

# Accounts

## ASA Economic Sociology Section Newsletter

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### Welcome to the Fall 2007 issue of *Accounts*!

Welcome to the first issue of *Accounts* edited in its new home at Duke University! I want to thank the outgoing *Accounts* editorial staff from Cornell for their extended contribution and for setting high standards for the newsletter. The issues they edited were always engaging and packed with great information. Many thanks to Nicolás Eilbaum, Kyle Siler, Min-Dong Paul Lee, and Chris Yenkey as they move on to new challenges.

I am also very pleased to announce that the newsletter will be in good hands in its new home. Duke Sociology is a leading department for the study of economic sociology, and an energetic new team has taken over editorial responsibility. Ryan Denniston, Lane Destro, Nathan Martin, and Lijun Song have put together an exciting first issue and have great plans for the remaining 2007-08 issues of *Accounts*. The new editors are an impressive group who are doing exciting and innovative work in the field. Ryan is working on globalization, linkages among organizations, and organization-environment interactions. Lane's work explores questions related to American poverty including low-income families' saving behavior, unmarried women's fertility, and workforce re-entry processes. Nathan's research interests include education, globalization, labor and work, social theory, and stratification and mobility. Lijun does research on the production of social capital, and she also studies medical sociology and social networks. Stay tuned for lots of interesting content, and please give them a hand if they contact you for content! And, of course, if you have ideas for content, please let them know.

Thank you as well to the outgoing section officers. Bruce Carruthers stepped down as section chair and Mark Suchman completed a two-year term as secretary-treasurer at the end of the summer. Thank you to Mary Blair-Loy, Elizabeth Gorman, Marc Ventresca, Ezra Zuckerman, Jason Beckfield, and Laura Miller for serving on section awards committees this year. Congratulations to Mark Schneiberg, our new secretary-treasurer, and Mark Mizruchi, chair-elect. Finally, congratulations to our new (and continuing) council members: Mary Blair-Loy, Frank Dobbin, Marion Fourcade, Keiran Healey, and Ezra Zuckerman. We are fortunate to have such an impressive group of people contributing to the section.

I also want to add my congratulations to the winners of the section awards, announced officially at the business meeting at ASA. Woody Powell (Stanford University), Doug White (University of California, Irvine), and Jason Owen-Smith (University of Michigan) received the Zelizer award for their 2005 *American Journal of Sociology* article "Network Dynamics and Field Evolution: The Growth of Interorganization Collaboration in the Life Sciences" (110: 1132-1205). Congratulations to the two winners of the Ronald Burt Best Student Paper Award. Rene Almeling (University of California, Los Angeles) won the award for "Selling Genes, Selling Gender: Egg Agencies, Sperm Banks, and the Medical Market in Genetic Material," and Eunmi Mun (Harvard University) won for "Sex Segregation and Social Closure: Evidence from Japan." Congratulations to all the award winners!

It is a pleasure to chair the Economic Sociology section when the future looks so promising. Membership is at an all-time high (750 members), and we are fiscally sound. Attendance at economic sociology sessions at the annual ASA meetings was high, and the level of intellectual engagement and interaction during the sessions was impressive. For next year's annual meeting in Boston, we are going to sponsor four sessions that promise to be

equally stimulating. Leslie Salzinger is organizing a joint session with the gender section, Jason Owen-Smith and Woody Powell are putting together a session on networks and institutions, Jason Beckfield and Roberto Fernandez are arranging a session that will include participants from both sociology and economics, and Akos Rona-tas is organizing a session on the sociology of credit. We will publish more information in *Accounts* and elsewhere closer to the meetings.

A final note: please continue to encourage your colleagues and students to join the section. If we pass the 800-member mark, we will be entitled to an additional ASA session next year.

**Lisa Keister**

*Duke University*

## Perspectives on China and Globalization



### **"China in Transition: An Interview with Victor Nee"**

**Victor Nee**

*Cornell University*

Goldwin Smith Professor of Sociology and Director for the Study of Economy and Society

*Economic sociology is at the forefront of research into China's transition toward a capitalist economy and its effects on the organization of society. Lijun Song interviews Professor Victor Nee, one of the most prominent scholars of China's transition to a market economy and the implications for society. In a very thoughtful and generous conversation, Nee reflects on Market Transition Theory, his inspirations as a sociologist, the future of China in the context of globalization, and questions scholars of all social disciplines should consider.*

***We are familiar with your prominent work but know little about what inspired it. What made you become interested in economic sociology? I know, for example, that you received your graduate degrees in sociology at Harvard, and that you worked with sociological theorist George C. Homans.***

I am glad that you mentioned George Homans, because he was someone who had a profound influence on my approach to sociology. George was someone who believed that there is one social science, and the logic of the social science, whether in economics, or sociology, do not differ. In fact, they share a very important common ground, which is the study of social behavior. For George, social behavior and economic action are explained by the same set of core propositions. So from very early times in graduate school, I became interested in reading in economics as well as sociology.

Also at the time, Harrison White was very active at Harvard. Although I did not work with Harrison White, it was clear that the brilliant sociologists that were working

with Harrison were making very important advances in network analysis. George Homans told me he was influential in recruiting Harrison to Harvard. I sensed he felt complementarities between his work on social exchange and Harrison's pioneering papers modeling social networks offered promising opportunities for sociology. It was an exciting atmosphere then at Harvard. Of course after Mark Granovetter published his seminal article on embeddedness in 1985, this reinforced my growing interest in economic sociology. Granovetter's work seemed to connect the early small group research on social exchange of Homans with the workings of networks in real markets.

***Your work has focused on China for more than three decades. Behind every focus there is a story. What is the story behind yours? I wonder, for example, whether your interest in Chinese society is primarily because of your ethnicity.***

Well, I would not say that it was primarily influenced by my ethnicity. I think what was more important for me as a backbone to my interests in China was, [being] a college student in northern California in 1960s during the Vietnam War. It became very important to me and my friends to understand the origins of the war, the American intervention in Vietnam. The war was the outcome of American policies of isolation and containment of China and its Revolution. Of course these concerns led to the initial interest in China as a college senior facing tough decisions about the draft. And in graduate school this continued.

My family's experience was changed by the Chinese Revolution. I was born in China. I was four years old when I emigrated from China in 1949 and moved to the United States. So of course, a source of interest in the Chinese revolution was my own personal biography. This motivated interest in learning more about the China that my father and mother decided to leave. There was a biographical interest to be sure, but I do not know if it was ethnic.

***You developed new institutionalism, and behind every theoretical development, there is a story. What is the story behind your theory?***

After I became involved in studying the economic reforms in China in the early 1980s, it became very clear that the main causal forces at work were not at the micro level or the network level but at the level of large-scale institutional structures. It was very clear also that to understand the direction of change, one had to develop a theory of institutions and of institutional change. This sense was of course influenced by my interest in China. To try to explain what we saw at the community level, it was obvious that we had to investigate larger structures of power and institutions. This brought me back to the macro-societal framework of the classical works in economic sociology. The parallels and contrasts in the historic contexts of the rise of market capitalism in the West and the transformative changes in China seemed to offer an especially fruitful large platform to develop a new institutionalist economic sociology.

***The local state corporatist perspective is another major approach to market transitions. It emphasizes the importance of political institutions. Is a dialogue possible between that approach and your new institutional approach? For example, is it possible to compare these two competing perspectives in a single study, theoretically and empirically?***

I've never thought there was an opposition between taking into account market forces and taking into account political forces. Clearly both politics of reform and market transition are intertwined and interdependent processes. So it seemed odd that the literature began to frame the debate in terms of one or the other. Clearly, the reform in China began in the first place because the political elite initiated a series of reforms that opened the way for market transition, and political actors continued their active involvement in building the institutional framework of a market economy. So I do not think that the arguments need to be so sharply framed as oppositional.

But if there is a tendency in state-centered political economy to argue that market forces doesn't matter, this is clearly not supportable either theoretically or empirically. I mean there is no serious theory in the social sciences that argues that the market is not a robust mechanism. Market forces are without question among the most potent causes of large-scale institutional change we have. If markets were merely mediums of exchange without causal force, we would not be so concerned about the consequences of globalization, for instance. So I think that is the key issue. Surely, I've always argued that the state and political actors play crucial roles in initiating the reform and in guiding the reform process. But I also argue that the shift to decentralized markets, that is free markets, has a powerful decisive effect in changing the relative power between political

and economic actors. As the economy shifts from central planning and state management to a private enterprise dominated economy driven by market forces, the value of political connections is reduced. This is because producers are compelled by competitive pressures to secure competitive advantages in markets.

It's always surprising to me that my argument that the shift from state planning to market allocation has causal consequences is controversial. Surely my claim is not controversial in any place else in the social sciences, in economics surely not, and in political sciences surely not.

***Some would say that market transition theory is a fairly straightforward, maybe not even surprising, theory. I know you have made this point as well. Why then, do you think it has generated so much controversy? Are sociologists that opposed to rational choice theories? Is it because you are a Westerner writing about China? Or is there some other explanation?***

It's been a mystery to me to tell you the truth, why there has been so much controversy over an argument that is relatively straightforward? The best I can understand is that there may be an implicit reaction to the perception that market transition theory extends an economic form of reasoning into explanation of change in relative power between political and economic actors. I sense this, but I am not sure.

***Some charge that market transition theory is simple because it overemphasizes the importance of market emergence, and neglects other important factors (i.e., political processes) that determine markets. What is your response to them? Will you expand the specification of your theoretical model, for example, by taking more factors into account?***

Well, a theory by definition does not take everything into account. A theory has to have a focus to be useful. A theory that tries to take everything into account lacks the quality of parsimony we look for in an explanation. Generally I think it is both impossible and not useful to take every variable that might matter into account in one theory.

But when market transition theory was published in 1989, it came out at about the same time as several other articles I wrote on market transition. These other articles focused on the role of the state and the organizational dynamics in market transition. I thought market transition theory did not need to restate what these other articles argued, but that it would be read as part of a set of articles that tried to explain large-scale institutional change and also the direction of change. My sense is that the research program has been successful because it has stimulated interest and controversy. Also, it has been fruitful for me to continue to develop this line of thinking in an active dialogue with critics. I have learned a lot from the engaging articles by political sociologists critical of market

transition theory, and also by political economists who tend to agree with my approach. In fact, there is a growing literature in the economics of transition that report findings consistent with market transition theory. I've found it to be a useful and productive disagreement with my critics, and am gratified that good people have published many articles in top journals in sociology responding to market transition theory.

We're seeking to clarify and to extend arguments from market transition theory. Even in disagreement, we are involved in a crucial and necessary part of the process of scholarship. There were important new findings, including work by Ivan Szelenyi, Xueguang Zhou, Andy Walder, Yu Xie, Akos Rona-tas, Yanjie Bian, Lisa Keister, Ted Gerber, Doug Guthrie and Lawrence King in economic sociology, and Yingyi Qian, Xu Chenggang, Sonja Oppor, Colin Xu, Li Hongbin, Barbara Krug in transition economics. You see, there are a whole lot of people who have contributed to advancing understanding of market transition. The overall field has been enriched by a very active research process. I am continuously impressed by the high standards and quality of empirical research in the market transition literature.

***One of the critiques made rather recently of market transition theory is that it has become somewhat less parsimonious as you have developed your ideas about political capital. Do you think this is a valid critique?***

You are right that the 1989 paper outlining the logic of market transition theory was a parsimonious statement of the theoretical propositions. Surely as one learns from the literature that was stimulated by that article, one begins to bring into the theory points, and I add, very excellent points made by others. It's just part of the research process that a theory tries to incorporate important findings and important points made by others. I think that this is a useful and productive thing to do.

On the other hand, I just completed two new papers with Sonja Oppor and Jeong-han Kang, one that extends market transition theory to study of variation in the fungibility of political capital in the Chinese industrial economy. I was struck that the parsimonious propositions of the original theory were borne out by this firm level analysis of transactions in various market structures.

Then I've also extended the theory to endogenize the shift to a dynamic form of capitalism in China, focusing on change in the structure of relative rewards between political and economic actors to explain the emergence of innovation in the Chinese industrial economy. Here again, parsimonious propositions from the theory were used and productively confirmed in the formal model and empirical analysis. In this sense, the theory continues to be productive and leads to new mid-range theory. So a new theory explaining the emergence of innovation, and variable rates of innovation, now has been tested with a large World

Bank data set. This extension of market transition theory logic to another substantive field of research I hope will provide the basis for a research program on innovation not just in China, but in developing and advanced market economies. As long as things like this happen, I am of course gratified.

***Your theory argues that China will become another capitalist society just like other developed Western countries in the long run. How long do you think it will take?***

I do not think I have written anywhere that China is on the road to the convergence with Western capitalism. My own sense is that the form of capitalism that is emerging in China has a greater similarity with capitalism that has emerged elsewhere in East Asia, in the sense that there is a very strong and central role of state and bureaucracy that you do not see in the same way in the West. Notwithstanding this, I think it surely will be a distinctive form of capitalism and a dynamic form of capitalism, one that is growing exceedingly rapidly. In many areas, there will be similarities with other capitalist economies, in that profit making and firms are motivated by, and driven by market-based incentives. Also the importance of entrepreneurship and the class contradictions will be similar. Especially within the global economy, there will be many sources of external influence in the realm of cultural beliefs and rules of the game governing economic action.

I think China made the transition to a market economy around 2002. It is already a capitalist economy. One can see a completed market transition in the Chinese stock markets, for example, which reported the highest volume of trade of any stock market in the world this year so far. So the source of capital for firms no longer comes mainly from state and state-owned banks, but from the booming stock exchanges where much of the capital comes from private investors, who are investing their savings into firms listed on the Shanghai stock exchange or the Shenzhen stock exchange.

All the key economic institutions of capitalism are in place and growing rapidly in coordinating China's economy. The state is playing an important role, increasingly the role that states play in other capitalist economies in overseeing regulations, the rules of the game, in providing the constitutional framework for competition and cooperation, and specifying property rights, along the lines that Doug North wrote about. It is not "how long it takes." It has already arrived; China is a capitalist economy where market allocation is the dominant form of resource allocation. The state has yielded its central role in managing and directing the economy to economic actors.

***So in your definition, you will talk more about capitalist economy than capitalist society?***

Well, it's a market society, and the cultural belief in capitalism in the sense of a private enterprise economy and profit-making is very, very widespread in China today. I'm really struck by it in the research I am doing now, how when you talk with the average citizen, many of them are thinking about investing in the stock market or starting up a business themselves.

***Is your definition of capitalist society unidimensional (i.e., economic) or multidimensional (i.e., economic, political, social, cultural)?***

Capitalism, of course, in classical economic sociology is a concept pioneered by Marx. This was picked up by Weber. Capitalism is an economic order principally, which has complementary political and social institutions. The heart of a capitalist system is the economic order based on private ownership of the means of production.

***It is my impression that research on market transition in China pays quite a bit of attention to domestic mechanisms (those inside China), while paying little attention to global mechanisms (those outside China). Do you agree with this impression? Does your concept of politicized capitalism take global factors into account?***

What I think is new about the Chinese capitalism that is emerging today is that the strength and source of dynamism does not come from foreign companies, but come from within the domestic market economy. The native capitalism is much stronger than before in the early twentieth century. Before 1949, capitalism was mainly dominated by foreign firms in the treaty ports along the coast of China. Chinese domestic capitalists were relatively small and weak part of the economy compared to the foreign firms that dominated the Chinese economy. I think that is just not true today. The main actors in the market economy there are domestic firms. There are many foreign firms and they are well represented in China, but you can't say that the Chinese economy does not have a strong, dynamic, growing domestic capitalist, entrepreneurial base. I do not know whether that answers your question. But it seems to me that is one way to think about it.

I would say that in the empirical part of the research we always include control variables for foreign firms and joint adventures. But I do not put as much emphasis as others have on the foreign firms and their activities in China. And I have not put as much emphasis as others have on the international activities of Chinese firms. The focus has been on domestic market activities rather than on globalization per se. Surely, I think globalization is an important and growing element. I suppose my emphasis has been to develop an endogenous explanation for

the rise of capitalism in China rather than focus on exogenous forces external to the Chinese economy and society. So if I slight the exogenous forces, it's intentional.

***Some say that China is a threat to other countries, especially to the United States, during the globalization process. What is your position?***

Surely China, is a rapidly rising capitalist economy and political power. There are no cases of a rise of a major power that I know of that does not have a disruptive effect on the status quo of the international system of states. But my sense is that Chinese foreign policy has been extraordinarily adept and extraordinarily astute in navigating China's rise. They have not emphasized the "Rise of China." They have emphasized that China is a poor developing country, trying to do its best to improve the livelihood of the people and to catch up with the West.

Indeed if you look at Chinese foreign policy since 1978, it has been a foreign policy that has tried to minimize the disruptive effects of the rapid economic growth of China on the global economic order. This is very clear in its response to the financial crises in Southeast Asia and other parts of East Asia in 1997. China did not devalue its currency but kept its currency stable, and that was much appreciated by the United States because it helped to contain the crisis and allowed for more rapid recovery from it on the part of Southeast Asia and also South Korea.

In the more recent period, while the US has been preoccupied with the Middle East and tied down in wars in Afghanistan and Iraq, China has been expanding its economic influence globally, in Africa, Asia and in Latin America. China is doing what capitalist powers do; secure natural resources and markets. This certainly at times has been seen as a threat to American interests. There have been the expected trade tensions and also understandable suspicion of Chinese intentions in their very substantial investment in modernizing the Chinese military and their various moves to compete in areas that have been traditionally ones where American interests were not challenged.

So surely there is growing tension, and some of it reminds you of the tensions between the US and Japan in 1970s and 1980s. But one aspect that makes me think the relationship between US and China is not heading to any serious crisis is that American companies are very much invested in China, and have profited very much from the economic trade and from their China investments. This is very much appreciated by political and economic elites in both countries at various levels. The other aspect is that the Chinese government is actually a conservative government. They have not wanted to disrupt the international status quo so much as wanted to so be admitted into the inner circle of the global elite and global institutions. The Chinese have signaled this through their help in bringing about successful negotiation over ending North Korea's



nuclear weapons program. They have also signaled they are willing to cooperate with international pressures on Sudan's government over its genocide in Darfur.

I noticed an interesting analysis in the *Economist* magazine that the Bush administration is weakened and discredited by the unsuccessful war in Iraq, it has increasingly turned to China for help on international issues that are of concern to the United States, such as seeking Chinese help on Iran. My own general sense is that it seems to me there is the usual competition and rivalry, but there are also very important lines of cooperation.

***What questions about China, globalization, or even just economic sociology in general do you think sociologists should be thinking about today? What advice would you give to people who are just entering the field and want to have a big impact?***

My sense is the challenge continues to be to learn from China as a natural experiment in sustained and large scale institutional change, and the emergence of a new economic order and social order complimentary to that economic order. Surely for economic sociology, this provides a strategic research site à la Robert Merton to develop a theory of endogenous institutional change. I know that economists have been very actively moving in this direction. Any time you talk about institutional change or institutions, you are talking about the core concepts of sociology: cultural beliefs, norms, customs, and patterns of social behavior. These are areas sociologists have traditionally studied. The challenge is to meet the challenge from economists, because they are making rapid progress in explaining institutions and institutional change. To meet that challenge in a productive way, where we are building a new relationship with the economic discipline that moves toward productive intellectual trade with economics rather than rivalry and competition that pit sociologists against economics, which is a fight we can't win with so many more economists, nor is it a fight we should fight because a lot of the work that economists are doing are drawing on sociology, and economists are more open to sociology than ever before. And so the challenge of developing a theory for endogenous institutional change and the challenge of studying institutional emergence is one which sociologists should be well prepared to meet.

***The role that China plays in globalization is a very hot research topic in social sciences these days. What unique contribution do you think economic sociologists can make to understanding the controversies surrounding this issue especially in comparison with economists?***

Your question is an excellent one. I do not know that we have a unique contribution because economists have so much entered into our turf. They are studying norms, they are studying institutions, and they are studying networks.

They are making contributions to understanding these social structures. I think it is more important what we have to contribute in a way of new findings and new theories than what is unique about sociology's contributions.

In the field of immigration studies, another field I am involved in, you often go to conferences where there are economists and sociologists. There, people are not so much worried about the rivalry between these disciplines, but they look for who has the best research results, and people report their findings and discuss these whether they are economists or sociologists.

My feeling is it is more important that you have noteworthy findings to report than whether your disciplinary base is sociology or economics. Surely, I think economic sociologists will continue to make significant contributions to understanding economic life. But I do not know that our comparative advantage is to be unique. Economists are basically studying the same terrain. We are also increasingly moving into terrain that has been traditionally owned by economics. We are studying markets. We are studying innovation. We are studying economic institutions. So there is interpenetration taking place. I think that is productive.

***It would be interesting to hear a little bit about your future work. What goals are you going to pursue theoretically and empirically?***

Concretely, this year I am lucky to have a year off with a Guggenheim Fellowship. I am working on a book that on politicized capitalism, that will use a new data set I collected with my coauthor on firms and private enterprises in Yangzi Delta in seven cities, and also we are using data sets collected by the World Bank in 23 cities. The idea is to do very detailed analysis of the emergence of the private enterprise economy and to apply economic sociology to analysis of the role of political connections and capital, as well as the importance of private ownership and market forces. It is basically an extension of the market transition theory into the analysis of firms and organizations. Part of this involves studying innovations. We have a new theory of innovation, so I would like to do more analysis to test that theory.



**“China and Globalization: The Case of the Automobile Industry”**

**Qiushi Feng**  
*Duke University*

The Chinese automobile industry, the topic of my dissertation, serves as a significant illustration of how the Chinese

economy has integrated with and adapted to globalization. Since the early 1980s, when China first opened its automobile industry to foreign investments, most global automakers have established assembly lines in China. Exports of automobile commodities made in China greatly increased, exceeding its imports of the same products for the first time in 2005. And recent attempts to export its cars to the United States and Europe have caught the eyes of the Western world. In this twenty-year development, it is clear that the growth of the Chinese automobile industry is largely driven by and embedded in the globalization process.

What is particularly interesting is the rise of Chinese national cars in a globalized domestic market: how could an automobile industry technically and financially supported by transnational corporations begin to produce national cars through domestic companies? In the early socialism era, China maintained a strong effort to remain “independent” in the manufacture of automobiles. However, during the reform era, the Chinese automobile industry was transformed by global market forces, and foreign cars quickly dominated the domestic market in the 1980s. If this was the whole story, China would be very similar to other developing countries, such as Brazil. However, in the late 1990s, another U-turn took place. According to my research, the proportion of passenger cars made by transnational corporations in China fell from 91.7 percent in 2000 to 57.4 percent in 2005, though the total output has tripled in the same period. This sharp change reflects the growing capacities of domestically-owned companies to adapt complex technologies and production, but raises the question of how China made this possible while other countries have not.

The role of the state is a key to this transformation. The Chinese government consistently limited and shaped global influences on its automobile industry, although its approaches varied in the reform period. The two versions of automobile industry policy issued in 1994 and 2004 illustrate the contrasting policy paradigms. In 1994, the government crafted careful policies to direct the foreign investment into some approved joint venture projects to spur domestic production of introduced foreign models. This would overcome clear deficiencies in technology and production present in the Chinese auto industry. By 2004, policy had changed toward the encouragement of production of national brands and acquisition of intellectual property for automobile manufacture. It is critical to note that the effectiveness of state interventions is based on the fact that the major Chinese automakers remain state-owned enterprises, the leaders of which are generally appointed or approved by the central government.

With the state playing a critical role in both periods, the focus shifts to what ideas dominate the state policymaking process and why these ideas changed. In fact, from this perspective, the transformation of Chinese automobile industry is not “unexpected” at all. The ideal of a national, independent automobile industry was never abandoned by the government. Opening to foreign investment, an apparent neoliberal-like shift away from this ideal, was carefully controlled through the joint venture rationale, which is to “exchange the market share for advanced technologies.” To guarantee a successful learning process for national automakers, no wholly-owned foreign assembly firms were allowed by the government, and foreign corporations could only enter through joint ventures representing no more than fifty percent of ownership. Such an idea was openly insisted in negotiations on China’s entry to the World Trade Organization as the “bottom line” for the automobile industry. With foreign investment and technology introduced in this fashion, the Chinese automobile industry quickly increased output and technical sophistication. These state-approved joint ventures also helped to concentrate the industry into a relatively few manufacturers.

However, a renewed interest in national cars regained its position in the late 1990s, advocated as “self-reliant” development rather than the earlier ideology of auto “independence.” The burgeoning growth of domestic demand since late 1990s reminded Chinese people that “the larger cake” was largely devoured by transnational corporations with foreign brands. The view that the Chinese automobile industry was “in a wrong track” became widely shared. Although some optimists praised the potential for China to be the “world factory of the automobile industry,” more people worried that China’s automobile industry was “large but not strong.” Social criticisms arose from previous administrators of the Chinese automobile industry, scholars from research institutes, officials from various state branches, and even some of the national automakers. These political pressures were behind the development of the 2004 automobile industry policy issued by the central government. In response, state-owned enterprises quickly adjusted their strategies of introducing foreign auto models and started their national car projects. For example, Shanghai Automobile Industry Corporation just spent 67 million pounds in 2006 acquiring the bankrupting Rover Auto’s 25 and 75 models and the corresponding engines.

The case of the automobile industry is not special in China’s economy, but rather representative. Many significant Chinese industries, such as the telecom industry and aircrafts manufacture, are also socially driven towards a more innovative and self-reliant development model. These trends may have significant implications for studies of China and globalization. Will China break out of the

cheap-labor trap inherent to the New International Division of Labor, and how? Will advanced jobs leave the US due to China's consistent industrial upgrading? Is globalization a process where states lose their roles? If not, what roles do states play today, as implied in the case of China? These questions are the main concerns of my future research.



**Research Perspectives:**

**Gary Gereffi**

*Duke University*

Professor of Sociology and  
Director of the Center on  
Globalization, Governance and  
Competitiveness

*Each newsletter, we focus on the work of a sociologist that pursues both academic knowledge and public awareness of important current events. With this newsletter's focus on China and globalization, Nathan Martin and Ryan Denniston focus on the recent work and research perspective of Gary Gereffi, an expert on globalization, development, and the changing nature of the linkages between economies.*

An important driver of China's rapid development is its interaction with the global economy. In order to assess China's prospects for development, it is important to consider its successful integration into the global economy and how its role has changed within the international system. Professor Gary Gereffi addresses how China "fits" into the global economy through the Global Value Chains (GVC) framework, which conceptualizes firms and countries as occupiers of distinct industry roles. While China's role as the world's factory is undisputed, of greater consequence for the future is China's development emphasis on high-value added activities, which provide better jobs, higher value of exports, and greater production capabilities. This emphasis is manifested today as a diversification of exports, the ability to attract large amounts of FDI, and perhaps more importantly, in increasing research and education activity, the development of supply-chain cities, and a general move away from cost-driven competitiveness (Gereffi 2007a: 10).

China retains a lead position as source for labor-intensive imports for the United States. In 2004, China was the source of 69% of US footwear imports, 78% of toy imports, 53% of apparel imports produced by materials other than textiles, and 39% of furniture imports (Gereffi 2006). In addition, with the exception of footwear, China's market share increased by more than 10%. But classification of products by production technology reveals a trend toward export success in higher value added products. Low

technology exports to the world peaked at slightly more than 50% of all Chinese exports in 1993, but declined to 36% by 2003. Similarly, high technology exports, which represented 6% of exports in 1990 stood at 34% by 2003 (Gereffi 2006). These trends are slightly more pronounced with respect to exports to the United States, indicating success at industrial upgrading and a consequent shift toward export diversification into advanced products.

The rise of China in importance to the United States is all the more striking given the development prospects held for Mexico after passage of NAFTA in 1993. Mexico's exports to the United States increased from \$19.1 billion to \$156.4 billion between 1990 and 2004, while China's exports increased from \$39.4 billion to \$325.6 billion. The critical advantage of Mexico over China, transportation costs and proximity, have not reduced the competition entailed by China's development, as evidenced by the declining US import shares occupied by Mexico in a number of medium and high technology products, the mainstay of Mexico's exports to the US. For example, between 2000 and 2005, Mexico lost US import share and actual trade value in computers and telecommunications equipment, and lost US import share in electrical machinery and furniture, all categories where China's import share increased by double digits (Gereffi 2007). Though Mexico's transition from primary to manufactured products points to some success in development, the rise of China not only creates concern among exporters, especially prominent before the phase-out of the Multi-Fibre Agreement, but points to differences between the effectiveness or ability for China to develop through international participation.

Two critical advantages are China's large scale economies and effort to expand productive activities beyond those requiring low cost labor. The formation of supply chain cities, where all stages from raw material procurement to final product assembly are undertaken in a single location, promises benefits to producers in the form of high efficiency. As important is China's large and growing domestic market, which the government has effectively leveraged to attract FDI (Gereffi 2007b: 6). China is the third largest recipient of FDI with more than \$60 billion in 2005, and China has used FDI in order to promote "fast learning," facilitating its entry into advanced industry activities and new industries through strategic investments, joint ventures, and technology transfer.

Attention to the rising trade deficit with China is prevalent, but more telling is the rise of trade originating from US parties in China, from 10% in 1992 to 27% in 2004 (Gereffi 2006). While far short of the 60% represented by Mexico in 2004, this rise is indicative of the importance and complexity of the role of the United States in China's export success. China's success, in turn, drives regional dy-



namics, displacing some trade from neighboring countries, but providing a hub for regional networks of production. Finally, China's development creates opportunities as well as difficulties for American workers. While rising trade deficits are blamed for lost jobs, China's development has also fueled US exports, for example in high-tech textiles (Gereffi 2007c). The future relationship between China and the US carries increasing interaction, and as China's consumer class develops, this opportunity requires innovation and industrial upgrading in the United States as well as China (Gereffi 2007a).

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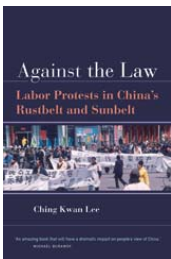
transition to capitalism. Lee establishes a particular place in global economic literature through her focus on from-below processes. This approach differs from the oft-applied transition framework, where the actions of workers serve as secondary measures or the results of institutional actions. Resistance of Chinese workers in particular economic sectors informs us that economic benefits have not trickled down to individual Chinese workers despite the economic success of many Chinese institutions. Further, Lee's attention to non-market factors that promote Chinese worker exploitation provides an important contrast to many studies of labor protest.

The comparison of workers in two Chinese provinces draws attention to the association between the types of worker protests and the larger economic structure present. Liaoning, a Northeastern province and site of industrial decline, faces "protests of desperation," while export-oriented Guangdong, located in the South, faces "protests against discrimination." These types differ through their different motivations and subsequent executions. Liaoning's protesters of desperation hit the streets first and resort to means of legal action secondarily in an effort to collect past-due wages and pensions from former employers and thereby stave off absolute poverty. The Sunbelt protesters of Guangdong adopt legal action first in order to combat sub par wages and working conditions. These protestors resort to strikes, factory blockages, and physical-presence protests only as a secondary resort.

Labor unrest in China is caused by twin capitalist curses - commodification of labor and devaluation of workers - and subsequent protests are defined and confined by the Chinese state. Though protests in the two provinces diverge in terms of initial motivating reasons and the prominence of legal reliance, the Chinese system of decentralized legal authoritarianism has meaningful, uniform impacts on protests such as protests' cellular tendency, their targeting of localized industry, and the utilization of legal idealism in some form. The state's transition from socialism to capitalism and resulting dissipation of the socialist support network as a safety net for workers also shapes protests' motivations and the use of Maoist doctrine as rationale.

Before delving into the detail of regional protests, Lee provides context for her cross-provincial comparison through an exploration of the class formation theories most applicable to these two cases given the Chinese transition from a social contract to a labor contract situation (located in Chapters 1 & 2). Lee usefully reminds her readers that the Chinese state is difficult to classify as either socialist or capitalist, a lack of uniform political economy that can lead to conflicts of interest between local and state political systems. Lee meaningfully captures this dynamic as it manifests itself through the local and regional variance of

## New Books



Lee, Ching Kwan. 2007. *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*. Berkeley: University of California Press.

Reviewed by Lane Destro  
*Duke University*

Ching Kwan Lee's comparative ethnography of worker protests in China's former industrial and current global export sectors reevaluates common conceptions of Chinese labor conditions and details the complexity and range of the individual Chinese worker's experience. *Against the Law* integrates three prominent themes: the motivations of Chinese labor unrest, the role of the state with respect to protests' success and worker's protest rhetoric, and the inequalities in benefits for workers wrought by China's

reaction to protests and the roles played by localized government officials and regional corporate interests. In addition, Chinese workers' self interest is more complex than meets the eye, encompassing more than economic or material interests. Lee's fieldnote citations reveal workers' protests meaningfully serve a sense of personal- or universal worker- justice, an important contribution toward understanding difficulties faced by China during transition.

Chapters 3 and 4 explore labor protests and working conditions in the former industrial center of Liaoning. Lee describes both the particular experiences of individuals involved in protests of desperation and the localized nature of protests and government/employer response. She also offers a detailed account of the multiple factors that allowed thousands of Liaoning employees to work without payment and live without pensions for long periods of time. Of importance is the workers' housing situations and the transition from public to private property rights for individual workers and retirees. Also particularly notable is the rhetorical power of the socialist social contract; worker and employee adherence to a belief in the social contract was in part responsible for why workers continued to show up to work for weeks, months, or years without seeing any compensation. Finally, the presence of informal, alternative work in this province as a resource for uncompensated workers points to how workers manage survival and protest, even with limited resources.

In the Sunbelt, treacherous labor conditions in export-producing factories such as incredibly long hours, filthy factory air, sexist treatment of female workers and absence of proper wages – motivate protests. In contrast to the Rustbelt, Lee's illustration of the complexity behind protest centers on the attachment felt by workers to factory jobs in the city. Factory workers depend on their access to this employment as an alternative to rural farming and as a source of assets which will hopefully enhance their children's well-being. This comparison captures the complexities and varying motivations of inter- and intra- province protests as well as illustrate how the changing national political outlook and local economic circumstances interact to produce powerful labor protests in both regions.

Lee's places Chinese workers' experiences in global context and provides a cross-cultural examination of global, industrial worker neglect and ensuing protests. Although the "protests of desperation" and "protests against discrimination" schema do not apply universally to protests everywhere, they provide a means of classifying protests by workers anywhere who have been denied wages, pensions, or reasonable work schedules. Most important, Lee's exploration provides an important contrast to the image of China's successful national development and the problems China faces during its transition.



Reich, Robert B. 2007. *Supercapitalism: The Transformation of Business, Democracy, and Everyday Life*. New York: Knopf.

Reviewed by Ryan Denniston  
Duke University

An economic and social transition took place within the United States during the 1960s and 1970s, bringing into sharp relief the end of the post-War boom, the decline in the strength of unions, the increasingly service-oriented and global economy, and declining productivity growth and compensation for the vast majority of workers (Reich 2007). In his insightful book, Reich posits this transition, from democratic capitalism to supercapitalism, as the result of a shift in power away from our roles as citizens to our roles as consumers and investors (5). This shift resulted in increased competition between companies over customers and finance, altering how companies produce, how they compete, and how they relate to society. The wider phenomenon, the separation between production and allocation, fundamentally raises the question of whether democracy and capitalism go hand in hand (3). Reich presents a broad comparison of these two systems of capitalism, the roles of consumers and businesses in this transition, and the increasing salience of politics as a competitive front for business.

In function, post-War US capitalism resembled capitalism in Japan and Western Europe. Businesses were divided into two tiers: small and medium sized businesses subject to the market, and a much smaller set of large corporations isolated from market forces to some extent. Reich focuses on the latter set, distinct in their need for elaborate planning to ensure constant supply and anticipate demand far in advance. In any given industry, only a few companies would be able to coordinate and execute complex production planning, the single greatest barrier to entry. A coherent, reinforcing system emerged encompassing labor, finance, and regulation, much of which formed during the Great Depression (24-25). Planning meant risk avoidance (30), through regulation on industry entrants, negotiation with unions, and collusion. However, in contrast to the late 19<sup>th</sup> century, society was relatively unconcerned with the rise of large corporations for many reasons, including rising prosperity, the effectiveness of organized labor, and government efforts to use corporations as agents for prosperity, most importantly through tax free non-wage compensation. These institutions imposed similar burdens on all corporations, reducing the number of fronts on which corporations would compete while simultaneously merging capitalism with the social good.

Reich argues that technology is the causal force behind this change, but technology directed toward enabling consumers to become better consumers. Technology enabled consumers to shop for the best deals, increased competition through lower transportation and communication costs, and reduced both technological and coordination barriers to entry across a wide range of industries. Fundamentally, the linkage between citizen and consumer eroded because increased competition reduced the ability of corporations to pass cost increases onto customers. In this environment, companies would have to cut costs in order to protect profit, a boost to consumers but a cost to citizens. This would over time facilitate deregulation, globalization, and outsourcing to outside firms.

These developments created new opportunities to aggregate consumer power, most notably through retailers and financiers. Mutual funds would create pressure on companies to maximize shareholder value or risk the withdrawal of investment. The aggregation of consumers created opportunities for retailers to play producers off one another, most notably in the case of Wal-Mart. However, in both cases, these opportunities depended on the overarching drive for higher returns and lower costs. Investors and consumers find it increasingly easy to move business elsewhere.

The disjuncture between our choices as consumers and the outcomes for citizens coincides with the separation of the social good from the bottom line. “[I]nvestors don’t punish profitable companies or industries notably lacking in social virtue (174).” In many cases, the “socially responsible” position to take is unclear, as with investment in nuclear energy (181), whether to sell the morning after pill (182), or whether to accede to demands on the part of the Chinese government that conflict with American values regarding free speech (197-201). Multiple, competing demands on the part of consumers leave companies with no clear way to evaluate these demands except for the bottom line.

As is clear from these demands, the separation of capitalism from democracy, or the public good from the corporate good, is incomplete. Consumers may express sentiment, but they provide limited ability to prevent other companies from undercutting socially responsible companies. Reich argues forcefully that societal goals should be decided through democracy, and corporations should be divorced from their implementation. Unfortunately, as a crucial component to the economy, the state has become another competitive front for corporations, unable to deliberate the public good. Beginning with deregulation in the 1970s, economic policy pitted sets of companies claiming to serve public interest against one another, for exam-

ple, in Wal-Mart’s failed push into banking. As during period of democratic capitalism, corporate actions are part of a reinforced system, not deserving of scorn or praise but a manifestation of rational action. Reich resolves this impasse by advocating for full separation of corporations from the construction of societal goals, thereby placing the public interest under the sole purview of the state and separating our actions as consumers from our desires as citizens. While perhaps pessimistic regarding the ability of consumers to shape corporate action, Reich correctly points to law and policy as manifestations of the public interest and one baseline, along with the bottom line, for corporate America to evaluate its behavior. The book makes an important contribution to understanding corporate America and the role of the state today, though its intended audience leaves it a bit general to be completely satisfying.

## Announcements

### 2007-2008 Economic Sociology Officers

**Lisa Keister** – *chair*  
*Duke University*

**Mark Mizruchi** – *incoming chair*  
*University of Michigan*

**Marc Schneiberg** – *secretary-treasurer*  
*Reed College*

### Council Members

**Mary Blair-Loy** – *University of California, San Diego*

**Frank Dobbin** – *Harvard University*

**Marion Fourcade-Gourinchas** – *University of California, Berkeley*

**Keiran Healy** – *University of Arizona*

**Ezra Zuckerman** – *MIT Sloan School of Management*

### Committees

Nominations: **Mary Blair-Loy**

Ronald Burt Award: **Keiran Healy**

Zelizer Award: **Marion Fourcade-Gourinchas**

**2008 ASA Economic Sociology Sections*****Gendering Economic Sociology: Expanding the Field's Scope and Analytic Frameworks***Organizer: **Leslie Salzinger**

Open submission

This session seeks papers which explore the ways that a gendered analysis expands the field of economic sociology. Attention to gender broadens the substantive scope of the field by turning its attention to aspects of social life that were previously considered to be “private” and thus not part of “the economy.” Attention to gendered discourses also suggests ways that the economy itself operates as a gendered institution, at both macro and micro levels. Papers that take on these issues both theoretically and empirically are welcome.

***Networks and Institutions***Organizers: **Jason Owen-Smith, Walter W. Powell**

Invited Panelists Only

Networks and institutions mutually shape one another. Over time, this co-evolutionary process creates, sustains, and transforms social worlds. The cognitive categories, conventions, rules, expectations, and logics that give institutions their force also condition the formation and dissolution of relationships and thus the network structures that act as the skeletons of fields. But networks are more than just the scaffolds and circulatory systems of organizational fields. They are also the source of “horizontal” distinctions among categories of individuals, organizations, and actions, as well as “vertical” status differentials. While institutions shape structures and condition their effects, networks generate the categories and hierarchies that help define institutions and contribute to their efficacy.

***Sociology and Economics: Boundaries, Debates, and Progress***Organizers: **Jason Beckfield, Roberto Fernandez**

Invited Panelists Only

***The Sociology of Credit***Organizer: **Akos Rona-tas**

Invited Panelists Only

Credit plays a central role in economic life. In recent decades, credit markets have gone through major transformations including the rapid growth of retail loans, the formalization of corporate and consumer lending decisions, the securitization of debt, the introduction of new global rules of debt accounting and management for banks and other lending institutions, the expansion of innovative forms of lending, and the creation of new information infrastructures, such as credit registries and real-time authorization networks. These new developments raise a series of questions about social inequalities, surveillance and privacy, globalization, risk and uncertainty, rationalization, and economic development to name a few. The session welcomes papers addressing these and other aspects of credit.