

**DUISBURGER ARBEITSPAPIERE OSTASIENWISSENSCHAFTEN**

**DUISBURG WORKING PAPERS ON EAST ASIAN STUDIES**

No. 54/2004

**Ethnic Entrepreneurs as Agents of Social Change**  
**Entrepreneurs, clans, social obligations and ethnic resources:**  
**the case of the Liangshan Yi in Sichuan**

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**January 2004**

***Title/Titel:***

Ethnic Entrepreneurs as Agents of Social Change -  
Entrepreneurs, clans, social obligations and  
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***Series/Reihe:***

Duisburg Working Papers on East Asian Studies, No. 54  
Duisburger Arbeitspapiere Ostasienwissenschaften, Nr. 54

***Abstract/Zusammenfassung:***

The following contribution is concerned with the entrepreneurship among one of the major ethnic minorities. It goes into the effects of Yi entrepreneurship on the social structures of Yi society, particularly the clans and their changing role and function. We address central components of social resources of Yi entrepreneurs, for instance ethnic resources; moral obligations of entrepreneurs towards their clan or lineage; social impacts in the form of entrepreneurs becoming clan or lineage headmen; the growing significance of non-kinship relations, and processes of individualization. We conclude that entrepreneurs on the one side are still embedded in a framework of social morality and social and ethnic obligations, yet, on the other side, impact upon the change of the social structure of Yi society.

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## **Ethnic economy and ethnic entrepreneurship<sup>1</sup>**

"Ethnic economy" refers to ethnic self-employed and employers and their co-ethnic employees. It exists when an ethnic minority creates its own private economy sector.<sup>2</sup> "Ethnic entrepreneurship" refers to those entrepreneurs who a) belong to an ethnic minority; b) have to rely on support from their ethnic community to do business, whereby this support can be informal (friends, relations) or formal (a network of ethnic institutions and organizations), and c) use ethnic resources in their businesses. Light and Rosenstein define ethnic resources as "socio-cultural features of the whole group which co-ethnic entrepreneurs actively utilize in business or from which their business passively benefits."<sup>3</sup> These include ethnic culture, ethnic networks, employees and management from the same ethnic group; business relations with other members of the same nationality, etc.; but also ethnic identity and trust as social and symbolic capital.<sup>4</sup> Ethnic entrepreneurship also requires business to be done in a limited environment, whether territorial or by area of business.

Though there are various theories that discuss the social cause for the emergence of ethnic entrepreneurship one could argue in our case that self-employment results from the desire for individual autonomy and independence, and therefore enables the Yi minority to evade Han control.<sup>5</sup> Ethnic entrepreneurship would then be viewed as an ethnic departure from the Han-dominated economy. In fact multiple explanations are necessary for ethnic entrepreneurship: they need to include on the one hand traditional ideas (disposition towards business and business thinking), and on the other hand situation-dependent conditions (access to resources, poverty, unemployment), institutional circumstances, social components and incentives.

The Yi are the sixth largest ethnic minority in China. There are about 8 million Yi people living in China, primarily in the south-western provinces of Sichuan, Yunnan and Guizhou,

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<sup>1</sup> This article presents findings of a research project into entrepreneurs of Yi nationality in Liangshan Yi Autonomous Prefecture, Sichuan province. The project was carried out in co-operation with the Institute for Nationalities Studies of the Liangshan Yi Autonomous Prefecture, and was sponsored by the German Volkswagen Foundation. Field research (with questionnaires and qualitative interviews) was conducted in 10 out of the 17 counties that constitute the prefecture.

<sup>2</sup> Ivan Light, Stavros Karageorgis, "The Ethnic Economy", in: Neil Smelser, Richard Swedberg (eds.) *The Handbook of Economic Sociology* (New York: Princeton University Press, 1994), pp. 647, 648.

<sup>3</sup> Ivan Light, Carolyn Rosenstein, "Expanding the Interaction Theory of Entrepreneurship," in: Alejandro Portes (ed.), *The Economic Sociology of Immigration. Essays on Networks, Ethnicity, and Entrepreneurship* (New York: Basic Books, 1995), p. 171.

<sup>4</sup> Pierre Bourdieu, *Praktische Vernunft. Zur Theorie des Handelns* (Frankfurt/M.: Suhrkamp, 1998), p.175.; for details, Ivan Light, *Ethnic Enterprise in America: Business and Welfare Among Chinese, Japanese and Blacks* (Berkeley: University of California Press, 1972).

<sup>5</sup> The Han (Chinese) are the largest nationality with a population of more than 1.1 billion people.

with a small proportion in Guangxi. Up to the mid-1950s, the Yi in general, and particularly the groups living in the Liangshan Mountains in the south of Sichuan province who prefer to call themselves *Nuosu*, to a large degree had managed to maintain their social, political and cultural identity. Traditionally the Yi are not organized in tribes, but rather in clans and lineages which frequently were engaged in clan wars and feuds.

In comparison with the national level as well as with other minority areas, Liangshan Prefecture counts among the poorest and least developed regions of China. This is particularly true if one disregards the city of Xichang, the industrial and cultural centre with a predominantly Han population. Twelve of the sixteen counties in Liangshan Prefecture as well as 390 towns and townships in those 12 counties at the end of the 1990s were officially counted and registered as "poor counties". In 1992 "poor" meant that those counties had a per capita income of less than 200 Yuan per year (about US \$ 25). At that time more than half of the Yi in Liangshan were counted as "very poor" i.e. they lived under the poverty line and had a yearly income of less than 200 Yuan.<sup>6</sup> In 2001 the criteria for poverty was an average, annual cash income per capita of less than 1,000 Yuan and less than 800 kg grain per year and capita.

In the first half of 1999 the "individual sector" (with less than 8 employees) in the prefecture comprised 54,169 businesses with 77,689 employees; the larger private sector (with more than 7 employees) had 888 businesses with 16,231 employees.<sup>7</sup> This shows that already by the end of 1998 a significant proportion of employees on a payroll were working in the private sector. Most of the private companies are small firms in the (individual economic) sectors small industry and crafts, transport, construction, catering (restaurants, hostelry etc.), trade and other service industries (repair, computer services, entertainment). Especially the private rural industries have developed into being a pillar of industry. Larger companies are

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<sup>6</sup> Jike Quri, "Lun Liangshan Yizu pinkun yuanyin, xianzhuang ji fupin duice" ("Reasons and current situation of the poverty of the Yi in Liangshan and poverty alleviation policies"), in: *Liangshan Yixue (Yi Studies of Liangshan)*, 10/1999, pp.39; Qubishimei, Yang Liping, "Liangshan zhou pinkun wenti de duice yanjiu" ("Studies on the Problem of Poverty in Liangshan Prefecture and Ways of Solution"), in: *Liangshan Minzu Yanjiu (Liangshan Nationalities Studies)* 1992, p.33. More on the Yi: Stevan Harrell, *Ways of Being Ethnic in Southwest China* (Seattle, London: University of Washington Press, 2001); S. Harrell (ed.), *Perspectives on the Yi of Southwest China* (Berkeley et al.: University of California Press, 2001); on economic and social development of Liangshan prefecture: Thomas Heberer, "Nationalities Conflict and Ethnicity in the People's Republic of China, with Special Reference to the Yi in the Liangshan Yi Autonomous Prefecture," in: S. Harrell (ed.), *Perspectives on the Yi*, pp.214-237.

<sup>7</sup> According to informations given by the Bureau for Administration of Industry and Commerce of the Liangshan Autonomous Prefecture in Xichang, 24 August 1999. On private entrepreneurship in China in general: Thomas Heberer, *Private Entrepreneurs in China and Vietnam. Social and Political Functioning of Strategic Groups* (Leiden: Brill, 2003).

emerging steadily but only slowly. The proportion of businesses belonging to people of Yi ethnicity is small, particularly in the larger private sector. According to data from the first half of 1999, the statistics concerning members of ethnic minorities in Liangshan (almost entirely Yi), engaged in the private sector (individual and private economy) were merely 9.2% of all businesses (5,091 out of 55,057).

The following contribution goes into the effects of Yi entrepreneurship on the social structures of Yi society, particularly the clans and their changing role and function. We address central components of social resources and behavior of Yi entrepreneurs like ethnic resources; moral obligations towards one's clan or lineage; social impacts in the form of entrepreneurs becoming clan or lineage headmen; the growing significance of non-kinship relations, and processes of individualization. We conclude that entrepreneurs on the one side are still embedded in a framework of social morality and obligations, yet, on the other side, impact upon the change of the social structure of Yi society.

## **Ethnic resources**

### **Strong ties 1: the levels of clan, family and kinship**

Yi are embedded in groups based on descent (clans) whose members are derived from common ancestors; these clans bear the same family name, regard themselves as blood-related, and are as a rule genuinely so. In the rural areas the members of a clan mostly live in one location and form stable units with common spheres of economic activity, cults and solidarity. The clan is segmented into lineages that constitute the branches of descent from a common ancestor, and plays a particularly important role in Yi society both as an economic unit and a source of solidarity. Its members commit themselves to the same obligations as close kin, such as the duty to mutual help and support. A clan may encompass tens of thousands of people e.g. the Shaga clan in Ganluo County which comprises more than 20,000 people and ten lineages (*fen zhi*).

Belonging to a clan is one of the most important ethnic resources. Amongst such resources should be counted clan and lineage networks, human resources from the same clan likewise the same ethnic group and *guanxi* to Yi cadres above all to those from the same clan. The clan represents not only capital of a cultural or economic kind, but also political, social and

cognitive capital as well as connections inside networks. The economic dimension moves more into the foreground when a clan or its members possess financial resources that would be necessary for founding companies, or to organize economic activities based on the division of labor. Clan membership is proving to be an ethnic resource that is gaining in significance, and which finds expression in a shared language.

The clan can also be classified as social or in our case *ethnic capital*. The term social capital refers first of all to the structures of relations of individuals located within both families and communities (e.g. networks, social relations such as *guanxi* etc.). Portes and Sensenbrenner have sub-divided social capital as related to economic behavior into four major elements: (a) *value introjection* i.e. the moral side of economic transactions that are determined by value imperatives which have accumulated in the process of socialization, and become consensual belief; (b) *reciprocity transactions*, the package of mutual social duties and obligations; (c) *bounded solidarity*, norm-oriented behavior, moral obligation, and situational reactive sentiments within one's group; and (d) *enforcable trust*, norm-driven obligations that generate confidence within a group whereas rewards and sanctions are linked to group trust.<sup>8</sup>

These four factors which are generally embedded in social relationships, can also be transferred to the ethnic context. In the case of the Yi one may speak of *particularistic ethnic capital*, because it does not refer to the Yi as an ethnic community but rather in the first place only to a section of them, namely the clans. Decisive in that is that each individual knows how he/she has to behave to other clan members. But since these values (patterns of reciprocity, norms, solidarity and behavior) are equally binding for all Yi clans, one can perceive them too as markers of ethnicity. They have been internalized by every member of the group and can be fundamentally distinguished from the patterns that the Han display, and they serve in this way to separate the Yi off from the Han. In this way they generate symbolic and cultural capital that serves the maintenance of their own identity and the protection of the group.

Under conditions of institutional and legal uncertainty, entrepreneurs accrue capital and recruit a working force and administrative personnel very often from their own families or clans; for external processes they count on family members who have access to the resources

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<sup>8</sup> Alejandro Portes, Julia Sensenbrenner, "Embeddedness and Immigration: Notes on the Social Determinants of Economic Action", in: Mark Granovetter, Richard Swedberg (eds.), *The Sociology of Economic Life* (Boulder and Oxford: Westview, 2001), pp.114-116.

needed. The factors of trust and mutual help are important standpoints. Clans are, in the words of Luhmann "disappointment resistant" (*enttäuschungsfest*) i.e. their expectations of behavior acquire norms.<sup>9</sup> In general, lineage or clan relationships in Yi society play – just as they did before – a paramount role, and are based primarily on trust. Members of a clan are considered to be persons with whom collective responsibility, bounded solidarity, trust and loyalty exists, and economically seen, when somebody is given a job from whom a high degree of responsibility and loyalty is expected. Such relationships of trust can be made use of in order to gain access to a labor force, credits and loans, customers and suppliers.

Kinship relationships possess internal and external function areas. Inside a company this refers to the employment of and cooperation with members of the family or kin (clan members). In almost all of the Yi companies surveyed by us, members of the lineage and kin played an important role, to some extent all leading company positions were in the hands of such persons. Many rural enterprises in Liangshan could be classified as "clan companies" (*jiazu qiye*). This refers on the one hand to enterprises whose ownership or operation might be attributed to a clan and/or are run in the interest of the respective clan.<sup>10</sup> On the other hand clan enterprises are those where the employees or a significant section of them are members of the entrepreneur's clan, or where at least the key functions of a company are in the hands of the members of one's clan.

As far as my survey is concerned, more than one quarter of the investigated enterprises (25.9%) could be classified as such companies. Amongst the respondents interviewed there were different opinions current about the employment and participation of members of the lineage and kin in their own companies. Many entrepreneurs welcomed such involvement, and argued that it was risky and indeed even dangerous to place one's trust in people who were not family members. In difficult times kin workers would work without payment if necessary, and they were reliable, obedient (*ting hua*), and above all a relationship of trust existed. Even if paid best rates, argued one entrepreneur, outsiders were seldom truly reliable.

Yet, not all entrepreneurs believed in such arguments. Other entrepreneurs were of the opinion that with increasing size and modernization of a company, the kinship factor was gradually diminishing in favor of the employment of non-kin members. This is because

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<sup>9</sup> Niklas Luhmann, *Funktion und Folgen formaler Organisation* (Berlin: Duncker&Humblot, 1999), p.56.

<sup>10</sup> Yao Xiantao, Wang Lianjuan, *Zhongguo jiazu qiye. Xianzhuang, wenti yu duice (China's clan enterprises. Current situation, problems, and policies)* (Beijing: Qiye guanli chubanshe, 2002), pp.10, 11 and 56-59.

familial bonding and obligations often impair company processes since criticism or making kin redundant for working badly or inefficiently may lead to massive, intra-familial confrontations. Family members are often less controllable or guidable, and irrational patterns may lead to conflicts.<sup>11</sup> Some entrepreneurs believed that members of one's clan and kin should not work in their own companies since this commonly led to problems in the course of the company's work and to differences of opinion. Those entrepreneurs argued that one could not measure members of the family and kin by the performance of a normal employee. One had to behave in the appropriate way; and it was difficult to criticize or to transfer them they thought. So some entrepreneurs had paid off members of the family and kin network; they gave them a sum for the founding of their own companies, and in this way were able to complete the separation in a harmonious manner.

Furthermore it has to be decided from case to case. Under certain circumstances such as an environment marked by a high degree of political, legal or social insecurity, it may be that a family company based on the factor of trust is able to operate more flexibly and securely than others. Wong has argued that a deficiency of trust in the system is a major reason why entrepreneurs prefer family or clan enterprises.<sup>12</sup> Moreover, employees who exist in a close relationship with the entrepreneur due to familial obligations are more prepared to continue working even when a company finds itself in economic difficulties. A lack of confidence in the government contributes to the success of family companies.<sup>13</sup>

In companies in which the transaction costs in some circumstances of employment of kin and clan members are too high (e.g. in sectors with fixed specifications concerning working times such as the construction industry, or in mining in which accidents often occur which – as mentioned – may lead to internal clan conflicts), entrepreneurs develop evasive strategies, and employ people from outside of the clan or perhaps Han. If and when the transaction costs caused by non-employment of clan members are too high, for instance at companies that are set up inside the territory of their own clan, or in which resources from their own clan are required (cheap labor, capital, raw materials etc.), then entrepreneurs take on clan members

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<sup>11</sup> Li Fang made a similar observation: Li Fang, *The Social Organization of Entrepreneurship: The Rise of Private Firms in China* (Diss.) (Ann Arbor: UMI, 1998), pp.168-172.

<sup>12</sup> Tony Fu-Lai Yu, *Firms, governments and economic change. An entrepreneurial perspective* (Cheltenham and Northampton: Edward Elgar, 2001), p.54; Siu-Lun Wong, "Modernization and Chinese Cultural Traditions in Hong Kong," in: H. Tai (ed.), *Confucianism and Economic Development: An Oriental Alternative* (Washington, DC: The Washington Institute for Values in Public Policy, 1991), p.15.

<sup>13</sup> J. Ray Bowen, David C. Rose "On the Absence of Privately Owned, Publicly Traded Corporations in China: The Kirby Puzzle," in: *The Journal of Asian Studies*, 2/1998, p.443.



for the most part. At the same time, a relationship of trust to kin exists through which economic difficulties and legal uncertainties may be compensated for if necessary.

The theme companies based on clans is certainly one which is often and controversially discussed in China. Perceived in social-scientific terms, relations of employment based on being socially related or on kinship are – like clan companies – generally regarded as being disadvantageous for the development of firms. But in the meantime they have been re-assessed and are no longer seen only as a negative factor; instead their specific advantages are underlined. In cases of a crisis or downturn in the business, they reduce company difficulties in that the clan employees make e.g. interest-free credits available, do without pay temporarily, or due to their trust and loyalty engage themselves more strongly for company interests.<sup>14</sup>

The New Institutional Economics assumes that the existing economic structures should be understood less in terms of "traditional", and rather as the intelligent strategy to solve problems. The argument runs that through those structures the transaction costs could be lowered, and in times of economic and political insecurity the existing trust is more important than rational-impersonal relations.<sup>15</sup> However, our research shows that this hypothesis is only partially true. The advantages of employing kin or clan members such as loyalty, trust, self-exploitation, selfless commitment to the required work, or more effective social control, have to be balanced out in economic terms against numerous disadvantages which have potentially very high social costs: the danger of conflict with kin/clan members; the toleration of unsatisfactory work so as to avoid conflict; or the discrepancy between existing and required abilities.<sup>16</sup>

But on the other side, family or clan relationships play an important role in acquiring investment capital for founding a company. Since private entrepreneurs as a rule hardly have

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<sup>14</sup> Compare Yao and Wang, *Zhongguo jiazhu qiye* and Huang Xiangyuan, "Jiazhu qiye de shengli haishi xiandai qiye de shengli?" ("Victory of clan enterprises or of modern enterprises?"), in: *Zhongguo Qiyejia (China's Entrepreneurs)*, 4/2000, pp. 28-30; different opinions are expressed in Wang Yang, "Jiazhu qiye yinggai tichang" ("Clan enterprises should be promoted"), in: *Zhongguo gongshang bao (Newspaper for China's Industry and Commerce)*, 16 October 2002 and Huang Yan, "Jiazhu qiye jianjian luowu" ("Clan enterprises should gradually retreat"), in: *Zhongguo gongshang bao*, 16 October 2002. 2002.

<sup>15</sup> Cf. Mark S. Granovetter, "The Economic Sociology of Firms and Entrepreneurs," in: Alejandro Portes, *The Economic Sociology*, pp. 129, 130; T. Fu-Lai Yu, *Firms, governments*, pp.58, 59.

<sup>16</sup> Compare also Hans-Günter Krüsselberg, "Ökonomik der Familie", in: Klaus Heinemann (ed.), *Soziologie wirtschaftlichen Handelns. Sonderheft der Kölner Zeitschrift für Soziologie und Sozialpsychologie*, 28 (Opladen: Westdeutscher Verlag, 1987), pp.184, 185. Employment of family or clan members who are less industrious or lazy, is evaluated socially as positive behavior, as it enables the respective persons to become fully accepted members of their group.

access to bank credits, members of the family and kin represent an important source of credit. This may take different forms: clan members who themselves are entrepreneurs provide credits; members enjoying good relations with banks and credit institutes support entrepreneurs within their clan to acquire such credits. Insofar as we find solvent entrepreneurs within a clan, a system of mutual support may exist. Clans or lineages themselves may even to some extent act as guarantors. This is not only the case for bank credits, but also for private credits. In these cases the honor of the clan constitutes the basis for trust and creditworthiness. We were even told by one entrepreneur that should a German company provide investment for his enterprise, his clan would act as the guarantor for that.

Moreover, familial or clan relationships play an important role too in contexts outside the company especially when family members and kin discharge leading functions in state or party organizations. This also facilitates the access to resources, investment capital, markets and information.

As well as the formation of networks of entrepreneurs within individual clans (whether for supply, delivery, credits or subsidies, or the acquiring of customers), sets of clan-internal companies for production and marketing come into being. For the latter one group of people would found a production firm, others a transport company that would carry the manufactured goods to the surrounding cities, and yet another would open a firm in the urban area so as to sell the products.

The clan is at the same time a political resource because even nowadays legal problems with the police and the justice system can be sorted out by means of the clan. This takes place informally because officially and from a governmental viewpoint the clan is not an acceptable form of organization. But it possesses a bridging function towards the state and takes on tasks such as mediation and social control.

Parallel to this trend, new clan networks appear to be developing somewhat in the form of clan associations (*jiazhi xiehui*). In one case an entrepreneur called this association into life with the inclusion of clan members who were functionaries at the county, prefecture or even province level. He argued that in such associations it had been shown that the obligations to the clan were more binding than those to the party. Above all, he emphasized that these relationships were based on equality since all clan members had equal rights. At the annual

"torch festival" (the most important festival of the Yi) every year there is a "small gathering" of all members, every three years are "large gathering". The costs are shared by all those taking part. Thus clan associations constitute a classic ethnic network.

Migration processes and a growing degree of social mobility have led to such association forming, so as to protect the clan and its functions. To some extent clan members have begun to be organized according to location; e.g. in the prefectural capital Xichang there is a branch association of the Luohong clan with 32 families. The association has a "managing director" (*guanli renyuán*), who is responsible for organization, cohesion or team spirit, contacts, information and finances. Costs are shared through levies for the carrying out of clan business. These groups should also be assessed as an attempt to resist the long-term, weakening of the clan and reciprocal obligations of its members due to the geographical and/or social distance between them.

On the one hand those associations could be defined as a kind of interest organization based on clan interests, particularly as there are no other representative organizations of the Yi in existence, and – due to rigid state control - other forms of organization are currently not available. Yet the existence of a *jiazhi xiehui* reveals that informal organizations emerge, filling the organizational vacuum of autonomous interest groups.

### **Other ethnic resources**

Social relationships and networks are also important ethnic resources. After all informal relationships between basically equal social actors constitute networks – whereas if the actors are unequal, one should speak of patronage. Network relationships are based on the elements of cooperation and loyalty. Creation and preservation of confidence form the most important factors in successful networks.<sup>17</sup> They connect in them not only individuals and groups of individuals but also institutions as well as clusters in which the players in a network are active. As a result a network extends far beyond the element of individuals. Furthermore, individuals are members of different networks, and networks are connected with each other through individuals.

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<sup>17</sup> Jennifer Frances, Rosalind Levacic, Jeremy Mitchell, Grahame Thompson, "Introduction," in: Thompson, Frances, Levacic, Mitchell (eds.), *Markets, Hierarchies and Networks. The Coordination of Social Life* (London, London et al.: Sage, 1991), pp.14-18; Pat Reese, Howard E. Aldrich, "Entrepreneurial Networks and Business Performance," in: Sue Birley, Ian C. MacMillan (eds.), *Entrepreneurship in a Global Context* (London, New York: Routledge 1997), pp. 124-130.

In relation to the entrepreneurs we interviewed, such relationships and networks have principally the following functions:

- On the *economic level* the preservation and exchange of resources, goods and services as well as cooperation in the sphere of production; attaining economic advantages in the structuring of a company (easier access to markets, credits, information, raw materials, state sector commissions, tax remission or reduction) through social connections to important decision makers;
- the ensuring of influence on the *political level* and pushing through of business-oriented interests; gaining political advantages (obtaining public positions), party membership, getting round political restrictions); defense against disadvantages (positive influencing of local functionaries, avoidance of excessive restrictions);
- on the *cognitive level* the strengthening of identities; networks provide too for cognitive and affective support through the network members, strengthen in this way the identities of their members, and ensure their recognition inside and outside the group.
- on the *communicative level* the exchange of information;
- on the *normative level* specific expectations on the basis of various commonalities.

Here one finds again the four factors *value introjection*, *reciprocity transactions*, *bounded solidarity*, and *enforceable trust*, because ethnic networks presuppose these markers of ethnic capital so as to be able to operate with any degree of success in the economic sphere.

Portes and Sensenbrenner argue at the same time that compliance with group norms which in turn means enforceable trust is stronger under conditions of external discrimination against an ethnic group than under more pluralistic and equal terms. Therefore ethnic networks (as, for instance, clan associations and networks between entrepreneurs and local officials) play a crucial role in the Liangshan counties. On the other hand, if the access to economic resources and to social and/or professional advancement outside one's own group is more promising, or if one's own group is not able to fulfill the expectations of the group members, then the cohesion of that community and the observance of community norms will be weakened.<sup>18</sup>

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<sup>18</sup> Compare Portes/Sensenbrenner, "Embeddedness and Immigration", p.124.

Furthermore amongst the ethnic resources are included access to Yi workers who are less costly than Han ones, so far as they are either members of the same clan as the entrepreneurs, or people with other personal relationships to them; the Yi workers are prepared to continue working without payment in cases of financial problems within a company. Low wages or the holding back of wage payments are then accepted because the employer is a member of the same clan or the same nationality, relationships which contain a high degree of trust and loyalty.

Better *guanxi* to the local (Yi) bureaucracy likewise constitutes a further ethnic resource of the Yi entrepreneurs. Entrepreneurs utilize their personal, ethnic and kinship affiliations to local cadres to create clientele-like ties. And, in turn, indigenous cadres use their positions to create ethnic political machines.

As a result, many Han entrepreneurs held that they were disadvantaged, and the local authorities confer advantages on the Yi enterprises. Some Han regarded this as an important reason why they wanted to leave the Liangshan area.

### **Ethnic entrepreneurship and moral obligations**

Through the economization of Chinese society as well as that of the Yi, and through the existence of entrepreneurs, the *economic* function of the clan and lineage, unlike the social function, seems to be on the increase and is becoming more differentiated. The Yi make use of their clan and clan networks in order to optimize their business opportunities, and to secure advantages in competition with Han entrepreneurs. The new entrepreneurs combine economic division of labor within their clan with increasing social provision for their clans. Our study among the Yi confirms James Scott's hypothesis that it is expected of members of a clan who have become well off that they will share their wealth with other members of the clan or village, or support or assist them. This moral obligation, which Scott calls, "the moral economy of the peasant",<sup>19</sup> has changed very little in Yi society until now. However, as the market spreads, Scott expects this moral principle will be called into question by personal profit maximization. Correspondingly the principle of mutual help could go into decline. I

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<sup>19</sup> James Scott, *The Moral Economy of the Peasants. Rebellion and Subsistence in Southeast Asia* (New Haven, London: Yale University Press, 1976).

shall now examine whether Scott's hypothesis is also true for Yi entrepreneurship.

In respect of the clan, the interviewed Yi entrepreneurs replied with very different opinions ranging from it being a burden to an indispensable support. Yi entrepreneurs are subject to a considerable onus and obligations by the clan. This was complained about many times although the majority cannot shirk those duties. As a result some have decided only to hire non-local Yi and to support financially the clan and/or clan members. Where the clans are poor and a single or a few entrepreneurs are obliged to subsidize them, the clan quickly becomes a strain.

But one can discern different phases of the obligations towards the clan in which transfers by the entrepreneur are experienced as being a burden to a greater or lesser extent. In the difficult founding and/or early phase of a firm as well as during company crises such transfers are a heavy load to be borne, whereas in times of prosperity these payments are all designed to contribute to the acceptance and the social prestige of the entrepreneur within the community. Trenk has expressed the ambivalence in the sentence, many entrepreneurs experience the demands made by their kinship as their undoing: "Your wealth is your ruin," but at the same time the challenge of taking on the role of a 'big man' within and outside kinship is felt to be a more important social factor.<sup>20</sup>

Where a clan is economically better off and has produced various entrepreneurial personalities, then its economic role is stronger and its social prestige greater. Entrepreneurs from a clan mutually support each other financially, and in the search for markets. To some extent entrepreneurs take over training functions, or build roads and schools for their clan's villages. Cadres provide advantages for entrepreneurs from their own clans.

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<sup>20</sup> Martin Trenk, "'Dein Reichtum ist dein Ruin'. Zum Stand der Forschung über afrikanische Unternehmer und wirtschaftlicher Entwicklung," in: *Anthropos*, 86 (1991), p.514.

Table 1 shows in detail what the support of entrepreneurs for their clan consists of:

**Table 1: Assistance to clan by Yi entrepreneurs**

<i>Social benefits</i> : in cases of illness, poverty and debt; payments of school fees and financing of post-school education
<i>Social obligations</i> : Taking over the costs for ritual festivities (family festivities such as marriage/ wedding, funerals/funeral services)
<i>Goods and services for families</i> : Building of new houses, payment of dowries of relatives, financing of motor-bikes, cars and electrical devices
<i>Benefits for the community</i> : Financing of access to drink water and electricity, of TV stations and satellite dishes, building schools and hospitals, re-forestation programs and building roads; taking over costs of drinking water, electricity etc.
<i>Employment and training</i> : employment or training in entrepreneur's own company, making starting capital available for founding companies

Source: Own survey.

According to what the entrepreneurs stated, the amount of the donation payments per year vary depending on the financial power of the firm in question, between a thousand and some tens of thousands, or even more than one hundred thousand Yuan. Thus the benefits to the community require as a rule expenditure of some hundreds of thousands of Yuan. But not only monetary contributions count amongst the costs of community solidarity, but also that of kin members who continuously try to obtain jobs and loans. Geerts has already pointed out in his study of Bali that entrepreneurial success, "will lead to a higher level of welfare for the organic community as a whole," whereby massive obstacles are put in the way of the expansion of entrepreneurial activity.<sup>21</sup>

A series of Yi entrepreneurs sought Yi personnel from outside of the clan and/or outside the county so as to evade the social obligations towards clan members whom they might employ. One entrepreneur argued: "Amongst those from elsewhere I can pick out the most able. From clan members in contrast, I have to take on the laziest and most incompetent."

On the other hand the employment and training of clan and family members possess sometimes a snowball effect, in that able staff members acquire technical knowledge, and are then able to make themselves self-employed, sometimes with financial support from an entrepreneur.

<sup>21</sup> Clifford Geerts, *Peddlers and Princes* (Chicago, London: University of Chicago Press, 1963), p.123.

Of particular significance is the financing of schools. In counties in which entrepreneurs have financed such schools, this achievement was particularly emphasized. Such benefits are officially publicized so as to stimulate emulation. In one locality in Ganluo County, an entrepreneur from the *Jike* clan had constructed a large clan school in his native village, exclusively populated by members of his lineage; this school bears the name Jike School. Members of the Jike clan from other counties traveled there to view the school, above all so as to stimulate a copycat effect.

Generally one can discern that there are two groups of donors: amongst the first group donations to the community are assessed as symbolic capital, which brings social capital with it afterwards i.e. social recognition not only within the clan but also outside it, above all amongst the local political elite. As a rule the donors are designated as "Model working persons", and obtain seats as members of the People's Congresses or the People's Consultative Conferences.

One of these donors, a successful entrepreneur in the construction industry in Ganluo County, had distinguished himself not only by the building of a school but also by means of financing road construction, re-forestation programs and combating poverty. As a result he was not only named as deputy director of the county's office for water and electricity supply, but also given a seat as a member of the National People's Congresses. This success was rewarded commercially too: amongst the managers and "advisers" he had chosen to be employed by his firm were four retired people with wide-ranging connections in the county and prefecture: a former deputy Party boss of the county, the former head of finance in the county, a former bank director, and a highly placed engineer from east China. Symbolic capital can be transformed in this way into social capital, and the latter in turn into economic capital.

The second group of donors makes transfers either of money or of goods and services, which essentially are not used in any productive way (for their own basic needs and/or the overcoming of everyday problems or for ritual purposes). Such benefits are assessed by members of the clan as social obligations, and generate social capital within the clan or the village, but hardly anything more. It is precisely payments for ritual purposes that are important for the position of a person within their clan. Moreover in this way a clan can demonstrate its power potential towards the outside. As an example an entrepreneur stated



that on the occasion of his mother's funeral, he had 110 cows slaughtered which promoted his prestige not only within the clan but also the clan's external prestige.

Our interviews showed that it was the financing of unproductive activities which were more found to be a burden, but not the subsidizing of community institutions that generates stronger symbolic and social capital. The governments of the counties and townships that mostly lack the wherewithal for the development of the infrastructure, attempt in particular to encourage entrepreneurs to make such donations. The local authorities attempt to promote the role of the entrepreneur as an exemplary player in local development.

Moral obligations towards the clan play as they did in the past a meaningful role. Many entrepreneurs perceived this thoroughly positively: "The money that we earn is not only our own," declared one entrepreneur, "it also belongs to the clan as a social community."<sup>22</sup>

Here the double role which the entrepreneur plays becomes clear: on the one hand he is a member of a kinship network, secondly he is an entrepreneur who has to consider the interests of his/her company. Therefore he is not only member of a group (clan) but also a self-employed entrepreneur who has to survive within the market. With the increasing significance of his company's interest, the clan necessarily has to decline in significance and with it the package of traditional values that it represents. This in turn has repercussions on the clan and its values generally.

Emile Durkheim suggested that the formation and development of division of labor represents an important factor in the context of development processes. The increasing division of labor indicates on the one hand that social structures change, on the other hand they lead to new forms of social solidarity and social order. The trend is increasingly towards social relationships beyond people's immediate community (clan, village), and they contribute to the intermingling of individuals and groups. Phenomena are generated such as markets, competition between producers and a specialization of the offer. *Mechanical solidarity*, stamped as it is by a strong collective consciousness starts to decline, communities become differentiated. Above all the mobility of the entrepreneur, geographical migration into other areas or into cities relaxes social control, and with that the cohesion of the traditional social organization. Statements of numerous entrepreneurs that the clan does not play much of a role

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<sup>22</sup> Discussion in Mianning County, 15 August 1999.

for their business activity and tends to represent a burden indicate that the collective consciousness has weakened and a process of individualization has set in.

The result of these trends is that *organic solidarity* comes into being i.e. a division of labor more strongly based on specialist and individual organizations and institutions.<sup>23</sup> In this process of change both commercialization and the role of money play an important role. It is above all the possession of money, which brings with it an "expansion of the self". The consequence is on the one hand the breaking away from traditional social relationships and ties, on the other hand new forms of such relationships and ties come about which relate less to the clan and instead to social structures which transcend the clan. Money creates what goes beyond the clan i.e. "Larger business /commercial circles with a closer interconnection of interests, obligations and dependencies."<sup>24</sup>

Our interviews demonstrate as well that in the consciousness of many Yi entrepreneurs the clan has begun to assume a decreasing social function. Whether the role of the clans is further weakened, may well also be connected to the question, to what extent the economic role of this social organization declines or increases. Our survey shows that somewhat less than a third of the Yi entrepreneurs interviewed have business relations within the clan, more than two-thirds (69.1%) do not. That is indeed nothing special in a society in which market events and entrepreneurship have up till now played a rather marginal role. But other elements in the statements indicate that clan-transcending factors are becoming ever more important for entrepreneurs. In respect of their roles as clan members the market brings entrepreneurs into the following dilemma: they are obliged to take care of family or clan members with jobs or material gifts despite the fact that those people contribute little or nothing to the development of the firm. This in turn hinders the company from operating effectively in the market. The clan as an ethnic network is insofar disadvantageous for entrepreneurs, and requires a minimizing of ethnic solidarity so that entrepreneurs can survive financially.

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<sup>23</sup> Emile Durkheim, *Über soziale Arbeitsteilung* (Frankfurt/M.: Suhrkamp, 1992), pp.289-295.

<sup>24</sup> See Georg Simmel, *Philosophie des Geldes* (Frankfurt/M.: Suhrkamp, 1994), pp.405-410; Klaus Heinemann, "Soziologie des Geldes", in: K. Heinemann (ed.), *Soziologie wirtschaftlichen*, pp. 333, 334.

**Table 2: Assessment of clan and clan support by Yi entrepreneurs**



Source: Own survey.

Table 2 demonstrates that – at least in the minds of many Yi entrepreneurs – the clan plays a less important role. The majority does not see supporting their clan as a life goal, and only a relatively low percentage expressed a desire to support their clan. As many as a third explicitly experienced the burden caused by the social organization as a reason for the backwardness of the Yi entrepreneurs. In the interviews too the ambivalent role of the clans in the entrepreneurs' consciousness came to the surface. Numerous entrepreneurs complained about the burdensome nature of the clan whereas another group declared that the supportive payments for the clan were for them not a burden. Numerous entrepreneurs put forward the argument that these payments made them stand out (in a positive sense) from the Han.

Through monetary payments transfers some entrepreneurs tried to purchase freedom from the obligation to employ clan members. Clan members, we were told, often did not bother going to work, worked badly and brought about problems. Some employers reported that as a result they made payments so as not to be "saddled with them".

But even if there were undoubtedly critical voices concerning the function and impact of the clan. The Yi scholar Ma Erzi explained in reference to the entrepreneur's clan-critical perception:

The clan has central significance for every individual just as it did before, although an entrepreneur may actually argue otherwise. Even if he declares that he does not employ any clan members, nevertheless one will find in the administration or the security department clan members after all, because only they can be really trusted.<sup>25</sup>

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<sup>25</sup> Discussion with Ma Erzi in Mianning, 17 August 1999.

And another entrepreneur expressed the opinion:

Within the clan one has to reach unity, otherwise nothing works any more. In that money does not play a decisive role; whether one has money or not, can give a lot or only a little. In the clan we are all equal. That even applies to high-up cadres, because they too are clan members.<sup>26</sup>

This imagined equality was or is something of a fiction, earlier because of the traditional social stratification, nowadays through the role of the entrepreneurship as an economic elite. But that idea of equality brings about a feeling of an equal right to participate in the activity of the clan. This is due to every clan member having a vote at the clan gatherings where difficult questions and problems are decided in a process of consultation and discussion. Numerous entrepreneurs termed this "grass-roots democracy" and pointed out that (as they saw it) democracy has always been an important component of Yi society.

A further factor which, however, I have not researched further, is that of the change in the role of female entrepreneurs within their clan community. Through entrepreneurship, the position of those women within the clan gradually changes.<sup>27</sup> Successful female entrepreneurs become more self-confident and increasingly are accepted as independent personalities within the clan. An example is that of a female entrepreneur in Jinyang, who explained that until 1978 Yi women had generally lived a peasant or housewife existence. Since then things have changed. The clan had not helped her when she started her business activity, she achieved everything through her own efforts. Her clan is anyway much too poor to support her, she added. In the meantime it has become a considerable burden for her. She told us that she transfers money, clothes and pays for the basic needs and school attendance of a number of children. Through her entrepreneurial activity, her prestige within the clan has however increased, and people listen to her opinion much more than they had done before. Her horizon has also widened. Earlier in her life, she had not even visited the prefecture's capital Xichang once, but she has since those days even traveled to the two most important cities in the southwestern provincial capitals Chengdu and Kunming. But generally in the clans the prevailing opinion is as it was before that (Yi) women should not take part in business activity. Only "bad" women engage in self-employed work or open a restaurant.

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<sup>26</sup> Discussion in Mianning County, 17 August 1999.

<sup>27</sup> More on the change in women's role during the reform era: Wu Ga, "Nuosu Women's Economic Role in Ninglang, Yunnan, under the Reforms," in: Stevan Harrell (ed.), *Perspectives on the Yi of Southwest China* (Berkeley et al.: University of California Press, 2001), pp.256-266.

## Further social impacts of Yi entrepreneurship

### Entrepreneurs as headmen of their clans

Clearly the position of entrepreneurs within their own clan increases in significance if and when they are economically successful. Numerous larger entrepreneurs declared that through commercial activity their prestige in the clan had increased, and that they have in effect taken over the function of clan leader or headman (*touren*): "If the company works out well, one can become *touren*." 27 out of 81 Yi entrepreneurs, primarily the larger ones, admitted that they were accepted as such "leaders" by their clan or lineage members, and that either their opinion had a decisive character (*shuo le suan*), or that in cases in which important decisions are to be made by their clan, they were invited to participate in decisions and asked for advice. Traditionally, the *touren* of the Yi clan was (and still is) not an elected person, but he and his abilities (intelligence, courage, wisdom and trust) are widely accepted, so that he automatically grows into this role and becomes a leading figure.<sup>28</sup>

But if we compare the traditional functions of clan leaders who were not voted for but instead gradually grew into a leadership role on the basis of general acceptance, it can be seen that there were in the past two important pre-conditions necessary for that: (a) bravery, courage and success in clan feuds; (b) the ability to sort out and mediate efficiently the affairs of the clan both internally and externally. Central to this was the ability to handle civil and military matters well and successfully. Here a change appears to be looming through social and economic transformation: the development into a leadership role due to possessing (a) the skills to deal with the clan's business both internally and externally and (b) economic success which contributes to the prosperity of the clan community.

Many entrepreneurs differentiate between the functions of a *touren* who represents the clan towards the outside world and the family manager, who runs the clan almost as a firm and/or takes care of its economic development. In some clans the companyization of the clans has occurred rather than the clanization of the company. Entrepreneurs with leadership functions within a clan appear as a result to take on rather the role of a clan manager than that of the traditional *touren*. This is precisely what the statements of entrepreneurs amount to when they

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<sup>28</sup> More on the role of the headman: Liu Yu, "Searching for the Heroic Age of the Yi People in Liangshan," in: S. Harell (ed.) Perspectives on the Yi, pp.116, 117.

declare that while they are not the clan's leader, in the final analysis they make the crucial decisions or are involved in reaching them.

The pre-condition is first of all that an entrepreneur enjoys close connections within the clan. For leadership positions those persons suggest themselves who possess prestige inside the clan, for instance because their father had earlier been clan leader, or because they are well rooted in the clan villages (as the rural entrepreneurs were in Yanyuan County). At the same time taking over the clan leader function also depends on whether an entrepreneur has contributed to an improvement of the infra-structure in his home village like the construction of schools, roads, water pipes, electricity, building of clinics, reforestation programs or the erection of TV stations. Almost all Yi entrepreneurs who told us that they exercise leadership functions in their clan had – according to their own statements – made appropriate donations of goods. Another activity that is prestige laden appears to be assistance in the reduction of poverty, to which entrepreneurs can contribute, for instance, through the creation of jobs and vocational training.

### **The growing significance of non-kinship relations**

Through the (clan-transcending) cooperation on the part of entrepreneurs, their relationships to people in former activities (as cadres, workers, etc.), the significance of friends and connections to people with whom they have shared experiences increases, and leads to a different set of relationships outside the clan or lineage. As we have shown above, even if the clan is still dominant, many entrepreneurs have already put this dominance into question. Not a few entrepreneurs argued that friends and other people with non-kinship relations play an important role for access to credits or business support. And some even complained that beyond the burden of supporting clan members, there was now an additional weight to support i.e. friends. Others emphasized the growing role of their village community (insofar as such communities are not identical with one's clan or lineage).

#### *Strong ties 2: Tong Relationships*

As a result of all these trends, it appears that the role of clan-transcending networks is increasing. This is, for instance, true for the "Tong relationships". *Tong* (the commonality), is the most important basis for social relationships (*guanxi*). Belonging to the same ethnic

community is of course a central factor in social and *tong* relationships. Moreover, the *tongban* (classmate), *tongbao* (regional compatriot), *tonghang* (colleagues in a specialized field), *tongshi* (work colleague), *tongxiang* (town fellowmen from the same village or township), *tongxue* (school colleague) etc. all exist in special relationships to each other (*tong* relationships). Not all people with whom such relationships exist can be included in the networks of a private entrepreneur, rather only those to whom close relationships exist and who hold important positions (such as manager or cadre), and could be of use to the entrepreneur. At the same time *tong* relationships are based not only on economic advantage, but instead on friendship and trust too. Assistance or support of some kind which has been completed does not require any direct service in exchange, but is rather to be understood as an investment for the future i.e. the reciprocal obligation might later become due, but need not necessarily do so anytime. For urban companies, relationships to classmates and former colleagues play a more significant roll than for rural firms, for which the familial or village relationships carry more weight. The relationships between cadres who shared common experiences in the same local Party organizations or Party schools are of much importance.

With the increase of non-kin relationships an important pre-condition comes about for the consolidation of the common and shared identity of the Yi as members of an ethnic group (and not merely a kin group). Such an identity is in the process of growing, and moreover social and economic change as well as migration to some extent all weaken the access of the clans, and the delimitation follows ever more ethnically and ever less determined by the clan. At the same time the clan gains in having a stronger, social-economic function i.e. family and clan members as providers of capital or workers. So a process of *economization* of the clan takes place.

Entrepreneurism makes that process of economization easier as well as the formation of the clan-transcending forms of solidarity, because the entrepreneurs understand themselves to be no longer only members of the clan but also members of an (imagined) community of Yi entrepreneurs. In this way the ethnic group becomes a social space within which solidarity can be expected. The new ethnic self-confidence acquired through entrepreneurship, the easier access to cash, the acquisition of many new consumer goods, and the development of new skills and knowledge also alter the inter-ethnic relationships.

## Processes of individualization

Individualization is considered to be a crucial factor in processes of modernization and a significant part of social change. Interestingly, such a process appears to be emerging. In fact, in the answers to our survey we find significant expressions of such a growing individualization.

**Table 3: Individualistic components of Yi entrepreneurs (%)**

Goals in life: good future for one's own children	86.4
Importance for commercial success: own abilities	85.2
Goals in life: happy family	77.8
Goals in life: higher social prestige	48.2
Goals in life: individual happiness	43.2
Primary motivation for founding company: Interest in self-employment	20.0
<u>Unfavorable decisions of local authorities: I would alter it</u>	<u>19.7</u>

Source: Own survey.

My interviews demonstrate that increasingly important roles are played by their own company and with that (in the entrepreneur's consciousness) the entrepreneurs themselves (inclusive of their own nuclear family). Entrepreneurship requires a more individualistic perception and that implies a declining role for larger social frameworks such as clans in the entrepreneur's consciousness, even if entrepreneurs have not as yet been able to withdraw from their traditional social obligations.

### Summary: entrepreneurs as agents of social change

Traditional strong ties (clan, kinship) possess as they did before central significance for the entrepreneur but this is sliding towards post-traditional strong ties (*tong* relationships). As a result one can speak of a gradual *change of resources*. This process of change intensifies social and personal insecurities, and above all amongst young people disorientation and deviant behavior are in turn generated amongst them. Where clan communities and traditional values are dominant as they were before e.g. in Meigu County, social problems appear to be less serious than in those counties where the sense of community has been weakened.

Political or social uncertainties and unpredictability have the effect that the economic functions of clan companies have increased. So long as particular services are not made



available publicly (e.g. credits), kinship, *guanxi* and networks serve as referential elements. Clan communities attempt to counteract the gradual process of erosion (described above) through new forms of organization. On the other hand, the state which for a long time struggled against clans, has discovered their role as an instrument of social order.

The thinking of many Yi entrepreneurs is without a doubt still rooted in the moral economy. More markedly than amongst the Han entrepreneurs, economic behavior is bound up for the Yi with non-economic relationships and conceptions of social morality i.e. it is not the logic of the market which is decisive for them. The market economy is even criticized as causing the slackening of social norms. On the other hand the transition from the moral to a market economy creates an ambiguous situation: interchange and prestige are decreasingly based on local morality, and furthermore goods and relationships become increasingly commercialized. Entrepreneurs are forced finally to behave in a market-rational way if they want to survive. That this has already been recognized by sections of the entrepreneurs is shown in the statements of Yi entrepreneurs that they no longer wanted to employ members of the clan, but rather wanted to help clan members out by means of money transfers, donations and material support.

At the same time the market creates a new and separate moral and value system. The latter is based on economic equality in the market situation in which buyer and seller meet on equal terms, and not at all on the subordination of the individual to the group (clan), or hierarchization on the basis of age and gender. Such non-economic characteristics can still be applied within religious communities, parties and widely varying interest groups (e.g. networks or peer-groups). The difference between non-ethnic identity and ethnicity remains, however, in that the latter entails separation off from other ethnicities and to the dominant ethnicity (Han) in the state government.

Entrepreneurs increasingly become the pacemakers of progress. They are not only the representatives of market conditions and technical progress, but also develop into persons with significant prestige within their respective clans as well as within their nationality. At the same time they do not abandon important elements of Yi culture, and thereby promote their maintenance and renewal. Processes of industrialization contribute to the separation of economic activities from traditional family activities. Conditions at places of work are increasingly impersonal. Clan-transcending frameworks in business and everyday life lead at

the same time to both entrepreneurs and sections of their employees no longer thinking only in terms of clan structures but rather in clan-transcending categories too; as a result those frameworks contribute to a transition from a clan identity to an ethnic identity.

As far as the Yi are concerned, entrepreneurs oscillate between two poles: on the one hand they have to open up to the market and ignore non-economic factors, but on the other hand they have to observe moral obligations to the community (clan and lineage). The dualism entailed in the necessity on the one hand to make profits and on the other a moral obligation to share income with the clan community has been called "the trader's dilemma".<sup>29</sup> This is a result of the embeddedness of the economy in the wider social context, particularly as, in the words of Marcel Mauss, "exchange is not simply an economic transaction, but a total social phenomenon."<sup>30</sup>

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<sup>29</sup> Cf. Hans-Dieter Evers, "The trader's dilemma," in: H.-D. Evers, Heiko Schrader (eds.), *The Moral Economy of Trade. Ethnicity and Developing Markets* (London, New York: Routledge, 1994); Tilman Schiel, "The traders' dilemma," in: H.-D. Evers, H. Schrader (eds.), *The Moral Economy*, pp. 15-26.

<sup>30</sup> *Ibid* p.16.

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