

## Confucian Capitalism: Myth or Reality?

Souchou Yao, in her book *Confucian Capitalism: Discourse, practice and the myth of Chinese enterprise* asserts that the term 'Confucian capitalism' grew out of the 1970's financial crises in the West and operates in support of the following:

*'Euro-American capitalism...to find a way out of its doldrums, the agenda of East Asian states to promote a new model of capitalist development, and the pursuit of identity by local and transnational ethnic Chinese elites'* (Yao, 2002).

Yao claims that marginalization and a resulting desperation for survival are fuel for Chinese business success, and history cannot simply be 'plucked' from the past and made to work for cultural arguments today.

Gordon Redding (author of *The Spirit of Chinese Capitalism*), on the other hand, stresses that 'a traditional form of control is retained, despite changes around the Chinese family' (Redding, 1990). Business and household capital are not separated completely in the Chinese business, and Confucian family values indoctrinated from youth are a prominent factor in the way Chinese do business, as seen by their 'coherent spirit'.

Is Confucian Capitalism a myth, imagined and pursued by both East and West? Or is there, as Redding suggests, more to the 'risky' (by his own admission) construction of a cultural approach to Chinese business success? Or can both views be reconciled in the equation? These will be the questions in focus for this essay.

As early as 1621, quotes describing the Chinese as 'infinitely industrious', 'no quarrelers', 'great gamblers', and as being subtle and frugal (Purcell, cited in Redding, 1990) abound. Such praise comes not only from without, but also from within Chinese communities themselves. But just how much of this should be attributed to Confucian values of familial harmony, hard work, thrift and frugality? Do pragmatism and necessity also play a leading role and even take prominence?

In Yao's research on Chinese enterprise in Belaga, a remote Malaysian town, she records stories of heroism and survival against all odds by the Chinese brave enough to make it to this jungle outpost. Battling strong tides, 'savage' natives and unforgiving jungle terrain, they tell how they arrived here, established their own shops and initiated trade with the larger towns down river. They have achieved much, yet they hardly live up to the 'rags-to-riches' stories told so often by those supporting a cultural approach, such as Redding. They are the managers of small, relatively (in comparison to their native counterparts) successful shops where no other competitors exist (hence their guaranteed success), desperation has drawn them to this outpost rather than heroism, suppression of the Malays by the Colonial British (Yao, 2002) gave them opportunity to 'cash in' on the resulting freer market, and beneath this veneer of 'self-inscription' virtue, as Yao calls it, lies a deep desire for business in the larger, more prosperous towns down river.

Please quote so that it makes sense, & is grammatically correct. Sometimes you might have to add words in square brackets.

There is a tendency for cultural arguments to draw upon such stories of self-imagining and 'exaggerated common histories', without investigating the source of these claims. Those who speak of such heroism and stories of 'deprivation to success' impose upon the listener an image of themselves that they want portrayed. These stories also mask desire and help convince themselves that what they have lost in the process will all be worth it in the end, that the end would justify the means (Yao, 2002). This self-imagining appears to not be isolated to Belaga, but a 'universal truth' spoken of by both Western and Chinese advocates of Confucian capitalism. The businessmen Redding interviews also speak of how deprivation was turned into success. The question is then, have they achieved all this through Confucian values, or have they done so out of desperation for survival?

Both Yao's and Redding's subjects are 'overseas Chinese', bound to transient outposts. In Belaga they are marginalized by discriminatory policies, in Hong Kong they have little say in politics. The only way they can distinguish themselves is through entrepreneurship. Redding acknowledges this, but points out that 'family-centredness' is inherently Chinese and vertical relationships are maintained through the ideal of familial piety. But no ideal hangs in a vacuum, existing as it does for no reason. 'Family-centredness' equates to 'cheap' labour, limited market knowledge in a host city makes people look inward to what they know and cultural differences force people into tightly-knit groups (Yao, 2002). Employing members of the same family or ethnic group can also be a source of exploitation and 'intra-ethnic inequality' (Yao, 2002). *or often not mentioned at all.*

Another shortcoming of a cultural approach is the frequent praise of successful 'Confucian practitioners', and where there are weaknesses, they are only cited in the business world. Redding interviews businessmen only. We don't find him milling among elderly residents cooped up in government housing, all of whom have held to and lived according to Confucian values their whole lives. The elite speak for the population. Yao interviews the disgruntled as well as their masters. Even within a small community such as Belaga, there are ambivalent views, some in opposition to the Chinese 'self-imagining'. There is admiration and a degree of trust in them, yet there is also a feeling that they are cunning and deceptive. It is the latter two cultural proponents selectively leave out of the equation. It all depends on who is spinning the tale – the Chinese, those in close contact with them, or those in the far-away West.

Perhaps Redding's greatest mistake is that he presents a set of supposedly inherent values that traverse time, space and history and apply to all Chinese everywhere. There is no room for individual interpretation of these values. No one can diverge from strong family ties, hard work, frugality, thrift or submission to authority. As Yao shows, this is not the case. Sons complain of having to 'kan dian', or watch over the shop while the father is away, because they are not paid the same respect as he is by the workers, and indigenous employees who are 'integrated as part of the family' in small Chinese businesses are unhappy at the way they are searched when leaving the job (to check they have not stolen from the shop). Culture is not stagnant. People interpret it and reinvent it and make it fit their circumstances, as the following examples related to 'guanxi' and 'xingyong' show.

'Guanxi' can refer to relationships at different levels and in varying circumstances, yet Redding emphasizes strongly on how it relates to economics, and so these meanings are carried across (Yao, 2002). For example, Redding talks of familial, classmate, societal and work-related relationships all within the same context. Not only is there uniformity to Redding's discussion, there is little exploration of how guanxi is only maintained if economically viable. It must be a productive relationship for those involved, both economically as well as socially (Yao, 2002). This is why non-familial financial relations are preferable, as emotions do not become as involved. Familial financial relations are more of a necessity (Yao, 2002).

The concept of 'xingyong' is presented in a similar fashion by both authors. Often translated as 'trust', Yao points out that xingyong is not faith or distrust, but a meaning between the two. A quote by a Kayan clerk dealing with Chinese in Belaga seems to sum up the meaning of 'xingyong' as it exists in this outpost:

*'There is not much to like or not like about the Chinese. I get my things from Lee Hock; but they...are the same: they all charge the same prices and give one month credit so there is not much to choose (from among the shops). I know that the Chinese think we are simple-minded people...but as long [as] they do not cheat us and we pay when the time comes, then we trust them' (Yao, 2002).*

It is outside the convenience of interviews with Chinese businessmen representing 'Chinese values' that we find conflicting reports. Yet these are not reserved to outsider views. They can come from within the family. There is Yao's example of a younger son refusing the elder brother's offer to buy from him their deceased father's business as well as settle his 'mistress' and gambling debts, despite the family's advice to take the offer according to his prescribed role. Why? Yao suggests that 'culturally and politically effective institutions must exist which feed and sustain the ethos of kinship so that xingyong among kin carries real practical consequences' (Yao, 2002). No Chinese temples, voluntary organizations and lineage organizations exist in Belaga, which often act as intermediaries in disputes among kin. This is where Redding's argument fails most profoundly. He presumes Chinese values will carry across in every situation, regardless of whether the institutions from which they have originated are there to support them or not.

Redding repeatedly emphasizes the difficulty of the Chinese to carry these principles of 'guanxi' and 'xingyong' over into horizontal relationships, preferring to keep within their own groups, as they don't want 'the good things to go to others'. Indeed, this appears to be the 'norm' for the most part. But then there are circumstances where marginalization and pragmatism override this desire. In Belaga Chinese entrepreneurs do step out of their comfort zone when profit is to be had, using acquaintances to make mutually profitable deals with the local Kayans (Yao, 2002).

It is also interesting to note, in the discussion of 'vertical relationships', that Redding's interviewees make little mention of their wives or families who have stood by them and invested as much as they have in their successes as well as failures. This is a reoccurring theme in the 'Confucian capitalist' argument – the successful businessman parading both self-determination and 'Confucian values'. What of familial piety? Self-

praise seems as common place as collective effort in such arguments. Mention is made in Yao's study of a wife, as a background figure, dragged into the husband's many business schemes, all of which she is expected to dutifully support to fulfill his desire for greater wealth. All this is done to escape a return to his former poverty. Yet this 'male anxiety' is not limited to that of a financial kind. It is carried forward as a longing to 'expand his horizons' in other areas, such as an affair with a Kayan prostitute (Yao, 2002). It is this agitation and nervous anxiety that appears intermittently in Redding's work too. Several businessmen tell of their many attempts before they struck financial success. Others tell of those whom they know that frequent 'girlie bars' in the evenings. All of this is acceptable, as long as they are not spending the company's money or betraying the trust of employees (Redding, 1990). Needless to say, such behavior is contradictory to 'familial harmony'.

In the above discussion on the shortcomings of a cultural approach towards the subject of Chinese business success, it is easy to forget, in looking for exceptions to discredit such an approach, that there may be underlying rules. The question Redding asks is not 'why is there not absolute uniformity in the way Chinese do business?' but 'why is there an apparent uniformity at all?' This appears to come back to the basic Chinese belief that society 'is constructed of morally binding relationships connecting all, as opposed to 'free' individuals separately expressing ideas and principles' (Redding, 1990). There is an emphasis on belonging, on common cooperation, and therefore the concept of 'xingyong' as the 'glue' of relationships.

Yao is as selective as she claims cultural proponents to be. She focuses almost solely on Chinese inhabitants of Belaga, selecting points that suit her argument and ignoring principles foundational to Chinese culture. She doesn't even touch on the investment of 'face' by the Chinese in various institutes, which deters the breaking of *guanxi* and *xingyong* at all cost. One is almost led to believe from Yao's examples that *guanxi* and *xingyong* are taken rather lightly by the Chinese. 'Face investment' starts in the family, where a good education, respect of elders and adherence to a strong set of values keeps one from 'losing face' (Redding, 1990). This familial indoctrination then carries forth into other areas, such as school, work and society. It is very difficult for an individual to break off a relationship without losing face, either for himself/herself or the other individual. A boss may trust his colleagues and not watch them as often, because of his investment of 'face' in them, and he expects in return an investment of 'face' in the company (Redding, 1990).

In telling stories of rebellion, Yao doesn't explore the dependence Chinese families instill upon their children at a very young age, which more often than not ensures a vertical structure. As Redding notes, a child under the age of five is spoilt and rarely disciplined. This causes the child to become attached to and dependent on the family as he/she grows older. After the age of five, the child is expected to follow strict rules of obedience and submission. This transition becomes easier, as the child has become dependent on the family and does not question authority. In adulthood this dependence continues, so that whether the individual is at home or work, there is recognition of a hierarchy to which one must submit (Redding, 1990). As a result, a natural order, in relevance of importance, develops: family, lineage group, no man's land (Redding, 1990).

As mentioned, Yao undermines Redding's argument of familial piety and vertical relationships by implying the businessmen Redding interviews are 'self-praising' and their claims to the practice of 'Confucian values' are contradictory. However, Redding doesn't press them with questions that would lead the respondents to talk of their own family's involvement in their businesses, but asks questions in general about Chinese values and how they themselves have applied these in business. And while the respondents may well be grateful to their families for their support, it may be considered a sign of Chinese male weakness to relate this to others.

Perhaps the most fundamental flaw in a political economy approach is the failing to discuss what Confucianism is essentially. Redding doesn't put Confucianism into a neat little package as is claimed he does. Those against a cultural approach seem to see its proponents as suggesting that Confucianism is a religion, and go about arguing against this point. It is not a religion, as Redding states, but 'a matter of what you do', as is capitalism (Redding, 1990). In other words, 'people behave as Confucians but wouldn't regard themselves as such' (Redding, 1990). It is rather like a philosophy, more open to individual interpretation and fluidity than a religion. It logically follows then, that some would adhere to certain aspects of this philosophy, while others wouldn't, and as a universal belief system open to individual interpretation, there appears no need, as Yao claims, for institutions of Confucianism to exist for its propagation. What does remain is varying degrees of 'Confucian values' in Chinese societies (even in Belaga), values Yao refers to simply as part of an 'immigrant enterprise syndrome' (Yao, 2002).

The concept of 'laiwang' ('coming and going') is a term used in place of 'guanxi' by the Chinese in Belaga, to describe how relations with the locals and acquaintances are more fluid than with family (Yao, 2002). This is one demonstration of how culture is not timeless and fixed. At the same time, values so 'imbedded' in Chinese culture cannot simply be ignored if we wish to reach a clear understanding of it. A purely political economy approach to the argument is rather rigid, leading to a portrayal of the Chinese as hapless beings who have jettisoned all cultural affirmations in favour of a rational approach to the economy. There is a danger towards hegemony if we focus on only one approach – if that of political economy, we assume that culture has no value and therefore Chinese entrepreneurship falls simply under the heading of 'capitalism', if that of culture, we advocate a universality of 'Confucian capitalism'. Cultural variations must therefore be acknowledged, as must the roots from which these forms have branched out.

**Sources:**

Souchou, Yao, 2002, *Confucian Capitalism: Discourse, Practice and Myth of Chinese Enterprise*, London: Routledge/Curzon.

Redding, S. Gordon, 1990, *The Spirit of Chinese Capitalism*, Berlin & New York: W. de Gruyter.