

REGULATION AND PRODUCTION IN A GLOBALIZED WORLD: WHAT ETHNOGRAPHY BRINGS TO COMPARISON¹



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Ethnography underscores the need to historically contextualize and spatially localize economic models such as the “industrial district” and concepts used as ahistorical typologies such as “social capital.” This article is based on ethnographic research in Spain, where decentralized footwear production is structured around informal subcontracting networks, and on published works from the Wenzhou area of China. The essay demonstrates the usefulness of the extended case method for the comparison of economic regions whose destinies have articulated in a global political economy. It also illustrates how the abstract use of “social capital” in regional economy models seems to support and justify new forms of corporatism to the economic domain. (Extended case method, economic models, social capital, reciprocity, industrial district, economic anthropology)

This article emerges from ethnographic research in Spain in areas of decentralized production, where economic activities are structured around informal subcontracting networks, small family firms, and where “worker-entrepreneurs” are said to share an “entrepreneurial culture.” In these areas, social actors are motivated to engage in particular production relations both by interest and emotion, by market, and domestic or other non-contractual moral feelings of responsibility (Sanchis 1984; Benton 1990; Blim 1990; Yanagisako 2002; Ghezzi 2005). While concepts of social capital, reciprocity, community values, and entrepreneurial culture are often used to stabilize and clarify the social and cultural assets that support these flexible regional economies, it is the historical specificity of a messy reality that is relevant to the actual processes that structure relations of production worldwide. Specificity is crucial to what is being dealt with in abstract terms with these concepts, and is central to the articulation of different localities and regions in the world’s globalized economy.

This article aims to show how ethnography underscores the need to historically contextualize and localize economic models like “industrial district” and concepts such as “social capital” that are used in ahistorical typologies. In order to have explanatory force, abstract concepts and models needed for comparison must be tied to the concrete specificities that enabled them to emerge, especially in situations where different historical processes are articulated in political economies. That is, historically determined local processes, such as those described as the “Italian industrial district” and “Wenzhou models,” are typically

conflated as economic regions relying on an “entrepreneurial culture” and “social capital.” These abstract concepts are then turned into economic assets in the models; but in so doing, they lose what makes them operate in real life and what makes their articulation significant. This reality points to the political relevance of particular concepts, and anthropologists need to show how ethnography and the classic extended-case method (Gluckman 2006[1961]; Mitchell 2006[1956]; Burawoy 1998) overcome the concealing effects of ahistorical typologies. Burawoy is highly critical of inductive generalizations which “seek out *common patterns among diverse cases*, so that context can be discounted” (Burawoy 1998:19). He embraces the extended case method, which “deploys a different comparative strategy, *tracing the source of small difference to external forces . . .* [as] the purpose of the comparison is to causally connect the cases. Instead of reducing cases to instances of a general law, we make each case work in its connection to other cases.” (Burawoy 1998:19, emphasis in original).

Three aspects of a regional economy in a shoe manufacturing sector in Spain demonstrate this: first, the tensions between regulation and deregulation practices spanning different scales and orders (regions, nations, supra-national non-territorially bounded regulatory institutions); second, the ambivalence and contradictions in the way social actors argue for regulatory practices; and third, the corporatist drive that substitutes for class confrontation in present-day expressions of economic conflict, and how it relates to the expert use of particular concepts. This article is based on field research (1995–96) in the Vega Baja del Segura, Valencia, Spain,² and on events following the entrance of China in the World Trade Organization in 2001 and the entry into European markets of Chinese produced shoes.

In September 2004, two Chinese footwear import warehouses in Elche, the largest town in the Vega Baja region, were burned down in a violent demonstration against low-cost shoe imports. The area is one of micro- and small family firms, mostly in footwear.³ Local experts describe it as a regional economy (an industrial district, and a geographical economic cluster) in reference to its dynamic and flexible economy and entrepreneurial culture (Ybarra 1991b, 2006; Trullén 2006; Pezzini 2006; Boix and Galletto 2006). The present article attempts to elucidate this characterization and the similar characterization of the Wenzhou area in China with which it “competes.” Data referring to this latter region are from secondary sources, publications of anthropologists, and other social scientists.

ETHNOGRAPHY AND COMPARISON

Fifty years ago, Max Gluckman expressed concern with the tendency to reify social structural analysis:

It is becoming apparent that it is increasingly unsatisfactory to pursue monographic and comparative analyses depending on gross concepts such as agnation and matriliney. We see that these concepts cover complex clusters of rights and duties, which operate with varying weight in different situations. . . . The significance of the varying weight of the elements in these clusters can only be elaborated through the analysis of a series of connected situations, and not by apt illustrations. (Gluckman 2006 [1961]:21)

The present essay is motivated by a similar uneasiness with the concepts being used in economic sociology and anthropology to describe and explain social realities in present-day relations of production in industrial districts. Gluckman drew a distinction between the method of apt illustration, where cases are used “to illustrate specific customs, principles of organization, social relations, etc.” without a “regular established connection between the series of incidents in cases cited at different points in the analysis” (Gluckman 2006 [1961]:15), and the extended-case method, which consists in “taking a series of specific incidents affecting the same persons or groups, through a long period of time, and showing how these incidents, these cases, are related to the development and change of social relations among these persons and groups, acting within the frameworks of their social system and culture” (Gluckman 2006 [1961]:17). Gluckman’s insight led to using an adjourned version of the extended case method in a monograph on the Vega Baja (Narotzky and Smith 2006) based on data from 1978–1979⁴ and 1995–1996. Ethnography and history were used to extend the case and show how processes in the local footwear industry and their categorization as a particular type of economic region were part of the forces structuring the economic system.

The limits of comparison raised the issue of the tension between specificity and abstraction inherent in concepts such as reciprocity and social capital that were generally used uncritically to describe and explain what was at work in the social relations in these informal economic processes. While in the regional economy literature, particular cases appeared as mere localized expressions of a general law regulating flexible accumulation, historical forces became, in our ethnographic enquiry, the axis around which comparison had to turn (Narotzky 2007; Hadjimichalis 2006).

The 2004 events confronting our old informants in the Vega Baja, with the entrance of Chinese entrepreneurs in the footwear industry, demanded exploring the Wenzhou region where the imported shoes were being manufactured. The historical differences could not be discounted on the grounds of a similarity with the industrial district model, as some have done (Christerson and Lever-Tracy 1997). On the other hand, giving a cultural reason for the personalized bonds at play in an ahistorical fashion, defining them as part of a traditional “Confucian family culture,” for example, was tantamount to an ethnicization of the social

relations of production (Greenhalgh 1994). Why this could seem to be at work for some of the actors involved was precisely what had to be explained.

The issue, then, is to explain the different forms of regulation of production relations and commercial transactions, both formal and informal, at play in a globalized world. Modes of regulation seem to fluctuate between contract and legal universal frameworks sanctioned by the State, on the one hand, and personalized and particularistic means of controlling responsibility on the other. The attempt here is to do this with an ethnographic approach that follows Burawoy's (2003) injunction against the danger of "inductive generalization," and trying instead to apply his extended case method.

A REGIONAL ECONOMY

Fieldwork with Gavin Smith took place in 1995–1996. The area studied was southwest of Valencia, in the Vega Baja del Segura (Alicante Province). Irrigated and interspersed with barren scrublands, this area has a history of commercial agriculture dating from the eighteenth century. A few large absentee landowners held most of the land and managed it through tenants who in turn rented some small plots (less than what was needed for a family's subsistence) to sub-tenants. The latter were thus attached to the land and became indentured through the debt of the sub-tenancy. Large parts of the population were free day laborers. At the outbreak of the Spanish Civil War (1936–39), more than 70 percent of the population consisted of hired day laborers, without access to land. The patterns of mutual responsibility that developed were very different for the "tied" and "free" laborers, the former strongly dependent on particularistic patronage links, the latter increasingly organized in terms of a homogeneous, politicized working class ideology. This produced differently situated groups in the region that had heterogeneous notions of solidarity and responsibility towards their peers, their employers, or employees. As a result, strategies became available for thought and action from different, historically construed, cultural and social positions (Narotzky 2000).

During the 1960s and early 1970s, large footwear factories that relied on labor from villages in the Vega Baja were established in the towns of Elche and Crevillente (Bernabé 1975). Most of these factories produced for export to the U.S. After Franco's death in 1975, the increased ability of unions to organize gave labor more bargaining leverage and resulted in higher wages. Increased competition made possible by advances in transportation, information technologies, and the international division of labor restructured production into a decentralized pattern of flexible accumulation (Harvey 1989). This took a form resembling the Italian industrial districts, although with a clear hierarchical sub-contracting nested in networks of personal relations dependent on large

commercial firms that often only retained marketing and packaging processes (Sabel 1989; Becattini 1994; Ybarra 1991a). Thus, the footwear industry that had developed in Elche was restructured as a dispersed network of subcontracting small firms, workshops, middlemen, and home workers which rely heavily on family labor, kin, and neighborhood networks to access work orders and labor. In this conjuncture, the way in which personal responsibilities and moral obligation became entangled in the development of a regional economy was not homogeneous, and could be regarded as histories of differentiation, histories of producing consent and struggle, and of managing dissent.

It is important to note that, except for the largest factories and commercial ventures, which have flexible location practices and use advanced information technologies,⁵ the middlemen, petty entrepreneurs, and workers are tightly bound to each other and frequently merge or emerge from one another. This place-boundedness defines the regional economy as a space of social capital. It has a perceived and extremely differentiated network of shifting but necessary alliances expressed in the subjects' characterization of the region as a coherent space with an "entrepreneurial culture," meaning a continuous movement of emerging (and declining) economic destinies. This lack of stability characterizes what has been called "petty capitalism" (Smart and Smart 2005).

Moreover, the instrumental weight of personal and affective relations in the construction and maintenance of these hierarchical networks of production has its corollary in the stress produced on these relations, induced by the tension of differentiation within the realms of shared belonging; i.e., the family and the community. As a result, the region appears as a thick network of forced solidarities, which is simultaneously a highly differentiated field of closely-knit feelings of belonging.

This region and its footwear production were defined in the 1990s as a successful industrial district by union leaders, regional government agents, and entrepreneurs (Narotzky and Smith 2006:172–77; Ybarra 1991a; Pezzini 2006). But social scientists also described it as a sector in crisis, regionally sustained by the use of informal labor in its production process (52 percent), thus obtaining a cut of around 15 percent in labor costs that made it marginally competitive (Ybarra et al. 2004:33–51). The two vignettes of social relations in Vega Baja presented below illustrate the tensions and specificities of this regional economy and their place as part of a larger structure organizing production relations in the region.

Pilar, in her late 40s, does quality control and packaging (*envasa*) in one of the larger factories, which is still officially "small" as it has less than 50 employees. She recently got this job. Previously, she worked in another small factory doing packaging, a job she got through a friend, Eulalia (described below), who managed the department and was the factory owner's wife. Pilar

worked there for 10 years, but quit (or was fired) because of tensions between the two. Pilar strongly resented her friend's authoritarian attitude, saying, "she wanted to be the boss and to have everybody know she was the boss." Despite the rift, Pilar is grateful for Eulalia having given her a job when she needed one.

Pilar and her husband, Mario, are members of a Catholic group, and active in local folk festivals such as the "*Moros y Cristianos*," which require large investments of money and time. They have three sons, the eldest in university. Mario is a kind of boss in a worker's co-operative that makes boxes for vegetable and fruit transport. The co-operative hires additional wage labor, although friendship, kinship, or acquaintance is usually an important asset when applying for the job. The four other members, originally friends, could not decide who was to be the boss (compare with Juan Tarres's case below). This creates tensions between them and affects the quality of their friendship. Mario got increasingly depressed and started drinking heavily. Pilar, similarly, has become addicted to low-intensity over-the-counter drugs (sleeping pills, amphetamines, etc.).

Juan Tarres's family firm is a different example of the use of local social ties and relationships, but also of some people's ability to develop "bridging," "relational capital." In his early 60s, Juan owns a factory manufacturing cork and wooden soles for sandals and shoes. The son of a carpenter, he was skilled in woodworking when he went to Elche in 1964 as a young man looking for work. He found work in a plant manufacturing cork soles and worked there for over 10 years. When an economic crisis hit the industry in 1976, he returned home to open his own firm. He associated with his brother-in-law, Miguel, and another specialized worker in the trade, a colleague from the Elche factory. Juan's wife, Eulalia, and her sister, Sonia, Miguel's wife, all work in the firm. Recently, Juan and Eulalia's son and the son's girlfriend began working in the firm as well. In addition to family labor, the firm hires five men in the manufacturing section and some 10 women in the packaging department during the busy production season, of whom Pilar (above) was one. The work of lining the soles and heels is distributed through local middlemen to local workshops or home-workers.

The firm produces 80 percent for export and the rest for domestic shoe manufacturers. Management and control of production is with the family. Juan Tarres observed, "we've never had any problems because everyone knows I am the boss." Miguel deals with purveyors and marketing, Eulalia manages the packaging and quality control, Sonia is in charge of finances, Juan's son does research on design and travels to international fairs, and his girlfriend works as the secretary. Juan and his associates brought different skills (their main capital, "human" capital) to the firm. Juan was a *serrador* (sawyer), Miguel was *lijador* (sander), the non-kin associate was a *tornero* (lathe operator).

When so described, the family firm seems a truly co-operative endeavor where the members pool their social and human capital in an entrepreneurial

manner. However, not everyone has access to the same “capital.” In this case, Juan is the entrepreneur combining all the different “capitals” he can claim through his kin and friendship connections. The entrepreneurial, capitalist, dimension is overwhelmingly present and social relations in the family, among brothers, sisters, and brothers-in-law are contingent on the firm’s expanding needs and management requirements, and not the other way round.

The ethnography shows how tensions are generated or aggravated by the embeddedness of production relations in the social fabric of the community and the family. Family or neighborly responsibilities are loaded with the transferred tensions induced in the relations of production by the larger context of market competition within the shoe-wear sector and the local and global strategies of capital. Social reproduction of these flexible and dynamic regional economies seems to be based on the exploitation of affective relationships for market oriented business objectives. These relationships are grounded in historical developments, so how affective ties are used in one historical context differs from the way they are used in another because of the specific historical conditions that make them valuable locally in arranging labor/capital relations.

CHINESE SHOE IMPORTS AND CONFLICT

On September 16, 2004, about 500 people, summoned by an anonymous leaflet distributed in the Elche factories and through word of mouth, assembled in the industrial park of El Carrús, on the outskirts of Elche, to protest the “dumping” (selling below production costs expressed as “disloyal” [sic] or unfair competition) by the Chinese brokers who imported shoes from China and sold wholesale to local retailers. The demonstrators rallied to the cry of “Chinese go away!” (*chinos fuera*) and ended up burning two Chinese shoe warehouses and wholesale outlets. The police did not intervene until the fire, originally aimed at some shoe containers, had spread to adjoining buildings.⁶ Immediately after the event, the municipal council of Elche (majority socialist, PSOE) and the main labor and civil society institutions (labor unions, employers’ associations) reacted against what they saw as a racist outburst in the context of a crisis of the local footwear sector. The aggrieved Chinese businessmen deplored the passive attitude of the police. They recalled how some of them had relocated from Italy where they had suffered similar aggressions. The Chinese Embassy, while demanding protection for its citizens, tried to calm the anger of the Chinese entrepreneurs, and enjoined them to act rationally and keep a low profile. The trade unions, while rejecting the violence and xenophobia of the event, maintained the “disloyal competition” argument, demanding that all producers (implying foreign producers) be subject to the legal requirements the Spanish had to follow (labor, environmental regulations, etc.). The UGT (Unión General de

Trabajadores, socialist union) leader recognized that what occurred was “a consequence of a desperate situation . . . the market is being flooded with a product that enters without control” (Moltó 2004).

The major business associations and their leaders voiced similar arguments, although ambivalently. They recognized that an exporting industry needed “other countries to open their doors,” thus “in fair reciprocity it is logical that we cannot close our [doors to them]” (Cachón 2005:210). This position recognizes China as a consumer market, and the need to preserve access to it. Entrepreneurs pointed to the need to restructure the shoe industry toward a higher value-added product (emphasizing design and quality) together with the need for more aggressive strategies promoting exports. But they also want foreign competitors to comply with Spanish law in the use of materials, health, import, sales, labor, environmental, fiscal regulations, etc. The non-enforcement of Spanish regulations for imported footwear makes the competition with Chinese products impossible (Moltó 2004). A local entrepreneur asserted, “The protest was not addressed to the Chinese, but against the commercialization in Spain of cheap footwear produced in China” (Martínez 2004a). In what seems a mimetic form of protest, Chinese authorities in Wenzhou were reported to have burned batches of imported European shoes (mostly Italian and Spanish) on December 29, 2006, an event transmitted on television (CCTV-English) with the claim that they were “low quality,” although the shoes retailed at over 200 Euro a pair. The Federación de Industrias del Calzado Español (Spanish Footwear Industries Federation, FICE) interpreted the event as part of a “commercial dispute,” as “retaliation towards the [anti-dumping protectionist] measures adopted by the EU, and as a way to degrade the image of the European product in what constitutes its major competitive advantage: the value added by quality, innovation, design, and branding,”⁷ and dissociated this event from the 2004 Elche burning of the Chinese warehouses.

The picture, however, is not so clear. A few months before the rally at the Chinese warehouses, in April 2004, the women sewing the tops of shoes (*aparadoras*), mostly unregulated workers, voiced their apprehension concerning job loss in a demonstration at the building of the Association of Footwear Manufacturers (*Asociación de industriales del calzado*) in Elche. They protested “against the employers’ intention to delocalize” production (*Noticias de Elche*, 16-04-2004). Two weeks later, this group of “precarious workers” (*plataforma de aparadoras y trabajadores precarios*) presented a petition of more than 2000 signatures at the Municipal Bureau of Citizen Affairs (*Oficina municipal de atención ciudadana*) demanding the protection of the footwear production sector by municipal institutions (*Noticias de Elche*, 3-05-2004). Ten days later the same organization demanded that the municipality “guarantee employment and decent (*dignas*) working conditions” through the creation of a municipal footwear

commercial venture. They feared that employers would outsource production to cheap-labor countries, as some had already done, and there were rumors that more big firms would soon close. The *aparadoras*' actions of April and May were appeals to the moral obligations of employers and to the institutional responsibility of the state to protect its citizens' well-being.

Over the summer, however, the protest orientation had changed and accusations were hurled at Chinese footwear producers and to local Chinese commercial outlets. Different discourses converged to protest against foreign "unfair competition" represented locally by the Chinese importers and wholesalers. All pointed to the need for the state and local governments to help with restructuring (*reconversión*) the local footwear industry (meaning subsidies from the EU and favored treatment generally). All stressed the importance of orienting consumers toward higher quality goods (implying that Asian produced shoes were of lower quality). Last, all blamed the competitive advantage of Chinese products on their noncompliance with Spanish regulations.

All of the above are ironic and partial interpretations of a complex reality where local entrepreneurs, while improving design and business practices, have relied increasingly on informal production networks⁸ (Ybarra et al. 2004; Cachón 2005) and outsourcing production to Rumania, China, and other cheap labor countries. In addition, there are different quality imports, and local is not synonymous with higher quality manufacture.⁹ Not least, most local entrepreneurs are directly or indirectly (as through subcontracting) involved in all sorts of illegal procedures (labor, environmental, and fiscal), and this situation is part of the structure of the "industrial district" locally, and not a reaction to contemporary commercial liberalization.

The irony of the violent aggression against Chinese businesses is, as the local sections of the newspaper *El País* put it: "Oddly [sic], the majority of the Chinese entrepreneurs in Elche pay their Social Security dues and are up to date regarding their fiscal obligations in Spain. On Thursday [the day of the aggression] it could have been the case that illegal autochthonous employees attacked legal Chinese workers. A paradox" (Martínez 2004b).

However, the European Commission in 2004 took heed of the argument of "unfair competition" under pressure from Italian and Spanish Euro-deputies. The Commission then investigated complaints of dumping filed by the European footwear industry. In an informative Memo 06/95 of the EU, launching the investigation is described as follows:

To initiate an investigation, a credible complaint has to be received from producers representing 25% or more of European production of the product in question. . . . A dumping investigation investigates three things: 1) if dumping is taking place; 2) if injury is being caused to European producers competing against dumped imports and 3) if acting to remove that injury is in wider European economic interests. [According to the document], anti-dumping measures use a tariff

to raise the price of *illegally* under-priced imports to better reflect their actual value [but it is not a protectionist measure because] they do not shield European producers from tough but *legitimate competition*. . . . Anti-dumping measures will not save uncompetitive European producers—but they will create a market in which comparative advantage is exercised fairly. (EU Memo 06/95 2006:2, emphasis added)

The European Commission investigation was carried out following the 1994 WTO Anti-Dumping Agreement, which became EU law. According to EU officials, approximately 15 percent of the Chinese footwear production sector was investigated with the assistance of the Chinese government. The first conclusion was that companies in China (and Vietnam) were not operating in market economy conditions: “In all cases there was clear evidence of state intervention or non-standard accounting practice” (see EU Memo 06/95 2006:3 for examples). On these grounds the EU denied Market Economy Status (MES) to all companies in the sample investigated. This fact, however, did not per se imply dumping practices, but in order to assess whether these were taking place, an analog country (Brazil) in which the general capacity and conditions of production approximated the non-MES country, was selected for comparison. This was done in order to model the costs of production in market terms “*as if that country operated on market economy conditions . . . because by definition those conditions are not known, or have been distorted by the fact that market economy conditions do not operate*” (Memo 06/95 2006:4), emphasis in original). The question of assessing value in market terms for products where not all factors of production have been obtained in the market is a classic problem of the petty commodity production literature. Here the problem refers to the distortions produced by state intervention. Note, however, that in a different way, the informal economy often includes non-market factors of production (such as the labor of close kin) and facilities (e.g., the home) as exists in Vega Baja.

The conclusion of the EU Commission investigation was that leather footwear produced in China was being dumped on the European market, “that Chinese leather footwear is being sold in Europe at about 80% of its normal value.” As a result, serious injury was being caused to European producers: more than 40,000 jobs had been lost in the EU footwear sector since 2001, and more than 1,000 footwear companies had closed. Tariffs on Chinese (and Vietnamese) leather shoes (with exceptions, such as children’s shoes) were installed in the EU starting on April 7, 2006 at a rate of 4 percent, and raising progressively until August to reach 19.4 percent for Chinese leather shoes. The reaction to this measure was mixed. While generally, footwear producers were very positive about it, importers, retailers, and consumer associations were highly critical. Information on the dissent between producers and retailers was expressed in terms of nationality; that is, “producer countries (Spain, Italy, Greece, France, Slovakia, Poland, Lithuania, and Portugal.)” and “distribution countries

(Germany, UK, Belgium, Denmark, Sweden, and Finland).”¹⁰ Also interesting is the emphasis that the different local and European actors involved in the dispute put on “legality” and “(dis)loyalty” as central issues. The difference between them is that legal regulations are sanctioned and upheld by the state, while loyalty (or its absence) refers to a shared sense of responsibility of what is morally correct. It is the ambivalence in how the two concepts are put to play in the footwear crisis that seems revealing: accusations of unfair practices toward Chinese producers are resolved through claims that they should abide by the law (Spanish law, WTO regulations, EU commerce law) and fully enter the Market Economy Status. Paradoxically, appeals toward China’s full MES are based on enforcing regulations in China that most local entrepreneurs in Spain evade through the informal economy (labor, health, environmental regulations, while free market and non-state intervention are only partially or intermittently followed).

The paradox of unfair practice and legality is similar to the tension between protectionism and free trade that local entrepreneurs confront. Tariffs on imports of leather footwear—basically for medium- to high-end product, about 28 percent of Chinese imports—that compete with the medium- to high-quality goods the local industry specializes in, are a protectionist measure, although the argument is set in terms of dumping; that is, in terms of disloyal practice, while preserving free-trade ideology (see Bairoch 1999). At the same time, local entrepreneurs seem prepared to continue using the informal structure set up in the 1980s and 1990s for this production, in order to keep costs low in a labor intensive industry, thus enhancing their competitive edge in a purportedly free-trade context. On the other hand, local entrepreneurs bet high stakes on their export potentials and want the Chinese market to remain open to the better range of footwear they produce, and to the footwear components market, some of which Chinese manufacturers import from Europe. The tension is one between producing trust and loyalty relations as against enforcing law and multiple level regulations. Both Spanish and Chinese entrepreneurs are dealing with a complex process where regulation and deregulation are two sides of the same coin of capitalist accumulation (Smart 1993; Smart and Smart 1993; Chan and Unger 1982; Unger and Chan 1999).

The structural conditions of advanced capitalism seem to point toward a situation where two (only superficially) opposed trends are at play. One pushes to “upgrade” informal production processes within the state by legalizing the evasion of regulations that sustain flexible accumulation. A second trend pushes toward negotiating a consensus for international law among states in what Sassen (1998:199–200) describes as a new transnational legal regime. This overlapping of dissimilar forms of regulation referring to different spaces, politics, or supra-national institutions might be seen as the economic counterpart of what Randeria

(2007) calls the cunning state's regime of legal plurality with its efficient ambiguity.

THE WENZHOU MODEL

The Wenzhou municipality in Zhejiang Province, on the China coast south of Shanghai, is the place of "disloyal competition," where most footwear production exported to Spain is located.¹¹ The region's relative political autonomy during the Maoist period (1949–1978) and a tradition of entrepreneurship are among the main reasons scholars give to explain the enormous success of the "Wenzhou model" after 1978 (Y-L. Liu 1992:294; Blecher 1991). The area was designated an "experimental zone" in 1986, which allowed it to legally avoid government regulations. "The development of the local economy of Wenzhou since 1978 can be characterized as privatization, marketization, and local deviation from state policies" (Y-L. Liu 1992:295). Private industry seems to have begun mainly as household industry and eventually developed into factory industry employing non-kin workers, in what can be termed petty capitalism (Y-L. Liu 1992:296; Smart and Smart 2005). In 1985 the weight of the state sector in the total industry output of Wenzhou was 18.45 percent, and most "collective" enterprises were in fact private or joint ventures (Y-L. Liu 1992:297).

The Wenzhou model seems like a Chinese version of the Industrial District model. It is locally circumscribed, has a rural hinterland, its entrepreneurial culture is based on small family businesses, and *guanxi* (personal relationships) is key to its operation (Unger and Chan 1999; Smart and Smart 1993; Yang 1994, 2002; Smart 1993; Chan and Unger 1982; Christerson and Lever-Tracy 1997; Kipnis 1997). In the Wenzhou model, for example, the clientelist links between the Shanghai and Wenzhou party establishments seem to have been central to the consolidation of the region's autonomy from state policies and regulations (A. P. L. Liu 1992). Moreover, it has become a model of successful economic development that is both flexible and competitive.

Regarding state regulatory practices as they affect the region, local cadres in general and the municipal government in particular seem to have adopted an "acquiescent attitude toward certain quasi-legal or illegal economic practices which deviate from the existing state policy but are indispensable to the smooth operation of the private economy" (Y-L. Liu 1992:297–98); and apparently, this mostly affects labor regulations established in China in 1995 (Unger and Chan 1999; Lee 2002). Indeed, the state seems to be intent on "ruling the country by law" in order to establish a stable framework for the new market structure, particularly in reference to property rights and contract law (Lee 2002:195). At the same time, however, the state is confronted with the paradox that certain forms of law, namely labor law, are resented as obstacles to economic success

by petty capitalists who are supported in their claims by local state agents oriented toward regional development.

The Wenzhou model appears to be a variation of “local state corporatism” (Oi 1992) or “local market socialism” (Lin 1995). This form of economic development is presented as a “third way” between market and state-led processes. This “alternative” model of development presents itself as critical with evolutionary “transition” theories oriented to full-fledged market capitalism and explicitly refers to the industrial district Italian model of co-operative competition (Unger and Cui 1994:80; Lin 1995:345). In this manner, social scientists point to a general law of an alternative successful economic organization that has its logic in the universal articulation of “the Market,” “local government institutions and agents,” and “social embeddedness.” Such a general implicit assessment resembles the Second Industrial Divide theory (Piore and Sabel 1984) presented as the missed opportunity for a humane capitalism.

But what the literature on China reveals, as with the Spanish ethnography, is a wide range of local developments that are strongly tied to local histories and their connections to broader historical patterns. So that variations in the articulation of the three abstract elements of Market, State (meaning different levels of command, regulation, and administration), and Society (meaning social relations and cultural dispositions), are extremely significant and should not be discounted from the theoretical model (Oi 1992; Lin 1995; Unger and Cui 1994; Christerson and Lever-Tracy 1997). Rather, these variations must be explained as the result of the past connections of the local social fields with wider political economic developments. Social capital, the ability to turn particular nonmarket relations into capital, depends on a specific social structure where individuals and families are differently positioned in regard to their capacity to access and use social resources through personal networks. The forms of regulation and moral responsibility that become significant in the local social embedding of the economic processes of production, commercialization, and redistribution cannot be explained without giving careful attention to the historical development of spatial forms of differentiation. Along this process, the State and its local agents, village residents, and non-residents (“inside workers” and “outside workers”) get to be defined in their particular articulation with the local community’s economic goals (Lin 1995). This then sets the framework where tensions between different forms of regulation and moral responsibility regarding economic processes and relations occur.

CONCLUSION

Both the Vega Baja and Wenzhou areas are described as particularly successful economic regions that have responded to the demands of flexible production

in advanced capitalism. This has been based on the use of certain cultural patterns of the relations of production, namely those that had historically thrived in the crevices and interstices of the highly administered economies of the Francoist and Maoist periods. Indeed, relations of production based on family labor and on other social relations predicated on moral forms of responsibility and reciprocal forms of exchange, rather than on legal forms of responsibility and contract forms of exchange, pervade these economic regions. What is described as social capital in the literature on regional economies and industrial districts is a form of capital not regulated by the state. This form of capital in the Vega Baja is an extremely differentiated resource, which also seems to be the case in Wenzhou. However, this essay has tried to point to the historical specificity and local variation of these general forms of embeddedness, and at the paradox of their becoming economic models.

What emerges from the ethnography is that appeals to regulation and intervention by state institutions at different levels are constant. On one side, in the Vega Baja, the women piece workers, the *aparadoras*, ask for the creation of a municipal (i.e., public) commercial firm that would replace the closing factories; they also appeal through the municipal office to their citizen's rights to decent work conditions, and they appeal to the local business association to not outsource production. On another side, through their associations, entrepreneurs appeal to the EU Commission and to WTO rules to increase tariffs for imported Chinese shoes. This appeal to more regulation is justified by the accusations of Chinese producers benefiting from less restrictions (labor, environment, etc.) and therefore unfairly lowering production costs. It is not that there are no regulations, but that the Wenzhou region is mostly dispensed from following them, or simply bypasses them, in much the same way as the Vega Baja footwear entrepreneurs use the informal production structure to produce more than 50 percent in the sector.

Note, however, that the decision of the EU investigation team found dumping practices on the basis of general state intervention in the economic process (providing factors of production and accepting nonstandard accounting), which is a different argument from the one initially expressed by local entrepreneurs, who complained of a lack of state regulation, particularly in reference to labor, environment, and health standards.

These two appeals to regulation by the different social actors are not merely different, but actually opposed. The first is oriented to the regulation of social relations of production, those between labor and capital. The second is oriented to the regulation of commercial relations between capitalists in the market. In the globalized economy, more rather than less regulation is required at the level of inter-regional and inter-state frameworks for the circulation of commodities, including specification as to what counts as a proper commodity. Here, trust

relies on formal institutions and the enforcement of law. And this formal trust creates reliable frameworks for investment. At the level of production, however, less rather than more regulation is desired by entrepreneurs in order to lower costs and enhance flexibility, which fosters the dynamic elements of a successful region. Embeddedness, here, substitutes for contract and law, and is the main component of trust.

Moreover, this process in the Vega Baja and in Wenzhou occurs in a context where the state regulates and enforces the law not systematically but selectively. In Europe's states, this is increasingly feasible as the instances of regulation multiply and are often confusing to the point where local levels of governance have more power of arbitration and arbitrariness regarding the application of the law and its interpretation.¹² The implications of this for petty capitalists and the mostly informal workforce of the footwear industry is a continually unreliable legal framework, one that has paradoxical consequences for employers, who are also its potential victims, often subject to competitive maneuvering through political power brokerage from fellow entrepreneurs.

In sum, informal and formal aspects of the economy have been structurally tied together in the Vega Baja for a long time and their articulation is as strong as ever. Globalization, as it affects this region, seems to have linked the destinies of two quite similar models of economic development, based on the exploitation of social capital and a political environment open to disregard or manipulate existing regulations. In this context, the workers' situation does not improve because both the legal and the moral frameworks that support their work relations are increasingly ambivalent.

For workers in the Vega Baja, appeals to regulatory institutions have yielded no results so far. Instead, a shift toward appealing to protectionism in commercial terms seems to be taking place. If successful, it would once again stress the corporatist aspect of regional economies, but it also would be a significant turn for local workers who have up to now claimed what they considered their rights either in class terms or in personalized client dependency terms (Smith and Narotzky 2005). Workers now are brought to join entrepreneurial claims and espouse them as if they were their own. This illustrates the corporatist aspect, which has been highlighted for the Chinese case but prudently avoided in the industrial district analyses, where local embeddedness appears to enhance the liberal democratic program (Putnam 1993; but cf. Holmes 2000). In contrast, the literature on Chinese economic regions underlines corporatism both in its political and economic senses: hierarchical command, an ideology of common harmonic interests, and the unified goal of business (Lin 1995:340–41).

What does ethnography bring to comparison? First, the weight of historical processes in the production of particular regional constellations of social relations and cultural dispositions. Second, the relational construction of these

regions as significant spaces through their diverse connections to more general political and economic processes globally. Third, the relevance of local specificity for the embedding of economic relations in these regional economies. This local specificity is a product of history and is central to a complex process articulating multiple agents and institutional arrangements in a global political economy. Often, however, this process is obscured by the concepts and models that propose to explain it. Employing the extended case method using ethnographic material, the comparison of economic regions whose destinies have become articulated becomes meaningful. Theoretically, this points to the analytical relevance of ethnography for diminishing the perils present in economic models and concepts that become resources which social actors interpret and use.

Indeed, ethnography protects against losing sight of the historical production of specificity and its role in structuring differentiation. The abstract use of social capital in the regional economy models has become an ahistorical program for justifying the application of new forms of corporatism to the economic domain. This in turn produces a field of knowledge where conflict gets displaced from the global structure of production into the local yet globally linked spaces of corporatist cultures.

NOTES

1. I thank my colleagues in the Grup de Estudis de Reciprocitat, University of Barcelona, Spain, and the anonymous reviewers of *Ethnology* for comments which helped clarify parts of this essay. Research received support from grant SEJ2007-66633 MICINN.
2. Research was undertaken in collaboration with Gavin Smith, who spent a year in the area in 1978. See Narotzky and Smith (2006).
3. In 1995, 56 percent of the enterprises had no employees, 39 percent had between one and nine employees, and 5 percent had between 10 and 49 employees. <http://estadisticas.ipyme.org/InformesEstadisticos/boletinEvoluciones.pdf>. Accessed 06-10-2010.
4. Fieldwork initially was done by Gavin Smith with the help of Primitivo Pla. The second period of fieldwork, almost 20 years later, was conducted by both Smith and Narotzky.
5. The mobility of the factories makes it possible to produce pools of "reserve army" labor, and generates strong feelings of labor insecurity and personal expendability among the workers.
6. These warehouses had been settling in the industrial park since China joined the WTO in 2001. More than half the 44 Chinese-owned warehouses in El Carrús were set up in 2004.
7. <http://www.eleconomista.es/empresas-finanzas/noticias/125807/01/07/FICE-dice-quema-calzado-en-China-fue-accion-aislada-ajena-incidentes-de-Elche.html>, accessed December 25, 2008.
8. About half the shoe production in the area is done in the informal economy (Ybarra et al. 2004).
9. Indeed there is a process of inscribing quality that is strongly present as an ideology of the Industrial District/Regional Economy models, much like what some feminist scholars were showing with gendered skill attribution (Elson and Pearson 1981; Phillips and Taylor 1980).
10. <http://www.eleconomista.es/empresas-finanzas/noticias/80672/10/06/Los-25-ratifican-nuevos-aranceles-calzado-China-y-Vietnam-2-anos.html> and <http://www.eleconomista.es/>

empresas-finanzas/noticias/81961/10/06/Nuevos-aranceles-UE-a-calzado-China-y-Vietnam-entran-en-vigor-hoy.html. Accessed 12-25-2008.

11. Regional historical, demographic, economic, and other data appear in A. P. L. Liu (1992).
12. This situation, which is becoming the norm in Europe (Loving 1999), seems close to what Lee (2002) calls “disorganized despotism” for China.

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