New York: Times Books, Quadrangle Publica-

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In its first incarnation, the unit tended to be understood as a multifunctional and comprehensive social organization that arranged and regulated every aspect of its members' lives, from marriage to family planning to the purchase of grain and other consumer commodities; as secular replacement to the banned clan or extended family, it was conceived to be the agent of an all-powerful Party-State. In later studies, this conceptualization has moved to reflect shifting perceptions of Deng Xiaoping's reform movement; thus in the wake of the spontaneous protest demonstrations that swept China in the fall of 1986 and yet more powerfully in the spring of 1989, the unit began to be interpreted less as an agent of totalitarian control and more as a potentially autonomous antecedent of "civil society."[3]

A number of questions arise regarding the relationship between the *danwei* system, which has been undergoing changes, and *guanxi*, or informal relationships: how has the *danwei* system adapted to the changes brought about by economic reforms; how have these changes affected intra- and inter-unit relations; how have *danwei* changes affected *guanxi*; and how much are the internal dynamics of personal politics in a basic unit similar to personal politics at the top level in China? To address these questions as part of a broader comparative study of informal politics in East Asian countries, we set out to study changes at the basic level of the hierarchy, combining field interviews and documentary research. We conducted interviews in both a large metropolitan area (Shanghai) and a mid-size city (Shijiazhuang, Hebei Province), in 1993 and 1994, respectively. We selected a sample of interviewees with experience in the widest possible variety of units, including state-owned enterprises (*guoying qiye*, hereinafter SOEs), government agencies (*xingzheng jiguan*), nonproduction units such as colleges and high schools (*shiye danwei*), as well as self-employed persons (*getihu*) and private entrepreneurs (*siying qiye*).

Hypotheses

We conceive of the *danwei* under reform as being the product of dialectical cross-pressures: on the one hand, it is a still powerful but increasingly autonomous association that has been given new life through decentralization and the devolution of powers; on the other, it is a social structure that shows signs of disintegrating under the impact of marketization, loss of faith in the Chinese Communist Party (CCP) and its legitimating doctrines, and a liberaliza-

tions, 1982), and Yuichi Funabashi, *Neibu: One Report on China* (Tokyo: Asahi Shimbun, 1982, in Japanese), and Gail Henderson, "Danwei: The Chinese Work Unit," dissertation, University of Michigan, subsequently published as Gail Henderson and Myron Cohen, *The Chinese Hospital: A Socialist Work Unit* (New Haven: Yale University Press, 1984).

3. See, especially, Francis, "Paradoxes of Power."

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tion of the household registration regime. We also hypothesize that after some 15 years of reform, the efficacy and viability of the *danwei* system has been reduced due to increasing labor/personnel mobility, greater freedom to work outside the unit, and the influx of foreign private capital and management (particularly in the SEZs and along the coast).

Within the unit, the informal functional relationships or *guanxi* that have always constituted the unit's social structure are under strain to redefine themselves from affective bonds to efficient, purpose-rational contacts. The unit no longer monopolizes connections as completely as it once did, and in addition to inter-unit connections we now have various trans-unit *guanxi*. There are signs that a new set of norms is emerging, according to which vertical *guanxi* based on asymmetrical reciprocity are deemed at least mildly distasteful, "feudal," and corrupting, while horizontal connections based on symmetrical reciprocity, sometimes formalized in contractual terms, are considered efficient, progressive, and businesslike. Emergent trans-unit connections are still relatively rare, according to our data, and appear to be fraught with risk.

Changing Functions of the *Danwei*

The *danwei* is the secular functional equivalent of the extended family or clan, which was legally dissolved at precisely the time the *danwei* was established in Chinese society. And like the clan, the *danwei* might be said to have both "paternal" (control) and "maternal" (welfare) functions. Indeed, the *danwei* served these functions with such systematic efficiency that its membership was typically frozen in place. A widely adopted assumption is that after some 15 years of reform, and particularly since reform moved into the cities after the third plenum of the 12th Central Committee (CC) in October 1984, the functions of the *danwei* have changed radically along with the rest of the socioeconomic landscape of urban China. After all, the *danwei* system came into being as a concomitant of central planning and "totalitarian" political control. If the market replaces central planning as a resource allocation mechanism and personnel mobility reduces the power of the work units, what is the raison d'etre of the *danwei*? The changing functions of the work unit is thus our first focus of analysis.

The Control (Statist) Function

Traditionally, work units have custody of personnel dossiers, without which the employee could not transfer freely. Thus, employees of a unit, once assigned, usually live and work in the same unit for the rest of their lives. This created what has been called *danwei suoyouzhi* (unit ownership) in which a work unit becomes de facto owner of its membership. Unit ownership helped

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foster what Andrew Walder has called "organized dependence" and "principled particularism." Working and living in such an enclosed social environment, socialized and constantly monitored in countless meetings of diverse types, people became hypersensitive about conformity. The penetration of the Leninist state in urban society was thorough indeed.

In our study, however, we found that the statist political control function has attenuated in recent years.[4] This can be illustrated by the case of a typical bureaucratic organization, a provincial government agency with some 160 staff members, about 60% of whom were classified as cadres and the rest as support staff and workers. In any change in the political functions of the *danwei*, one would expect this type of government agency to be among the last to be affected. But as an informant working in this agency put it, of the two major functions of the *danwei—kong* (control) and *bao* (welfare)—the control function has been most drastically reduced. He used his own case to illustrate his point:

> There is an increasing mobility of personnel, and unit members now dare to speak out. I was one of the active organizers of a demonstration by staff of this and several other government agencies in June 1989. Had I not taken part, I would have been promoted to a higher position. After June 1989, I was demoted. But since then, I have had a lot more "freedom" in that I can come to work whenever I want, and the leaders cannot do anything about it. They now turn a blind eye to this. There are many other things they have to worry about, such as how to raise funds to build an apartment building for the staff.[5]

In enterprise units (*qiye danwei*), the control function is even weaker than in administrative or nonproduction units, for employees in enterprise units have more freedom to transfer or quit, attracted by an increasingly dynamic private and quasiprivate sector where there is no *dang an* (personnel dossier) system. A joint venture employee in Shanghai told us how different it is from the prereform era when he would not have had the chance to quit his job teaching in a middle school (a typical *shiye danwei*) and land a job in a joint venture corporation (hereinafter, JV) by responding to an ad in a newspaper. Even among SOEs, there are two parallel personnel systems in operation: some that still require a dossier to get in, others that do not. One informant who wanted to leave her job in a Shanghai SOE was told either to remain with the unit or pay RMB 3,000 as compensation. Without compensation,

4. For concurrent findings, see Francis, "Paradoxes"; Brantly Womack's critique of Walder, "Transfigured Community: New Traditionalism and Work Unit Socialism in China," and Walder's "Reply to Womack," *China Quarterly*, no. 126 (June 1991), pp. 313–32 and 333–39, respectively.

5. Interview, Shijiazhuang, December 1993.

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the unit would not release her dossier. But she did not need it for her new job, so she just packed up and left.[6]

One of the reasons the CCP's control and monitoring of party members has become more lax is because of the greater personnel fluctuations made possible by a nonstate-controlled industrial sector. An internal report found that among the 7,548 party members in a large state-owned mine, 75 have "*tingxin liuzhi*" (reserve position without pay) arrangements with the mine, which means that their party organization affiliation and activities are suspended. In the same unit, 69 party members had requested long-term leave for various reasons and the party organization had lost contact with them. The same investigation also found that when some employees who were party members were hired by other units, they left without transferring their party organization affiliation, partly because their new employers did not require it.[7]

In general, the power of work units to control their members has eroded since the reforms began. One may extrapolate that with continuing market reforms, especially those related to the failing SOE sector, "*danwei* ownership" in the sense of personnel control will further attenuate. However, *danwei* ownership in its other sense, that is, the welfare function that provides services and welfare to members of the unit, has only intensified.

The Welfare (Communal) Function

It has long been the case in China that certain public goods and services such as housing, primary education, public security, and health care have been provided by work units rather than directly by the state. Moreover, during periods of constant shortages in consumer products and groceries, work units were propelled to compensate by purchasing or producing them for their members.[8] The consequence of such an arrangement proved to be both a blessing and a curse for the system. As a buffer mechanism, work units helped the state shoulder certain financial and material burdens when its own resources were strapped. The state was able to maintain a very low unemployment rate in urban areas with the help of the *danwei* system, which absorbed a large number of workers. Even today, while the state sector has become less significant as a proportion of gross domestic product (GDP), its importance in employing the working population has not been greatly reduced. In most cities, SOEs are still the major employers.

6. Interviews, Shanghai, July 1993.

7. Xinhuashe, *Neibu Cankao* [Internal reference], no. 97 (December 10, 1993).

8. For a detailed analysis, see Lu Xiaobo, *Organizational Involution and Official Defiance: A Study of Cadre Corruption in China, 1949–1993*, dissertation, Political Science Department, University of California at Berkeley, 1994.

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Yet, the reliance on the units for provision of welfare also exerted tremendous stress on the units, rendering them highly inefficient. This was particularly true of large SOEs and administrative agencies, where a large, if not the majority proportion of the operating budget and staff have been devoted to logistics and welfare. According to an official estimate by the State Commission on System Reform, some 30 million SOE employees currently are redundant and would have to be cut in order to make such enterprises efficient; in some enterprises, as much as 50% of the work force would need to be laid off. Not only do employees cling to their *danwei* for salaries, but what is most important, for the provision of vital welfare benefits such as housing and health care. Many of these redundant employees are in service units. For instance, in one large SOE, the Hubei Synthetic Fiber Corporation (HSFC), 12% of the 8,500 employees were working in service-related positions.[9] Redundant employees, lack of social security funds for aging employees, and the undertaking of service functions are three of what Chinese authorities call the four main "historical burdens" of SOE reform.[10] Hence, one of the main goals of industrial reform is to mitigate the welfare function of the units in order to enhance their efficiency and productivity. In the words of some Chinese managers and administrators, the goal is to transform the existing situation of "units running society" (*danwei ban shehui*) into one of "society-serving units" (*shehuihua fuwu*) ("society" is conceived in some mythical space outside of work units).

There are various ways of accomplishing this goal. The most common one is to operate a tertiary industry (*disan chanye*), and most SOEs have in this context been encouraged to spin off commercial branches that specialize in trade. This amounts to setting up a separate division that belongs to the enterprise from which it may receive an office, furniture, and start-up capital; that division is then authorized to engage in commerce. For example, even Shanghai's Bureau of Marine Transportation (BOMT), an enormous "iron rice bowl" has been reorganized into a consortium (*jituan gongsi*) comprising smaller, more specialized units. In an attempt to rationalize the division of labor, enterprises also subdivide into manufacturing and commercial units. A young worker in the No. 4 Electric Fan Factory in Shanghai noted that his firm now consisted of four *danweis* (previous firms had but one):

> Now *danweis* consist of *chang* (factories) and *gongsi* (companies). A *chang* is engaged in production, a *gongsi* is engaged in sales. This is all to eliminate "all eating in the big pot." Now more people have responsibility. Every *chang*, every

9. *Banyuetan* (Beijing periodical), no. 8 (August 1994), p. 16, and no. 11 (November 1994), p. 12.

10. The others are enterprise debts and liabilities. (*Renmin Ribao*, overseas edition, February 1, 1994.)

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gongsi, is relatively independent, each has its own salary scale. Each division corresponds to a different product.

The personnel usually remain the same, with new assignments. Thus, at least one function of the new units is to soak up surplus or underemployed labor, a problem notoriously characteristic of China's large SOEs. In this arrangement, the SOE provides some subsidies to the new entities in the beginning, but the new firms eventually become totally independent of their "parent." The aforementioned HSFC is among the SOEs that have successfully set up new entities, including factories as well as trading firms. These new enterprises hired more than 700 former employees from HSFC and became profitable operations. In one new harbor recently constructed in Shanghai, the labor savings were significant; the number of workers was reduced from 2,000 to 600 of which half were *disan chanye* workers.[11] A tertiary enterprise is apparently authorized to engage in any sort of trade, even completely unrelated to the factory's output, but in most cases there is a tendency for the business interests of the tertiary enterprise to dovetail with those of the parent firm. Thus, a publishing house in Shanghai spun off a calendar-printing division, a young female staff photographer related:

> We also have tertiary industry, and it compensated for the bimonthly pictorial magazine, which incurred losses. Our tertiary sector produces calendars with girls' photos on them, and they make a profit. Thus the reform policies really improved out lives. Another is to have new entities provide the routine service functions that were once provided by the SOE itself.

However, as our later discussion will indicate, progress is still very limited. Many SOEs and administrative units have faced difficulties in downsizing. Not many *disan chanye* are very successful in their businesses and some still rely on subsidies from the parent companies.[12]

Even before reform began, central planning in China had been much more fragmented and rudimentary than, say, in the former USSR or the more advanced eastern European socialist republics. Many welfare provisions were thus spun off and downloaded to work units at various levels. For a long time, the sphere of the "small public" (*xiaogong*), or work units, included servicing the needs of the members, prompting these units to accumulate their own wealth. For example, one big enterprise in Shanghai owned more than 20 buses just to convey its work force to and from their factory jobs, using them only twice a day for less than two hours altogether (meanwhile public buses were extremely crowded).[13] Unlike the Soviet Union where

11. Interview, Shanghai, July 1993.
12. *Liaowang* [Outlook], November 21, 1994, pp. 10–18.
13. Oral communication from a former Shanghai resident, based on observations made in 1992.

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public housing in major cities was controlled and allocated by municipal housing authorities, public housing in China was actually built and allocated by work units. Work units, not the state, had property rights even though the state appropriated budgets (or at least subsidies) for housing construction. According to one statistical report, over 80% of the housing in China by the late 1980s was owned by work units.[14] Moreover, work units will continue to have disposition of some housing, even with the reform in urban areas that is aimed at privatization of housing.

Contrary to early hopes that such reforms as "tertiary industry" would reduce the welfare functions of the *danwei* by providing more open, socially oriented rather than exclusive, community-oriented services, in some cases the welfare responsibilities of the *danwei* have actually been intensified or extended. This can be attributed to a number of factors. First, as employees in SOEs grow older, many units have to provide services that did not exist before, such as new housing, retirement homes, clinics, even funeral homes.[15] In some SOEs, over half the personnel on the payroll are retirees, and all-inclusive services are a major drain on the resources of many a failing SOE. The irony is that, while there is pressure on the units to cut costs, there is parallel pressure on them to be economically self-sufficient. The case of a paper mill in Shijiazhuang illustrates these new developments in the *danwei*'s welfare function. The paper mill, which has some 2,000 employees, was a model enterprise in the mid-1980s for its successful *chengbao* (contracting out by individuals) conducted by a purchasing agent of the factory. Yet, after a few years of prosperity, rarely seen by the employees of this SOE (which had been failing), the factory once again faced tremendous difficulties in the early 1990s. When asked why, the manager, who has seen both good and bad times, responded:

> Now the government advocates that we "stop enterprises from running a small society"—enterprises should externalize the many services within the *danwei* community they run and leave it to society to provide them. But there is no society yet, how can I stop running my own?

He admitted that in order to build a cordial manager-employee relationship, he did more than implement rules and follow strict guidelines; he paid more attention to the daily life of the employees. The factory not only built apart-

14. *Zhongguo chengshi jianzhu nianjian* [Yearbook of urban construction in China] (Beijing: Zhongguo jianzhu chubanshe, 1989).

15. Since 1978, the direct state investment in urban housing has decreased dramatically. Work units have become the main investor in housing, and must raise funds themselves to finance residential projects. Housing built with "self-raised funds" by units counted for 60% of the new urban housing in the 1980s; in some cities, the percentage was as high as 80%. Ibid., p. 138.

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ment housing for employees and used involuntary funds raised by other units to build "public projects," it also regularly provides retirees with needed materials and lends factory cars to young employees who need them for weddings.

Under the Maoist economic model, retirees and the unemployed were either taken care of by the units or absorbed through various administrative means. Reform implied the externalization of these responsibilities, and China now began to experience serious bottlenecks in industrial reform, partly due to the lack of a social welfare safety net for retirees. One of the reasons the 1993–94 industrial reform aimed at inefficient SOEs stalled is that units cannot simply lay off people without an established social security system. This poses a dilemma to the authorities, as the state sector has been losing money and its share of total GDP has been declining. To establish an efficient market economy and sustain long-term growth, the state sector must be reformed and downsizing seems inevitable. On the other hand, it remains the sector that employs most of the working population, especially in large urban areas. Any drastic downsizing would cause widespread discontent, likely aimed at the communist regime itself. Thus, as a long-time SOE reform watcher put it, "the state seems to have decided to keep pumping in *anding tuanjie fei* (funds to maintain stability and unity)—in order to avoid social unrest and keep the SOEs afloat.[16]

Second, many work units must provide funding for public projects that would ordinarily be funded by the state. This is a result of a new practice, "social fund-raising" (*shehui jizi*). Local governments are asked to provide funds for public projects such as schools, roads, and the maintenance of public works, and they then turn to units that are located in the vicinities of these projects to share the costs. The long-standing diffuse responsibility to provide public goods has been intensified by the growing budgetary constraints on the state, which has incurred a substantial deficit for much of the reform period. The burdens on the *danwei* thus become heavier.

Third, among the most profound and far-reaching of the urban reforms is the heightened importance of economics: the unit is under pressure to become economically self-sufficient. Of course, the norm of self-sufficiency is hardly new, dating all the way back to Yanan, but in a market context it takes on new meaning, shifting focus from collective solidarity to entrepreneurialism. This has entailed a reduction of the focus on control and a compensatory reliance on economic incentives to motivate members. The legitimacy of the

16. This comment was made by Su Ya, who studied and published a number of works on the SOEs, at a Columbia University seminar in March 1995. Ms. Su pointed out that if the SOEs in Guangzhou were to begin downsizing and/or declaring bankruptcy today, some 200,000 people would be unemployed, 150,000 would be without salaries, and half a million would be receiving only a fraction of their salaries.

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danwei leadership becomes more closely tied to its performance in maintaining and improving the livelihood of the employees; in their own interest, *danwei* leaders are compelled to do better in providing welfare to members. As noted by an articulate mid-level cadre (section chief) in a provincial government unit in Shijiazhuang:

> There has been a drastic increase in unit economic interests. Originally, the *danwei* had two major functions: one was welfare, or taking care of people; the other is control. Nowadays, the *kong* function has been greatly weakened . . . *danwei* members now dare to speak out, including cursing (*ma*) *danwei* leaders. . . . On the other hand, the welfare function has been increasing more and more. . . . For example, in my own *jiguan* (agency), not only do they build more housing for the members, also now the *jiguan* pays a certain amount of fees to the nearby middle school so that children of *danwei* members can attend. Another example is that the *chedui* [car fleet] has been expanding. Nearly all the main chiefs of this unit have a car assigned to them. And recently they added a new copying service, serving the needs of not only the unit but also the public.

The Impact of Reform on Human Relations

One of the major concerns of our study is how and to what extent the changes in the *danwei* system have affected human relations (*renji guanxi*), both within and among the work units. *Guanxi*, broadly conceived, may refer to any informal relationship involving at least two parties. In the contemporary Chinese context, however, *guanxi* refers more specifically to a personal relationship based upon one of several possible primordial ties. Although it is often related to corrupt transactions, the nature of *guanxi* cannot be categorized simply as noncorrupt or corrupt. It can be noncorrupt when the purpose of the relationship does not involve public office and the power derived from it. When it does, *guanxi* provides a mechanism for people to collude for private gain by abusing the power entrusted to agents of the state (*ganbu*). In this mode, *guanxi* violates the formal organizational relationships sanctioned by the regime. "[The] connection is established to mutual advantage," an official newspaper editorial analyzed; "people trying to establish such connections must have something to offer—power, money, or material objects—or they are not qualified to join the ranks."[17]

Intra-Unit Relations

Economic reform has had a number of consequences on intra-unit relations. First, the proliferation of new types of organizational entities (such as *disan*

17. *Tianjin ribao*, December 9, 1981.

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chanye) has offered opportunities for long-standing intra-unit connections to formalize their relationship profitably, simply by persuading the authorities to provide the necessary authorization and/or resources. One interviewee commented:

> Three of our leaders got together to form a trading company, three old pals known as the iron triangle (*tie san jiao*), part of a *disan chanye*. . . . They just decided to do this—have some *guanxi* in the higher-ups. Can get assigned some ships for freight, etc. We use *hetong* (contracts) now—if I leave work, I sign a contract. Not too formal, not a big change. If you sign, you get a position and salary.[18]

The proliferation of quasiformal units has been quite remarkable. There are literally units within units.

> Another issue is *danwei zhong you danwei* (unit within the unit). For instance, in this agency, the secretariat runs its own copying service, newsletter editing office, runs a bookstore, also sells Chinese paintings. Nobody knows how much money each small unit makes. This is called *ge xian shentong* (everyone utilizes his/her own advantages). There is no clear stipulation or rule about this. Some of the income or revenue that these small units earn may be shared by the larger units. But you can be sure that it's a very small proportion.[19]

Although such arrangements are now formalized with an agreement (*chengbao*) or *hetong*, the informal, almost conspiratorial manner in which they are formed tends to arouse suspicion. This is perhaps particularly true when the resulting tertiary enterprise does well. As one SOE employee complained:

> Yes, corruption is very serious in China and everyone is engaged in business. I don't like *disan chanye*. Shanghai Magic Troupe runs a restaurant. It solves the unemployment problem, but corruption is very serious because there is no superior organization to monitor it. There is no financial regularization—the accountant is appointed by the boss and can keep two sets of books.

Second, there are indications that competition and the growing differentiation of personal incomes has made relations among *danwei* members rather "tense," at least in the beginning of these various new arrangements.

Third, even in the most traditional SOEs, marketization and greater personal mobility have led to a decline of official control over unit membership, which has in turn led to decreased enthusiasm for pursuing good *guanxi* with *danwei* leaders. Several informants indicated that as long as they do not wish to be promoted to political positions (*sheng guan*), they saw no need to cultivate good *guanxi*. On the other hand, if someone wants to be promoted, especially but not exclusively to political positions, or wants a change of

18. Interview, Pudong (Shanghai suburb), July 1993.
19. Interview, Shanghai, July 1993.

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housing assignment, his or her skill at cultivating connections (*shou wan*, or "hand play") can still be quite useful.

Fourth, when asked whom *danwei* members are most likely to pursue good *guanxi* with, our informants indicated that such connections are most highly valued with unit leaders and supervisors, less highly valued with colleagues and peers (*tongshi*), and least valued with subordinates—the transmission of flattery (*pai ma pi*) moves from bottom to top. Some informants suggest, interestingly, that one should avoid building friendships within the unit. "One should not mix *guanxi* with those you work with everyday," opined some (but not all) respondents. Real friends to whom one can bare one's innermost thoughts can only exist outside of the unit, beyond the range of criticism and self-criticism sessions.

Fifth, the more open and less exclusive personal relations that have arisen with the possibilities of employee mobility and various extra-unit connections seem to have raised tensions among work unit members in some cases. This is especially evident where a unit does not have a common living compound and people go their own ways after work.

Sixth, the coexistence of two kinds of ownership, public and private, has led to an increasing number of people opting to try the so called "one family, two system" arrangement; one person works in a state sector unit where welfare and services (including health insurance, cheap housing, and child care) are provided (i.e., one "eats the royal grain" [*chi huang liang*]), while the spouse works in a private enterprise where salaries are higher and there are more opportunities for advancement. Housing remains one of the most contested provisions on which sometimes intense "connection pulling" (*la guanxi*) takes place among *danwei* members. Privatization of housing, which has already begun in many cities, may eventually eliminate this situation.

Seventh, the increased significance of the *danwei* in economic production as well as in the supply of materiel and services has given *danwei* leaders greater discretion over resource allocation. Cadres seem to batten on reform, monopolizing not only economic resource flows but the stream of outside information. It is intriguing that none of the members who felt their units were doing well economically and were themselves generally satisfied with their place in the unit knew exactly how much money the unit leaders disposed of and how they dispensed it among the staff.

Inter-Unit Network Building

Guanxi is not only cultivated to optimize personal gain, it may also be used by organizations (work units, and particularly *qiye danwei*) to achieve certain goals, economic and otherwise. The interest in promoting "tertiary industry" (commerce and services) amplifies the need to cultivate good *guanxi* with other units. As one factory supply and purchasing agent put it, *la guanxi* "is

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vital and legitimate because while others do it for private purposes, I do it for public (*gong*) purposes, for our work unit. Leaders in my unit fully support me."[20] He made an interesting but suggestive observation on the thin line between a corrupt practice of *guanxi* and a noncorrupt, nonetheless deviant one:

> I spent two years in prison for embezzlement. Still, the leaders of this unit wanted me because I have an uncle who is an official in a state timber mill and they need lumber. Now I have realized that only fools embezzle. They have to do it illicitly at the risk of breaching the law. Smart ones do it openly. Now I am living a luxurious life but do not have to pay for it. It is all covered under the expense of socializing fees, not embezzlement."

Lin Yimin has noted this utilitarian aspect of *guanxi*, arguing that "effective *guanxi* networking with state agents was a necessary condition for the success of economic organizations in the 1980s."[21] One Shanghai informant cited the case of Huzhou city in Zhejiang Province, where workers protested to their leaders that they should not have so many banquets; in response, the leaders did cut down on their entertainment expenses. But in a denouement heartening to advocates of trickle-down economics, the unit soon found that its business prosperity and income levels had nosedived, so the unit mandated its leaders to go ahead and have more feasts. However, our data also suggest, ironically, that with the changes brought about by market reform, *guanxi* is becoming less important because of the money factor. State agencies can be bought if the price is right; the amount varies with the socioeconomic status and bureaucratic leverage of the target. "A teacher of a graduating class can probably get a lot of bribes, also the graduate office. But if you bribe the leader of BOMT it costs much more, maybe 2,000 yuan. But it's worth it to get a good job."[22] An enterprise need no longer cultivate *guanxi* but must pay a variable amount of money. This is not to deny the utility of *guanxi*, which is still a cheaper and more effective way of getting through, other conditions (e.g., the amount of bribe paid) being equal. And we found no clear consensus on the impact of the market; while some say it makes *guanxi* obsolescent, others point out that many needed services or authorizations are still monopolized by cadres who can demand "rents" for them.

Guanxi is used not only to achieve tangible gains, measured in either pecuniary or material terms, but for influence peddling, another important objective of the people weaving a network of connections. As one media report put it, "if you strain your relations [with a senior cadre] to the breaking point,

20. Interview, Tianjin, September 1992.

21. Lin Yimin, "Personal connections, the State, and Inter-Organizational Stratification in Post-Mao China," unpublished manuscript, 1992.

22. Interview, Pudong, July 1993.

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he can . . . turn off the engine of your car and stall your movement. . . . But he also can lubricate the engine well and make it go fast." Or as another said, "the official seal does not count so much as a good word put in by someone."[23]

"Familialization"

One of the most noteworthy yet least discussed occurrences in post-reform urban work units, especially state agencies and other administrative organs, is the growing phenomenon of *qundai guanxi* (nepotism or connections based on kinship). A common analytical approach to the study of informal relations in contemporary China is that of patron-clientelism. While patron-client ties have existed throughout the history of the CCP, nepotism is a relatively new form of informal relations in the post-Mao period. A public circular of the CCP Central Committee reveals the scope of the problem of "*renren weiqin*" (recognize people by familial or lineage ties) in party organizational work:

> There are some problems in our current work of cadre selection and appointment. The most salient ones include: (1) some leading cadre select cadres according to their own personal standards or to their own needs and interests, or out of feudal kinship values, violating the principles of the Party and discipline of the organization; (2) some use "*zouhoumen*" through various means to select or promote their own relatives and friends; (3) some abuse their office to engage in illicit exchanges; (4) some scramble hard to increase the rank and treatment (*daiyu*) of their units or sector (*xitong*), disregarding policies and regulations; (5) some comrades who are in charge of organizational work misperform their duty.[24]

Many cadres have people with direct family or lineage ties working in the same agency. This is not an isolated phenomenon, and is found from the central ministries down to grass-roots level agencies, in military units, and in educational institutions. A popular satire illustrates its ubiquity: "pop-son bureau, hubby-wife section, son pours water for dad, grandson drives for granny, spouses share an office desk" (*fuzi chu, fuqi ke, erzi daocha laodie he, sunzidangsiji, yuanyang gongyong bangongzhuo*). In the Ministry of Justice, 20% of some 500 staff members have relatives working, in one way or another, in the same ministry.[25] Among the 850 personnel of the State Statistics Bureau, 15% (130 people) have kin within the bureau.[26] In the county

23. *Renmin Ribao*, February 7 and 1, 1982.

24. Ibid., February 2, 1986.

25. Xia Xin, "Huibi, weile qinglian" [Avoidance, for the sake of being clean and upright], in Liu Jialin and He Xian, *Huibi zhidu jiangxi* [An analysis of the law of avoidance] (Beijing: Zhongguo renshi chubanshe, 1990).

26. Cheng Ying, "Qianbaiwan ganbu mianlin dajingjian" (Hundreds of thousands of officials are facing streamlining), *Jiushi niandai* [The nineties] (Hong Kong), November 1992, pp. 31–33.

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government agencies of a remote northern province, 68 of 148 cadres who held important positions had relatives working in the same agencies; of these, 27 children worked with their parents, four couples shared the same office, and 23 people had cousins, uncles, brothers-in-law, or godchildren working in the same agencies. In the same province, 17 of the 84 cadres in a prefectural court were related in one way or another; one deputy chief-judge, his wife, and daughter all worked under one roof.[27] According to another investigation of 1,499 cadres and workers in seven urban *danwei*, there were 87 couples (2 county level, 14 section level, and 71 general staff), 141 people with parent-child ties, 26 siblings, and 85 relatives-in-law working in the same unit. Whereas 25 families had three or more people working together, 79 people had relatives working in one of the seven units. This means over half (56.7%) of the cadres and staff workers were related in one way or another.[28]

Another study reveals that "inbreeding" is not limited to administrative agencies: of 14 SOEs investigated, the number of employees grew from 2,154 in 1983 to 4,006 in 1989, an 86% increase. During this six-year period, the number of employees who were related directly or indirectly increased 4.75 times, from 251 to 1,422! The percentage of related employees among total employees rose from 11.6% to 33%,[29] and among these employees, 92% were nuclear relatives (spouses, parent-children, and siblings). The most startling case was a local supply and marketing cooperative in Hunan Province where 302 of the 409 employees (75%) had some kind of familial relationship.[30] Even in the supposedly most modern institution, the military, the problem exists. In a PLA air force division headquarters, 8 out of 12 division-rank officers were either related to each other or to someone in the same division.[31] In local administrative agencies nationwide, it is estimated that 10% of all cadres have relatives working in the same agency, in some places as many as 30%, and although there have been some local efforts to

27. Yu Shaojun and Dai Guanxong, "Guanyu danwei neibu ganbu qinshujuji zhuangkuang de diaocha" (An investigation on the internal conglomeration of relatives in work units), *Lilun xuekan* [Journal of theoretical studies], no. 5 (May 1986), pp. 22–26.

28. This investigation was conducted in 1989 by the *ganbu* division of the Yiyang Prefecture Personnel Bureau, Hunan Province.

29. Yang Guan, "Qiye 'jiazu' xianxiang" (The phenomenon of "familialization" in enterprises), *Shehui* [Society], no. 4 (April 1991), pp. 42–45.

30. Liu and He, *Huibi zhidu.*

31. Jin Bang, "Zhide yinqi renmen yanzhong zhuyi de weiti: Hebeisheng bufen shixian jiguan qinshuhua weiti diaocha" (A serious problem worth our attention: An investigation of familialization in some cities and counties of Hebei province), *Heibei shelian tongxun* [Bulletin of the Hebei Social Science Association], December 1986, pp. 44–46.

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remedy the problem,[32] a nationwide regulation or law of avoidance, with an overall reform of officialdom toward a "state public servant" system, has yet to become effective. The problem still haunts state agencies and other organizations; the *Liberation Army Daily* admitted in a recent commentary that "inbreeding" is far from being solved, even in the military.[33]

Why has "inbreeding" become so pervasive? There are a number of factors at work. First, under the state socialist system, incoming personnel usually expect their work unit to take care of job assignments for their spouses. One relatively unusual arrangement is that in which discharged servicemen and their families are assigned jobs in a work unit and its adjuncts. This policy, made in the wake of the major military retrenchment of one million servicemen in the mid-1980s, was aimed at absorbing a large number of ex-military officers, many of whom were from rural areas and not as easily sundered from their families as urban professionals.

Second, in the late 1970s the practice of *dingti* (replacement of retired workers or cadres with their child[ren] or other relatives) was officially sanctioned and became common, as well as the policy of "internal recruitment" (*neizhao*) (hiring the children of enterprise or agency employees without searching outside).[34] The old personal network ties were carried from one generation to another, further complicating human relations within the unit. Third, the need to rectify "historical" problems, notably consequences of the Cultural Revolution, is also complicated. These have included bringing together separated couples who had worked in different units, returning edu-

32. For example, the authorities in Tongling city, Anhui Province, where 89% of *ke* rank and 10% of county rank officials had relatives in the same units, announced their decision to implement a system of avoidance in 1988. Liu and He, *Huibi zhidu*, pp. 206–07.

33. *Jiefang junbao*, May 4, 1993.

34. Although it was a practice that preceded the Cultural Revolution, *dingti* only became fully legitimate at this time. With thousands of returned youth from the countryside and thousands more graduating from high schools, the government gave the green light to its implementation in order to reduce the pressure of urban unemployment. Indeed, as early as 1953 "the revised draft of the labor insurance regulations" introduced the idea of occupational inheritance. In the years that followed, many circulars and directives were issued on this matter; it is notable how many restrictions and qualifications the government placed on the practice. The policy seems to have been essentially reactive rather than active in the sense that most of the documents were replies by central authorities to local or ministerial authorities on the matter. This has prompted some scholars to suggest that the regulations represent a codification of practices long established at the grass roots under local sanction. See Michel Korzec, *Occupational Inheritance in the People's Republic of China* (Amsterdam: University of Amsterdam, Department of South and Southeast Asian Studies, no. 57, 1985). The official endorsement of the practice of *dingti* began with State Council Circular no. 104, issued in June 1978, which stipulated that in state-owned enterprises one child of a retired employee was allowed to "replace" the parent. It lasted until October 1986 when another State Council document invalidated the practice. What concerns us here, however, is not the practice itself but its consequences. As Korzec noted, the actual process of replacing retired workers or cadres was often plagued by irregularities and the use of *guanxi*.

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cated urban youth who were sent down to the countryside, restoration of many agencies dismantled during the years of chaos, and the reinstatement of discharged cadres.

However, "inbreeding" is only part of a larger social and political problematique that includes the rebuilding of institutions destroyed in the Cultural Revolution: the rehabilitation of old officials; the sharp division between urban and rural areas (and the immobility of urban but especially rural inhabitants); organizational destruction and consequent need for revitalization; and many analogous issues. In a detailed study of the post-revolutionary elite in China, Hong Yung Lee noted one remarkable aspect of the Cultural Revolution: despite 10 years of chaos and purges, the majority of the elite managed to regain their political power.[35] Indeed, many rehabilitated officials became ardent reformers.

Yet, the rehabilitation of cadres at various levels has had some implications that many researchers have overlooked. One is the difficulty of reassigning rehabilitated cadres to various posts, particularly salient in the context of the newly established requirement for younger and better educated cadres. In the early post-Cultural Revolution period, another phenomenon related to the intervention by family members into decisions involving job assignments, most frequently on behalf of mid-level cadres whose positions were above division chief (*chuzhang*). In many instances, if family members, usually spouses, found the new job assignment undesirable, they would go to the party organization department, pulling the old connections and exerting pressure on those who might be their previous subordinates. A case cited by the CCP Central Organization Department is typical. During a *danwei* leadership shuffle in 1980, an old official expressed his intention to retire from his formal position to become an advisor. His unit's party committee accepted his request but his decision was not welcomed by his family. He changed his mind and told the party committee that his early decision "does not count." To exert pressure, he encouraged his wife to call each member of the party committee, which became fragmented due to his wife's lobbying. Only after intervention from the higher level was agreement reached to retain the original retirement decision.[36]

As in other aspects of reinforced traditional ties, the phenomenon of "cadre inbreeding" has a lot to do with the change in the mode of integration of regime organization over the years. Most fundamentally, there is the Chinese communist understanding of the effects the revolution has wrought on old primary relations. The Maoist discourse on human nature shares an impor-

35. Hong Yung Lee, *From Revolutionary Cadres to Party Technocrats in Socialist China* (Berkeley: University of California Press. 1991).

36. *Zugong tongxin* [Bulletin of organizational work], no. 190 (December 17, 1981).

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tant component of Confucian discourse: that, properly cultivated, humans can be *homo moralus*. The development of institution building in general and personnel management in particular reflects such discourse. As one study notes, the problem of nepotism actually began to appear in the late 1950s but the party did not give it enough attention, believing that the increasing communist morality and consciousness would naturally lead people to subordinate their familial and kinship interests to those of the nation.[37] Perhaps it is not that the party failed to realize that old familial ties had not been permanently displaced by revolutionary comradeship, but that its Maoist belief in internal transformation rather than external control led to a frontal assault upon residual elements in people's consciousness (i.e., the Socialist Education Campaign and the Cultural Revolution) at the expense of institutional regulations and rules as the critical mechanism to forestall the displacement of secondary interests by primary ones.

As a recent analysis of the problem has noted, cadre nepotism "has made rules and procedures nothing but shallow skeletons, obstructing scientific management . . . it also has further complicated personal relations. Routine and normal operation of intra-Party and intra-unit affairs cannot be carried out smoothly."[38] Such developments show that while more rational, impersonal forms—organizational streamlining, recruitment of capable people—have been imposed via several rounds of administrative reform, internally developed personal networks have also grown. These have evolved into a dense web of rights and responsibilities that often result in foot-dragging, an inability to make decisions, and ineffectiveness in sanctioning deviant organizational behavior.

Problems of this kind are often attributed to the lack of a law of avoidance, which Chinese administrative historians boast originated in the traditional Chinese bureaucratic system. One tenet of this law—locality avoidance—was to avoid appointing officials who were natives of the locality to which they were posted, severing their ties to lineage relations who in China usually resided in the same locality. After the communist revolution, this practice, along with other types of avoidance (such as avoidance of relatives in the same state agency) was discontinued. However, at issue is whether the administrative system—recruitment, promotion, assignment—can alone be blamed for the current problem, as many Chinese administrative reform advocates claim. As a matter of fact, there has been a de facto law of avoidance (posting nonnatives to key positions) since 1949, when many retired military veterans were put into administrative posts throughout the country. In the South, northerners who came south with the PLA during the final battles with

37. Liu and He, *Huibi zhidu*, pp. 50–51.
38. Ibid., p. 239.

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the Nationalists occupied most of the high- and middle-level regional and provincial positions. Friction between local cadres and those from the North (who often did not speak the local dialect) became a salient issue during the Hundred Flowers campaign. The sharp attack on "localism" was one of the salient themes in the campaigns against "bureaucratism" of the late 1950s.[39] Throughout the party's history, there has been no lack of antilocalist, anti-sectarian efforts on the part of the CCP.

Economic vs. Political Reform

There is a wide range of variation in *danwei* organization, and even within the SOEs some units are much more zealous in their pursuit of reform than others. Generally speaking, however, there tends to be a direct correlation between economic and political reform within the unit, that is, those units that are most energetic in adopting new managerial techniques and money-making ventures also tend to be most enterprising in adopting electoral reform for unit offices, such as having more than one candidate for each vacancy and other "democratic" reforms. And those units that are least economically and politically innovative tend to undergo what might be called structural decay: a general sense of alienation or internal emigration among unit members, a tendency to "moonlight," or even break permanently from the unit. At the same time, it must be said that the opportunities for, and incidence of corruption also seem to be higher in the more innovative units. But given the tendency for entrepreneurial emoluments to be distributed disproportionately to the elites in the *danwei suoyouzhi*, the politically progressive tendencies in these units may be deemed a useful corrective.

Conclusions

Informal political relations within the *danwei* are to some degree analogous to personal politics within the CCP Central Committee, or "center," which has been much more intensively studied due to its strategic decision-making power.[40] Both "units" provide a relatively firmly bounded frame (often including physical walls and checkpoints) facilitating the development of com-

39. In the Chinese context, "localism" refers to both factional collusion on the basis of local ties and the unwarranted pursuit of local political and economic interests. The former is a problem of organization, the latter a problem of policy. We use the term here in the first sense. It is worth noting that while Beijing pursued decentralization in economic management during the Great Leap Forward, it also assailed (organizational) localism in some provinces, such as Guangdong. See Wang Kuang, "Fandui difangzhuyi" (Oppose localism), *Xuexi* [Study], no. 3 (1958), pp. 9–12.

40. The literature on the informal politics of the CCP elite is rich. A relatively comprehensive bibliography may be found in Lucian Pye, *The Dynamics of Chinese Politics* (Cambridge, Mass.: Oelgeschlager, Gunn & Hain, 1981), pp. 267–76.

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munal relations within, which are also promoted by intensive interaction in a system of meetings and internal communications, a relatively self-sufficient economic system, and restrictions on entry and exit. In both, though inner relations are intensive, the external bounds are arbitrarily drawn and do not define community, which still consists of elective associations and friendship networks or "factions" formed for self-protection and pursuit of common interests. In both units, formal politics functions to reinforce primordial leadership advantages, such as seniority, prestige, and size of political base. Both units include residential families, facilitating the politicization of the family and familialization within the unit; the inbreeding now proliferating in the *danwei* was to some extent anticipated by the cases of Jiang Qing, Wang Guangmei, and Ye Qun. In a sense, the compound at Zhongnanhai, where many of China's top leaders reside, might be said to be the prototype and model for basic units throughout the country.

Yet, there are essential differences between *danwei* at the pinnacle and at the base of the Chinese system, and the differences have grown starker in the course of reform. To begin with, although not everyone within the central elite loves one another, they are all there because they want to be, which is not necessarily true of the basic working units; the walls surrounding the latter are to keep the inmates in, those at Zhongnanhai are to keep "the people" out. This is natural because the center is much more autonomous and self-regulating than any other basic unit; indeed, it makes the rules all the others are expected to follow. We may assume that such an elite institution has a more self-conscious sense of tradition and esprit de corps, which might have been shaken by the Cultural Revolution but has since been restored with solemn ceremony and vigorously defended against various perceived threats, and that its ability to withstand the winds of change would hence be considerably greater than that of the average SOE. Indeed, while a detailed analysis of central leadership crises would take us too far afield, many of them stem not from reform as such but from the restoration of pre-Cultural Revolution traditions such as collective leadership and security of tenure.

The basic units at the grass-roots have been much more exposed to the intended and unintended effects of economic reform than the elite. While the prevalent attitude about these reforms has been positive, occasional misgivings were expressed—nostalgia about "equal distribution" (*tongyi fenpei*), misgivings about rampant corruption, resentment of the "*danwei* ownership." We have already noted that there is considerable diversity among units, and that those most positive about economic reform tend also, so far as we can tell from our limited survey, to be enthusiastic about political reform. Which *danwei* are pro-reform and which are anti? While no doubt a number of factors are involved, we find that those units with the strongest internal structures and illustrious traditions are more capable of resisting reform than those

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with relatively nondescript traditions and tenuous structures. Exogenous variables remaining equal, the large, old, prestigious units (such as Shanghai's BOMT) are not likely to be in the vanguard of either economic or political reform. This is understandable, for such units, like the Center, have an established tradition to uphold (and a great many unemployed workers at risk). And what is the impact of being a weak pro-reform or a strong anti-reform *danwei* on informal politics within the *danwei*? Contrary to Lieberthal's hypothesis of an inverse relationship between the strength of formal and informal institutions (i.e., the stronger the formal structure the weaker the informal and vice versa),[41] our preliminary findings are that the strong, traditional *danwei* were inclined to have well articulated factions and a vigorous, but sometimes divisive informal political life, while the weak, almost nonexistent *danwei* found in, say, the foreign joint ventures had relatively little factionalism or informal politics. Thus, we would hypothesize that the relationship between formal and informal structure is positive.

The reason for the greater fragility of informal structures in the weaker units is not only structural, but has to do with the fact that these units are most fully engaged in economic reform. The general impact of economic reform on the basic unit is disintegrative in several specific ways. First, the greater exposure to the market economy has a rationalizing effect upon all values, including *guanxi*. Sentiments of infinite loyalty tend to be recalculated in monetary terms, so that everything (and everyone) has its price; the future tends to be discounted. Second, the market is a great equalizer: as soon as a unit is put on the market and told to live on its profits, it begins to regard itself as a company *gongsi*, autonomous from the parent organization. Thus, a member of BOMT discussed the plans of that unit to get into direct competition with COSCO, the corresponding national shipping company under the State Council. When it was suggested that COSCO might not welcome such an intrusion, the response was, "We don't have to look at their face." BOMT branches have been set up in Thailand, with plans for additional branches in Japan and Singapore, and eventually even the United States. "We have good *guanxi* with the marine administration," a bureau official explained. "So we have the right." The leader of an enterprise explained the contractual arrangements his firm would make with a (county-level) factory manager, including a provision for division of profits (*shangjiao lirun*) and tax revenue, emphasizing his complete autonomy:

> It doesn't matter to which level you belong. The corporations are legal entities (*faren daibiao*). So all the corporations are equal to one another, whether they belong to the Shanghai government or to the State. It's not like I am a township/

41. Kenneth Lieberthal, *Governing China: From Revolution Through Reform* (New York: W. W. Norton, 1995), ch. 7.

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> village enterprise, you are an SOE, there is a hierarchical relationship between us—actually the relationship is equal. It's legal entity to legal entity.[42]

Third, at least in the eastern seaboard cities among the most mobile contingent of the urban populace, the influx of new units of different types entails that *guanxi* become fungible. Of course this has always been true in the sense that one could transfer a valuable connection to someone else, but now the connection itself is no longer a unique *sine qua non*—get another signature, another job.

The inbreeding described above would seem to be quite contrary to this form of economic atomization, and so it is, but it is an understandable reaction. As the unit disintegrates, and as other forms of *guanxi* begin to dissolve into short-term monetary transactions, kinship relations become the last redoubt. This is as yet a hypothesis based on an empathetic interpretation of fragmentary data, and confirmation would require evidence that inbreeding is most advanced in those units that are weakest and most engaged in economic and political reform.

In sum, reform has clearly brought with it a metastasis of informal connections of every type, for both legitimate and sub-rosa (or outright criminal) activities. Among contradictory trends, we are struck by the contrast between the commercialization of *guanxi* on the one hand, and the resurgence of primordial (mostly kinship-based) ties on the other. The question is whether the existing framework of *danwei* will be sufficient to contain this cancerous proliferation.

42. Interview, Pudong, August 1993.

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