CHAPTER SIX

The Chinese Underclass and Organized Crime as a Stepladder of Social Ascent

Ming Xia

Introduction

Barrington Moore Jr. declares, “No middle class, no democracy.” This statement can be supported from two perspectives. First, the middle class has instrumental value for democracy. As the organizer of wealth production, the middle class must tame the professionals of violence management, namely, the state and its functionaries, in order to safeguard the distribution of wealth and to serve the need of wealth expansion (Bates, 2001). Second, the middle class has constitutive value for democracy. It forms the backbone of a civil society and sustains the functioning and maintenance of a democracy. Once it puts on a “golden straitjacket” (the “defining politico-economic garment” being today’s liberal democracy), a state has to behave within certain parameters. Free people are guaranteed what is known in academic circles as the “Wilsonian Triad”: the opportunity to empower themselves through democracy, enrich themselves through free market capitalism, and ensure themselves through civil society (Mandelbaum, 2002; Friedeman, 2000).

Unfortunately, in this free and democratic nirvana, there is no seat for the underclass people, the poor, and marginal who are expanding rapidly all over the developing world. This “one-size-fits-all golden straitjacket” is too luxurious and elusive for them. Instead, the Chinese
experience, historically as well as currently, demonstrates that the underclass devise an ingenious strategy for securing all three middle-class deserts. The Chinese underclass has found, literally speaking, their “tried.” As black markets for illicit goods become an essential part of the economic institution under capitalism, the subaltern class can have new frontiers on which to thrive. In other words, the resource-deprived people can exploit the criminal underworld—featuring mafia-style capitalism and gangland rule—as a practical superhighway to achieve power, wealth, and brotherhood, three important goods that law-abiding citizens pursue under the Wilsonian triad. In his seminal article, “Crime as an American Way of Life: A Queer Ladder of Social Mobility,” Daniel Bell (1962: 127–150) put it this way: In early American eras as well as modern times, “organized illegality became a stepladder of social ascent.” Where there is an expanding underclass, there will always be plenty of entrepreneurial individuals who come close to the fringes of crime and who seek opportunity from vice-related industries and racketeering (Naylor, 2002; Naim, 2005).

The underclass and organized crime go hand in glove. Both in the West and China, history shows the causal linkages between the underclass and organized crime. Such linkages are demonstrated in Robert J. Antony’s chapter on banditry in late imperial South China. In U.S. gang studies, scholars have pointed out that the factor of the underclass figures “prominently in explaining the onset and persistence of gangs” (Knox, 2000: 79). In an examination of the evolution of hoodlums in contemporary China, one historian delineated a continuous development from “refugees” and “vagrants” to “hoodlums” and “hoodliganism” and then to the criminal underworld (Wanyan, 1993). Parodying Moore we can also declare: “No underclass, no criminal underworld.”

This chapter first analyzes how a huge population has been increasingly locked into the underclass status in tandem with the making of the bourgeoisie from among dominant groups now that China has been transforming itself into an economic powerhouse. Then it shows how this underclass has engaged in organized crime in order to subsist and to change their status. This study concludes with a discussion of the challenges that the underclass has created for the Chinese state as members seek benign neglect and positive recognition from the latter.

Defining and Estimating the Underclass

Various labels apply to the subaltern section of society that moves in and out of crime and vice. In The Manifesto of the Communist Party, Karl Marx and Friedrich Engels (Tucker, 1978: 482) called such people “the social scum” and “the dangerous class”—that “passively rotting mass thrown off by the lowest layers of old society.” In the document’s original German version, the term that Marx and Engels used is *lumpenproletariat*. “Proletariat” itself indicates the outsider status of this group of people: they may be “in” a society, but not “of” it. Lumpen (rogue) further indicates their doomed and desperate situation. Kellow Chesney (1970: 32) elaborates on the dangerous class as follows:

When respectable people spoke of the *dangerous classes*—a phrase enjoying a good deal of currency—they were not talking about the laboring population as a whole, nor the growing industrial proletariat. Neither were they referring to that minority of politically conscious, mostly “superior” radical workingmen on whom any sustained working-class political movement ultimately depended. They meant certain classes of people whose very manner of living seemed a challenge to ordered society and the tissue of laws, moralities and taboos holding it together. These “unprincipled,” “ruffianly,” “degraded” elements seemed ready to exploit any breakdown in the established order. (Italics in the original)

In The Origins of Totalitarianism, Hannah Arendt (1979: 10, 107–108) uses another term, “[t]he modern mob—that is, of the déclassé of all classes,” for those excluded from society and political representation and engaged in crime and vice. “The mob is primarily a group in which the residue of all classes are represented.” It “hates society from which it is excluded.”

In U.S. scholarship, the term “underclass” has a wider currency. Underclass means the distinct population that is marginalized or excluded from the mainstream society (especially the labor market), entrenched in poverty and welfare dependency, and often engaged in street crimes and other aberrant behavior (Katz, ed., 1993: 3–4). Knox (2000: 88) refers to its members as those “men and women permanently excluded from participation in mainstream occupations.” To a large degree, the body of China’s underclass (overlapping with lumpen-proletariat, or the dangerous class in Marxist terminology) consists of a vast floating population dislocated from the countryside, and the unemployed and destitute among urban residents.

In the Chinese context, “ruffians” or “rogues” (*liumang wulai*) are close to the lumpen-proletariat. In terms of ruffians as a social status in the class structure, a Chinese historian characterizes it with three
laid-off workers (xiagang zhihong) in the unemployed population. If we add this number of 5 million in 2001, the jobless urban residents reached almost 12 million. Meanwhile, rural laborers numbering 350 million constituted the largest social stratum in Chinese society. Chinese scholars estimated that about 200 million were surplus population in the countryside. Half of them became migrant workers—leaving their residential homes and working in cities and townships. The most authoritative estimate from the Chinese Ministry of Public Security (Gong'an bu) indicates that the population of migrants increased from 60 million in 1989 to 80 million in 1995, and to 100 million in 2000 (Wang et al., 2002: 19).

Grouping the urban jobless and rural migrants together, China is facing the most serious unemployment challenge in its modern history. These 300 million people—one-third each for urban unemployed, migrant laborers, and idlers in the countryside—constitute a huge lower class. Since the 1990s, a subaltern social stratum has been created in China. Even worse, this population is floating. Alienation and exclusion from the emerging power-centric but market-driven social order have torn apart the traditional low-differentiated structure (Sun, 2004). This is an unprecedented event in the history of Communist rule.

Out of this huge lower class, within merely one decade, an underclass has formed and has constituted the backbone of crime and vice—often simultaneously participants and victims. Two diehard groups have been identified by Chinese law enforcement agencies as the most criminogenic: the elements released from the penal system, including jails and laogai camps (i.e., reform or reeducation through labor), and the blind floaters (mangliu) who lack proper ID card, temporary residential registration, and verifiable employment, the so-called three-without people (sanshi renyuan). Since the size of the latter is much bigger than the former and many former criminals often have joined in the floating population, He Qinglian (1998: 264; 2003: 250), almost a decade ago, pinpointed the “blind floaters as the foundation for the existence of the criminal underworld societies.”

It is not easy to gauge the size of these two groups, because they often overlap and lie beyond the government’s radar screen. In addition, the government carefully guards statistics on the jailed population in China. However, the Supreme People’s Court reported that from 1983 to 1985, 1,395,000 criminals were sentenced, and the volume increased annually by a six-digit figure in the 1990s. According to statistics released by Chinese researchers, the number of criminals in jail (excluding prisoners in laogai camps) was 1,226,000 in 1986, 1,251,000 in 1990, and 1,471,000 in 1996, respectively; and 300,000 were released every year (Zhao, ed., 2003: 204, 228). In the late 1990s, the number of released inmates increased to at least a quarter-million every year; from 1998 to 2002, adding up to a total of 1.5 million (Zhongguo jia, 1998–2003). As for the blind floaters, the low-end estimate ranged from 1 percent to 5 percent of the total migrants in the mid-1990s (Solinger, 1999: 137; Zhao, 1998: 51). Then, the national census indicated a total of 670,000 beggars (82 percent were professional beggars) nationwide (Wu and Xu, 1997: 450). Entering the twenty-first century, researchers have found that about 10 percent of the migrants belong to the blind floaters (Gransow and Li, 2001: 150–151). For example, the city of Shenzhen had a population of 7 million (including 5 million migrants) in 2000, in which 300,000 to 600,000 were blind floaters, about 50,000 of them were criminals, gang members, and thieves (Liu, 2003: 62). It is safe to believe that the blind floaters should count by the millions. The upshot is that an underclass, with a size close to 10 million, has become a fertile ground to foment vice, deviance, pilferage, and other crimes in China.

Roving over the Rivers and Lakes (Chuang jianghu)

Basically every society has three kinds of people in regard to their relationship to law: some are above the law, some within the law, and some below the reach of the law. The privileged few are the first group, having power and other resources to manipulate and twist the law for their favor. Law-abiding citizens form the second group. Usually in modern society, the middle-class people have the most to lose if they come too close to the law; therefore, they tend to have strong self-control and self-discipline. The third group includes those who have nothing to lose and therefore nothing to fear. For them, financial penalty has no meaning, since they have no property and credit; social shame does not work since they do not live in a moral community. The law often fails to reach this group. A healthy society should be able to press both the privileged and the desperate into the framework of law, making them stakeholders.

Unfortunately, the global trend—including China—is that globalization is accompanied by the fragmentation of society. Massive accumulation of capital by a market-dominant, select few is accompanied by deprivation and marginalization across an increasingly large population (Kaplan, 2000; Chua, 2004; Galeano, 2000). In China, under
features: (1) they are excluded from productive activities and have no legitimate occupation; (2) they are drifting about doing nothing socially constructive; and (3) they deviate from established order, values, and moralities and challenge the social order (Wanyu, 1993: 2-4). The underclass first and foremost is an economic concept: it indicates that this group of people has been thrown out of the production process. Then, it becomes political: the underclass is not represented in the system, but is often victimized. Finally, it is a social status. Due to its economic and political disadvantages, this group is further marginalized and stigmatized to the lowest status of the society.

In Chinese history, riffians and hooligans were persistent pests in the society. In 1949, however, when the Communist regime was established, radical change to both social structure and public policy was introduced: riffians as a social stratum were eradicated. Since the Chinese communist movement mobilized the lower classes and relied on their support for its ultimate victory, the new regime empowered the lower strata of Chinese society, even though it did not wipe out poverty as promised. As deprivation under the old regime turned into a credential for political trustworthiness and empowerment, the working class and the peasantry were elevated into the ruling class. “The people as masters” denoted their sacrosanct political status in China. Along with this achievement, the *lumpen* elements of the populace were assimilated into the political space under the newly established socialist structure. Between the ruling structure and the most ordinary people, the high adhesiveness rendered it impossible or unnecessary for the existence of a *lumpen*-proletariat during the initial decade of the communist regime (Lieberthal, 1973). Since the late 1970s when the Communist Party started abandoning its populist policy and shifting its power base toward the more affluent, the gap between the ruling structure and the ordinary people, however, began to widen. For the past quarter-century, especially entering the 1990s, a sizable underclass has been systematically created in the process of China’s transition to a new political economy. In the entire history of the People’s Republic of China, this is an unusual social process, which has been undoing the social achievements under Mao Zedong’s egalitarian socialism.

Comparing recent developments with historical patterns, the ongoing great structural transformation of Chinese society caused the population of the underclass to bloat. For thirty years under Communist rule, Chinese society had a simple social structure: two classes (workers and peasants) and one stratum (cadres), collectively called “the people.” Outside of this category, other elements associated with the old regime were called “citizens.” They were politically deprived and did not enjoy the same political standing as the people. From the “people” and “citizens,” someone might drop out and form a category of the “enemies,” under the constant attack and suppression of the people’s dictatorship. This artificially simplified structure was tightly controlled, and survived, to a large extent, because the three institutions fulfilled the function of political, economic, and social control. Work-units put residents in the urban areas under their thumb; the people’s communes tied peasants to the land in the countryside; and the household registration system (*hukou*) strictly controlled the migration of people from countryside to cities.

Since economic reforms were introduced in the early 1980s, the communes were the first to collapse, along with their functions of economic production, administrative management, and social control (Xia, 1999). Then the work-units began to disintegrate as the market economy was introduced. Many state-owned enterprises went bankrupt or became privatized. The remaining state-owned enterprises shed their welfare and social control functions. Although the residential registration system has not been abolished yet, several strong social and economic forces have made it impossible to stay the same. Looking from the countryside, we can see strong push factors: increasing surplus population, shrinking farmlands (due to urban expansion, real estate development, and economic development), predatory local state officials, and deepening impoverishment. These have forced peasants to leave their land and seek opportunities in the urban regions. In the urban areas, construction booms, formation of the labor market, economic expansion, and urban residents’ reluctance to take dirty jobs have created a tremendous need for new labor, pulling waves of migrants into cities and shaking up the old, rigid society.

Under these social and economic pressures, the Chinese social structure added two new categories: the urban unemployed and the migrant laborers. According to official statistics, in 1978 and 1980 China faced a high unemployment rate—around 5 percent with a total number of more than 5 million in the urban areas. Early reforms in the cities, especially the policy to encourage self-employed small business, alleviated somewhat the pressure of this unemployment. In 1984–1985, the army of urban unemployed was slashed by half and dropped to a little more than 2 million. However, this number climbed during the 1990s, from 3.77 million to 4.76 million in 1994 and 5.19 million in 1995 (Zhu et al., 1997: 180). In 2001, it reached 6.81 million (Lianhe Zhoubao, March 8, 2002). Until 2003, the Chinese government did not include
the bureaucratic authoritarian capitalism inspired by Milton Friedman’s neoliberal thinking, ordinary Chinese are deprived of authentic voting rights. They have even less leverage to resist or cushion the formidable market force. As in any society, China’s dislocated migrant laborers and juveniles represent two conventionally marginalized groups. If we add the gender factor, young female migrants are a uniquely powerless, marginalized group. Without regulatory oversight or welfare state, their marginalization has been quick and thorough.

Relying on cases from a research project funded by the Ford Foundation, I will apply sociological and anthropological methods to depict the structural choice-set in order to understand how the lower class people formulate their rational response to marginalization. In collaboration with Denise Hare of Reed College, Zhao Shukai (1998), from the Center for Development Studies affiliated with the State Council of the Chinese Central Government in Beijing, conducted multiyear surveys on migrant workers in forty districts from 1994 to 1997. Among the fifty-six interview reports and twelve notes published by the research group, the majority of interviewees touched upon their contact with hooligan groups or organized crime, as victims, informants, or participants.

In the following case, a young female migrant worker, who was second-in-command after the ringleader, described her experience upon joining a huge gang in Jiangsu province:

The sworn brotherhood/sisterhood was popular in Northern Jiangsu. At age seventeen or eighteen, youngsters start to become sworn brothers. The society is now unsafe, how could we not band up? The ritual for sworn brotherhood is simple. When I was eighteen years old, I became sworn sisters with two other girls. We chose the right time at the right place to kowtow to each other. The important thing was not the ritual but that from then on we would weather adversity together and lend support to each other as we were in the same boat.

When I joined the gang that I am affiliated with now, we did not have as many people as we do today. Our gang has a total of more than 200 members. Everyone has a certificate; by showing it, we all know each other and our respective ranks and ID numbers. Our gang keeps growing; members have spread all over the country. Only a few gangs are bigger than ours. For example, my older cousin leads another gang. He can amass at least 300 to 400 members for a small matter, and 500 to 600 for a big event.

My older cousin also has two handguns that can fire two bullets. He hides one and carries one with him, making him look more authoritative. My cousin has a good relationship with my gang. We always share information and help each other. We never make trouble with other gangs for no reason, just like the water in a well does not invade the water in a river. The local public security bureau has knowledge about our gang, but they do not bother us. They took away several brothers of ours in one feud and we taught them a lesson. Since then, they have always kept one eye open and another closed when they see us.

Now our members are in Tonghua, Wuxi, Nanjing, Suzhou, Changzhou, Shanghai, and faraway Heilongjiang. We are far from home, so the members of our gang have to keep their heads low. But unbelievably, through fights we came to make friends with many local snakes in Nanjing and Shanghai—more than 100 in the former and around 200 in the latter.

Gang affiliation indeed saves me from many troubles. For example, back in my hometown, as I was riding my bike to a neighboring village, three men with no good intention rode on their bikes to surround me and crashed into my bike. I had to speak some argots, so they dared not touch me. I told them to see me at a specific place and time and let my bike behind. The rule in the underworld is that you have to show up; if not, once they see you, you can only be taken back dead. The next day I went to meet them with five brothers of mine. Seven or eight of them were waiting. When they saw our faces and gestures, they were all dumbstruck. I asked: “As for the bike, do you want to fix it and send it back to me, or buy a new one?” They kept answering with their heads nodding, “Buy a new one! Buy a new one!” (Zhao, 1998: 325–328)

This narrative is revealing and representative of several common patterns that we can relate to other migrant laborers. First, law and public order have been in decay in many localities—particularly in the countryside. In response, young people have resorted to and revitalized the tradition of forming secret societies—sworn brotherhoods/sisterhoods serving as the foundation for a mutual aid and self-defense community (Xia, 2006). As another migrant recounted, “In the countryside, public security was chaotic. Even someone who killed a person could spend money to have his own life spared. Public order was lousy and law enforcement was lax” (Zhao, 1998: 272). Yet another corroborated
They do whatever they can name: peddling, working in construction sites, pocket-picking, selling flesh. Some got rich through stealing and have built big houses back home" (Zhao, 1998: 286). Another migrant worker shared with us his experiences:

I have worked here for more than five years and have met people of all trades including an elder brother of the criminal underworld. I got to know him as I did interior improvement for his house. At that time, a friend of mine asked me to do him a favor and to work in home improvement. Before we finished, my friend told me that we were working for a big brother of the local underworld. Once I knew this, I did not ask for the labor fee. My friend also lost his 40,000 yuan on material costs. Later I came to know this big brother and he told me that I could always count on him if I have anything to settle in Changzhou.

Migrant workers like us often would not get paid after we had done a job. I have been here for a longer time and have more friends. If my villagers would not get their pay, they would often come to me. I would drive there with my friends. Once we were there, the people who did not want to pay immediately did so. Of course we did not do it for nothing. Those whom we helped get money had to pay us. This is called "money dispels disaster." (316–317)

Rich data are available to illustrate that migrant laborers have a much higher likelihood of being perpetrators of crime. In the 3.63 million criminal cases filed in 2000, migrants who constituted roughly 7 percent of the entire population were responsible for 32 percent of total crime (i.e., 1.16 million criminal cases). The national crime rate was 29.1 per 10,000 people; but among the migrants, the crime rate reached 133.33 per 10,000; the differential is 104.23 per 10,000 (Wang et al., 2002: 49). Such a disproportionately high percentage of crime committed by migrants is particularly conspicuous in the coastal areas and metropolises. For example, in 2000, migrants accounted for more than 49.19 percent of criminal suspects in Shanghai, 55.57 percent in Chengdu, 62 percent (in 1996) in Beijing, 86.66 percent in Guangzhou, and 97 percent in Shenzhen (33–34; Zhao, 2003: 285). Also unsurprisingly, the blind floaters have been the hardcore of criminals among migrants. According to statistical information from Wuxi district in Jiangsu province for 1994, migrants were responsible for 82 percent of the suspects/cases; among the migrant suspects/cases, the
blind floaters (5 percent of migrants) were responsible for 70 percent (Zhao, 1998: 6, 50).

Fourth, organized violence or crime becomes a route to respect and the first step toward accumulating primitive capital. This is how a migrant worker expressed his admiration for the tremendous wealth accumulated by a gang leader: “I have been to the house of this big brother. It was decorated as beautifully and luxuriously as a royal palace. He got around with a car. He was just around 30 years old. I once saw him hit other people. He was tough. I was told that he was once arrested in the 1983 Stern Blow campaign. His buddies were all executed, but he used money to redeem his life” (Zhao, 1998: 316–317). A migrant thief recalled his experiences and expressed his view of the world:

I am nineteen years old and have no girlfriend, but I have messed around with many girls. My home is in a village where the town-site is located. Since my childhood, I have mixed with hoodlums in the streets, enjoying dancing, playing pool, dining in restaurants, and stirring up trouble in society. I stopped attending school after the primary years; my parents could do nothing about it. I had four sworn brothers. During the daytime we went to nearby villages to steal chickens; at night we stole fruits and vegetables from the farmers. We brothers loved to fight, and ordinary people dared not get in our way. The middle school kids were especially scared of us, because we would drag them out of the classroom and beat them up. Our hometown is economically backward, no decent work to do. People like us who idle about command respect. As we grew older, we became more audacious to venture out. In 1992 some of our villagers went to Hebei province, where, we were told, money could be easily made and the black gangs were rampant. Along with a group of my buddies I went to find a job in a brick factory. We were young and not good at backbreaking labor, so we tried to get it easy. Meantime, we also engaged in petty thefts and took liberties with girls. I do not see any wrongdoing or irresponsibility on my part, since there is no fairness and justice in this society. (Zhao, 1998: 330–331)

Another migrant laborer, a vendor, discussed some migrants from another province:

Some people from Anhui province did nothing but earn a living by fist fighting. They are big bullies. Every month they came to “borrow” money from our supplier, every time 2,000 to 3,000 yuan. Once they spoke, you had to give. But they never return with what they “borrowed.” The supplier dared not disobey. If not satisfied, they either pulled out a knife to kill the supplier or smash the stand. So every time, the supplier gave them money to buy safety. Those people from Anhui are cruel and they always band together. (Zhao, 1998: 287)

Judging from these remarks, a spontaneous process has been occurring among migrant laborers to organize themselves into gangs and criminal groups. In 2001, the Ministry of Public Security, along with several provincial police bureaus, conducted a survey among 15,000 migrant criminal suspects in their detention facilities from 8 cities in 7 provinces. They discovered that gang crimes accounted for 57 percent of all their crimes versus 43 percent committed by loner criminals. Among all criminal gangs, 51.3 percent had three–five members, 34.5 percent had a two-member partnership, and 14.1 percent had more than five members. Within these groups, 42.4 percent of members shared the same hometown/village; 39.9 percent shared the same identity as migrant laborers; 5 percent were family relatives; and 0.9 percent were former inmates. Clearly, the primordial relationship was the most important social capital on which they relied. At this early stage of organized crime in China, most gangs are hoodlum groups (Wang et al., 2003: 248–251). But their evolution into more sophisticated crime enterprises has been ongoing. On the one hand, ever more migrant laborers participate in vice industries such as prostitution, drug trafficking, and the smuggling of women and children. On the other hand, after gangsters find a muscle in on reprehensible rackets, they often try to become more respectable by capturing political power for their own use. The venal nature of the Chinese Communist Party and the jungle-like quality of the Chinese transitional economy open up many doors for China’s robber barons—whom they call “Roguish Entrepreneurs from the Grassroots” (Caomang qiyejia).

**Organized Crime as a Business Transaction and Enterprise**

Criminals are often opportunists. Although criminal behavior challenges the established social, economic, and political order, rational and sophisticated criminals still try to take advantage of the current order,
adapt to it, and identify niches for survival and thriving. Accustomed to the hierarchical control of the state, family, and clan, traditional peasants structured their secret societies and criminal organizations by emulating the state or family power. Leaders preferred to be called the "big king," "dragon head," or "big brother." Today, many violent cliques maintain traditional hierarchical structures for their members and impose predatory and terrorist conditions upon the population. For example, in Sanmenxia in Henan province, a vagrant peasant named Peng Miaoji organized a twelve-member, tightly knit clique in the mid-1990s. During a period of just four years, the clique killed seventy-six people (including entire families) and wounded thirty-two (Yangcheng Wanjiao, November 27–28, 1999; December 5, 1999). Clearly they were engaged in irrational, antisocial, inhumane, and the rudest kind of crime.

Even as the market created ubiquitous and efficient institutions for social and economic transactions, criminals adopted the contractual relationship to manage their activities and created cunning manipulations to get deals done. Several recent high-profile cases show this type of transition (Xia, 2008). For example, the Zhang Jun clique (uncovered in 2001) based in Changde, Hunan province, was first created around a vagrant hooligan from the countryside. Like the bandit rituals in late imperial South China described by Robert J. Antony in chapter 3, Zhang Jun drank rooster blood liquor to form a sworn brotherhood with his followers. But the modern market economy made a deep imprint upon the Zhang Jun clique. Its chief Zhang Jun called himself "the CEO," and his protégés were all given titles such as "managers," "silversmiths," and "millionaires." After several bank robberies, Zhang gave money to his many mistresses and recruited a "regiment of pink cheeks" as his camouflage. Registered under the names of his mistresses, he set up a restaurant and a hair salon as his business front, and purchased an apartment as his hideout (Zuomuniao, 2002).

With markets proliferating, violent criminals are learning to use business strategy to manage their businesses. One sees boorish gangsters transforming themselves into professional criminals; predatory crime is evolving into enterprise crime. The criminologist Carlo Morselli (2005: 124) has argued, "Traditional understandings of achievement in crime lead us to believe that criminal entrepreneurs use criminal means to gain criminal achievement. This is not the case: criminal entrepreneurs use conventional means to gain criminal achievement, but they do so in criminal trades." In China, many criminals have plunged into the markets for profit. A study in 1996 estimated that the hidden economy was equivalent to 20 percent of the Chinese GNP (Huang, 1997: 333). Economic activities controlled by the criminal underworld, or the so-called black economy, constituted a big chunk, in addition to the "gray" economy of bribes and embezzlements. Two so-called victimless crimes, sex industry and drug trafficking, provided enormous, illicit markets for organized crime groups.

Prostitution, as the oldest profession, met its biggest setback under Mao Zedong's Communist rule. Today its fortune has been reversed. Prostitution was first revitalized in the cities along China's southeast coast to serve the businessmen and tourists mainly from Hong Kong, Taiwan, and abroad. Initially, most prostitutes were unemployed urban residents who came from the surrounding rural areas. For example, in Guangzhou, among 483 prostitutes detained in 1981, 391 (81 percent) were locals from the surrounding districts. Quickly, more women realized that prostitution provided a highway to economic improvement, and young women from northern and western China descended upon the coastal cities. The two movements were respectively called "The peanuts fly to the southeast" and "Wild geese fly to the south." By 1985, migrant sex workers from other provinces and municipalities began to dominate the sex market of Guangzhou. Among those detained by the authorities in reformatories for women, 70 percent were migrants, and this number increased to 92.6 percent in 1988. Guangdong province became the capital of sex trade in China; as one popular saying went, "Counting East, West, South, North, and the center, Guangdong is the moneymaker." Reports were in circulation that many rural women left their villages with tattered pants and returned with golden rings and cash to build houses (Shan, 1995).

Researchers have found that as entrants into prostitution tended to be from the lower class, and because of the great demand, prostitutes on average became a high-income group. According to an authoritative report in the mid-1990s, 35 percent of the sex workers surveyed nationwide enjoyed a monthly income of 1,000–3,000 yuan (US$130–US$400), 55 percent 3,000–5,000 yuan (US$400–US$670), and 10 percent earned more than 5,000 yuan (US$670) (Shan, 1995: 533). Meanwhile, the average household income per capita was 3,179 yuan in the urban areas and 1,221 yuan in the countryside (Song, 1995: 15).

For many women who lack power, capital, and education, prostitution becomes their means to participate in the new market economy. The idea that prostitution promotes prosperity (a different kind of PPP from purchasing power parity) has appealed to many individuals. It is estimated that China had at least 4 million prostitutes in 1992 and 5 million
in 1996 (Qiu, 2001: 236–237). In the category of “escort girls,” known as sanpeini (companion girls for three activities: drinking, singing, and dancing), more than 60 percent of them also provide sexual service. There were 6–8 million sanpeini at the turn of the century (Bai, 2002: 51–55). In a World Health Organization report in 2004, the Chinese government reported that the number of prostitutes was about 6 million. The number from the nongovernmental sources, however, has ranged upward of 30 million (Huang, 1997: 48; Sohu News, October 4, 2000; BBC News, February 2, 2004). One economist estimates that a total of 20 million sex workers in China control 50 billion yuan of income (about 6 percent of the GDP) and bring along 1,000 billion yuan of related spending and consumption (Liu and Tian, eds., 2001: 20; Boxun News, December 22, 2005).

For many local governments, this is a huge source of revenue that should be carefully kept within their jurisdiction. It has also been an open secret that local governments seriously believe prostitution promotes prosperity. For example, officials in Shenyang started to tax the “misses” or prostitutes, an indirect way to legalize prostitution. Ma Xiangdong, deputy mayor of Shenyang, said at the Standing Committee Meeting of the Municipal Government, “Shenyang has neither mountain nor water. If the environment for investment is not improved, and no ‘misses’ are available for people to play with, who will come to invest?” (Liu and Tian, eds., 2001: 56). In Anhui province, Vice Governor Wang Huazhong commented on a case where a foreign businessman was caught patronizing a prostitute: “Foreign businessmen come to our city of Fuyang to invest. They have brought with them projects, capital, and profits, but not wives and female secretaries. They live in our guesthouses for a long time; it is quite understandable if they need someone for companionship” (Liu, 2007: 197). In 1998, the “sweeping out the sex industry” campaign (shaohuang) in Shenzhen drove out thousands of prostitutes and bar girls, and with them, within days, at least 10 billion yuan of savings deposits evaporated from local financial institutions. Prostitution created an economic boon in surrounding cities that forced Shenzhen municipal authorities to sharply reduce the antiprostitution campaign (Bai, 2002: 140; Liu and Tian, eds., 2001: 44; Author’s interview). Thus prostitution typically receives benign neglect and protection from local authorities. Occasional campaigns against vice are intended as show pieces of morality as well as a convenient way to squeeze the prostitutes to prop up the government budget. The relaxation of both internal inhibitors and external control mechanisms has given a green light to participation in the flesh market, and China’s young, huge population is providing an unlimited supply.

In China, an illicit market in drugs has also emerged during the past two decades. According to statistics provided by the government, in 2002 there were 1.05 million registered drug addicts. Based on a widely accepted ratio of 1:4 between registered and unidentified drug users, the Chinese government estimated that at least 5 million active drug addicts existed in China. Using minimum consumption patterns and market price, the government agencies and researchers affiliated with the Ministry of Public Security believe that the total value of drugs consumed by addicts was anywhere from 100 to 140 billion yuan (Cui, ed., 1999: 10, 239). China lies between the Golden Triangle (Myanmar) and the Golden Crescent (Afghanistan)—two of the three biggest drug production areas in the world; 80 percent of heroin from the Golden Triangle, with an annual production volume of seventy-eighty tons, passes through the China corridor, and half of it goes on to the global market (Zhao and Zhang, 2004: 2–3; Cui, ed., 1999: 9). This creates a door of opportunity for Chinese to make profits. By cultivating poppy domestically and smuggling heroin and other drugs from foreign countries, the Chinese underclass participates in the drug trade far and wide (see table 6.1).

Although drug-related crimes (mostly drug trafficking) have involved people from all walks of life in China, most often they have involved peasants and the unemployed. For example, among 145 cases with 241 defendants tried in the courts of Inner Mongolia in 1990, 212 (88 percent) defendants were from the countryside. From 1989 to 1990, the courts in Baoshan, Yunnan province, sentenced 220 drug-related criminals, among them, 171 (77.7 percent) were peasants and 33 (15 percent) were unemployed or self-employed people (Zhao and Yu, 2002: 37). Police in Gansu province arrested 2,794 drug makers and traffickers in 1996; 2,066 (74.4 percent) of them were peasants or unemployed. In Panzhihua, a transshipment city for the Sichuan corridor, 78.4 percent of drug criminals were peasants (Zhangqun Jingha, 1998: 295). Among the six most active drug trafficking provinces, with the exception of Guangdong all five—Yunnan, Sichuan, Guizhou, Guangxi, and Gansu—are poor provinces located in China’s Far West (Wang et al., 2003: 386). The three national distribution centers for drugs in the 1990s are all in the poorest areas notorious for “barren mountains, unruly rivers, and rogue people.” In Sanjiaiyi township, Linxia prefecture, Gansu province, unique social mores were reportedly formed: “Some drug traffickers returned home with huge wealth and
held banquets to treat their friends. They turned into 'local heroes' and inspired countless peasants to follow suit, creating a vicious cycle. A limner was circulated in Linxia: 'Rush to Yunnan as to the front, every year you can make hundreds of thousands; it is a good deal even risking the loss of heads.' Many ran drug trafficking as a family business involving all family members: 'If a father was executed, the son took over; if a husband was executed, the wife stepped in' (Chen, 2006: 129). In Tongxin, Ningxia Hui Autonomous Region, a Chinese reporter gave the following observation:

Exorbitant profits from drugs are the immediate temptation for drug-related crimes, which transformed some honest and kind people into desperate drug-traffickers. There, most rural residents depend on the weather for their livelihoods and subsist in poverty. For some of them, drug trafficking becomes an efficient and effective shortcut to freedom from want. Consequently, some aravicious peddlers and self-employed entrepreneurs switched to the drug business; some peasants with dreams of wealth left hoes behind; brothers, fathers and sons; husbands and wives; fathers and daughters; mothers-in-law and their daughters-in-law joined hand-in-hand for the gamble and went by train or bus to the "front" defiant of life and death... Several jailed drug traffickers confessed frankly without regret, "Drug trafficking is to gamble with one's life. But one adventure can bring in hundreds and thousands of yuan. Even with a risk of losing one's head, it is a lucrative business... Getting into trouble for a short while, enjoying life forever; sacrificing one person, being blessed for several generations." (Chen, 2006: 131)

In Linquan district, Anhui province, peasants were enchanted by drugs and their profits on mass. Sixty-five drug traffickers from Linquan were arrested in Yunnan from January to October 1998; within four days in March 1999, twenty-nine traffickers from two towns in Linquan were arrested. In a small township with 3,000 residents, more than 100 were executed or sentenced to life in prison for drug trafficking offenses (Chen, 2006: 134). In addition to drug trafficking, farmers in poor mountain areas, especially from Sichuan, Anhui, Heilongjiang, Inner Mongolia, and Xinjiang provinces, have revitalized poppy cultivation in their lands, enabling them to reap profits dozens of times higher than planting agricultural crops (Cui, ed., 1999: 246–273). In 1990, 36 million poppy plants in areas of 3,000 mu (about 500 acres) were destroyed nationwide; the following year another 3.29 million poppy plants in areas of 300 mu (60 acres) were destroyed. In Sichuan province alone, 1,207,000 plants were destroyed in 1991; 1,050,000 in 1992; 721,000 in 1993, and 1,123,500 in 1994 (243). Despite the government's continuous efforts, the perseverance of poppy farmers was obvious.

Popular participation in these two vice markets, prostitution and drugs, has not remained at the mere level of hookers standing on street corners or hawkers running errands in the neighborhood. Participants in both the sex and drug markets have become increasingly well organized (He, 2003: 332–336). Since the 1980s, prostitution has evolved from an individual business into professionalized group-managed enterprises. Brothel owners, procurers, protectors, and prostitutes have formed a division of labor. Based upon information from Guangdong province, by the early 1990s, 80 percent of prostitutes were controlled by pimps or brothel owners (Shan, 1995: 384). Nationwide in 1994, 45.5 percent of prostitutes were affiliated with groups; 4,547 prostitution
groups with 23,000 members were uncovered (Huang, 1997: 48). As for drug trafficking, the chain-structure network of connections with global criminal syndicates has become a dominant organizational form. According to statistics from some regions in China, joint crime (committed by partners and criminal groups) has accounted for 60 percent of drug-related crimes (Zhao and Yu, 2003: 37).

Organized, enterprise crime has clearly scooped up opportunities made possible by an opening and globalizing market: Mafia-style capitalism in China attests to the dynamics and ordering of spontaneous marketization. Under the double pressure of a corrupt party-state and an equally corrupt society, a strong jungle-like quality features heavily. The poorly and arbitrarily regulated environment has created ample opportunities for criminal entrepreneurs to rise up. As a notorious underworld axiom goes, “Once you are in the rivers and lakes, life runs beyond your control.” Legitimate businesspeople have had to adapt to the uncertainty and brutality of the market through a process of blackening, namely, assimilating scrupulous and cunning stratagems in business warfare. The meteoric rise and fall of many Chinese robber barons illustrates how this jungle-like capitalism has elevated some to quick wealth but others to the deep abyss. One Chinese researcher observed, “In terms of their upbringings, most private entrepreneurs during the early period of China’s market economy had no privileged background. Many of them were peasants who just cleaned up their muddy feet in the field, or the ‘marginal elements’ out of the system in cities. In the public perception, the absolute majority of businessepeople and shipowners in the private sector were people who had been released from prison after having served their full terms” (Fan, 2005: 4).

Chinese robber barons have often used three basic schemes. The first is to make quick money from Satanic purses (Naylor, 2002: 287). Drugs and prostitution are two deep Satanic purses, while a third deep purse is piracy. The Chinese pirates can produce anything: poisonous baby powder milk, fake cigarettes, pirated CDs and movies, adulterated liquor, counterfeit jeeps, and even counterfeit currency (Chen, 2006). An economist of China’s hidden economy estimated that in 1990, 20 percent of the products on the market were either below quality standards or counterfeits of legitimate brands (Luo et al., 1998; Long, 2003; Huang, 1997: 4). The city of Lufeng, Guangdong province, has been the capital of counterfeiting: 80 percent of the confiscated counterfeit banknotes nationwide were printed here. In 2000, a twelve-person criminal group was prosecuted in Lufeng for having printed counterfeit currency with a face value of 773 million yuan (China News Agency, September 15, 2000; People’s Daily, December 5, 2000). The Dabie Mountain region, including parts of Anhui, Henan, and Hubei provinces, is another center for counterfeit currency and other fake products. All of these places share one thing in common: poverty. As the popular saying goes, “Wickedness comes from the poverty of people” (He, 1997; Ye et al., 2004: 243–249).

The second scheme involves using violence and crime to accumulate primitive capital and to obtain more resources from state-controlled industries and financial institutions. Three high-profile cases exemplify this: the Zheng Weihuo group in Chang’an, Shaanxi province; the Zhang Wei organized crime group in Wenling, Zhejiang province; and the Lai Changxin’s “Yuanhua” group in Xiamen, Fujian province. Zheng Weihuo, Zhang Wei, and Lai Changxin were ruffians in the countryside and scuffed with the law in their youth. Violence and illicit business made them rich; then, wealth introduced them to the people in power. All three spent money lavishly on government officials and tried to satisfy their every need from brand-name clothes to foreign wines, jewelry, cars, houses, beautiful women, and even tuition for their children’s education in the United States. Eventually they all became masters in surfing both the criminal underworld and the officialdom. Ultimately, Zheng Weihuo collected at least 5,000 yuan daily from his civil engineering firm, dance hall, fish farm, and quarry. By borrowing money from state-owned banks, Zhang Wei and his group swindled more than 500 million yuan. As for Lai Changxin, his group smuggled goods and raw materials valued at 53 billion yuan and evaded tariffs totaling 30 billion yuan (Zuominjiao, 2002: 316–377; Zhu, 2002; Liu, 2004; Zhang et al., 2001; Sheng, 2001).

The third scheme is to play the so-called karate game (a game with empty hands) in the financial sector. Wealth is accumulated first by registering empty business entities and seeking official endorsement to borrow huge bank loans, and then disappearing either by hiding somewhere or migrating to a foreign country. Beginning in 1999, Forbes magazine has annually ranked the richest people in mainland China. But many of these multimillionaires quickly ended up getting arrested (Zhou Zhengyi, Ma Qizhong, Yang Bing, and Liu Xiaoqing), disappearing mysteriously (Liu Bo, Lu Liang, Wu Zhijian, and Lu Junxiong), or seeking protection from foreign governments (Lai Changxin in Canada and Yang Rong in the United States). Most of these “problem moguls” came from modest or blemished backgrounds, but they capitalized on their social contacts and connections with people in power to get privileges to develop land and construction projects, and then,
took out huge amounts of money from state banks, the stock market, and ordinary buyers. This strategy was called “using an empty hand to ensnare a white wolf.” By swindling and taking advantage of loopholes in the financial system, many such villains indeed became rich (Ouyang, 2003).

Conclusion

Deng Xiaoping’s reforms sounded the death knell for Maoist egalitarianism and threw Chinese society into a rapid process of stratification. Idealistic camaraderie quickly gave away to a callous cash nexus (Xia, 1999: 345–358). The working-class people and peasants, who formed the sacrosanct category of “the people” and enjoyed the privilege to discriminate against and dehumanize other “bad elements” of society such as intellectuals, former capitalists, landlords, and their children, now have seen the reversal of their fortune. As a state-guided capitalism with many social-Darwinist qualities is fully manifest in China, the social and economic gap between the rich and the poor has reached its most dangerous level, even compared to China’s past standards. Because of the state’s procrastination in reforming the residential registration system in cities and in privatizing land ownership in the countryside, and due to its systematic failure in allocating resources to primary education, job retraining, and micro-loans for the jobless and family businesses, a huge lower class has emerged since the 1980s, swelling rapidly during the 1990s. Within the Chinese Communist state a massive population of the poor has been created. Even more disturbing, the Chinese Communist Party has politically abandoned the fundamental interests of the disadvantaged. For the past three decades, the Chinese regime has increasingly revealed a right-wing capitalist bureaucratic authoritarian orientation, which evolved to its uttermost under Jiang Zemin and consequently prompted Hu Jintao and Wen Jiabao to pull the reins on the process. As a result, a huge part of the lower class has been condemned to the powerless and hopeless category of underclass.

In the race to get rich quick, the underclass has been systematically discriminated against by the current legitimate structure and public policy. The Chinese poor lack the financial capital, human capital, and social capital to get ahead in a sophisticated and globalized market economy. Deprived of the vote and thus political power, the poor and the underclass cannot force politicians to address their desperate needs. Their destitution will only worsen as long as the oligarchic and authoritarian regime exists, for under these circumstances they have been forced to sell the only resource remaining to them: their bodies. The commercialization of women’s bodies has provided an opportunity for...
followers about the nature of his “business,” “What do we invest in our business? Our lives.” As he was jailed, Zhang Jun reflected upon his life and said, “I stepped upon this pathway; the main cause was my poverty. Now when I look back, many things were wrongdoing. But I had no choice, because I had to survive. Money was not the only aim in my mind. I wanted power, the power that enables me to do whatever I desire, to do anything or kill anyone in China or Southeast Asia” (People’s Daily, May 22, 2001; Nanfang Daishi Bao, April 17, 2001).

Even criminals eventually want to distance themselves from violence, shift money into legitimate businesses, polish up their manners, and seek recognition and respect from the community and mainstream society (Bell, 1962: 147–148). Despite symbioses between business and criminal worlds and between political and criminal nexuses (Xia, 2004), there is no consistent mode of relationship that has developed between the state and the underworld. The inclusion of criminal elements into mainstream society has been very selective, based primarily on the patron–client relationship between some officials and key criminal figures. As criminal underworld members have attempted to get a legitimate footing in the economy and some kind of recognition from the state, the Chinese government has failed to formulate flexible and constructive policies to respond to the strong desire of the underworld population for social ascent. Under the current regime, it is easy to lose innocence; once you have lost innocence, the system makes it extremely difficult to wash away the stigma and redeem yourself in a new way of life.

**Bibliography**


Liu, Yuan. 2004. *Xiamen tuda zousi xille* (Serious smuggling cases in Xiamen). Beijing: Renmin fayuan.


Ming Xia


Yang, Shiguang, and Shen Hengyan, eds. 1995. Xingzai shifang renmen huigui xuehui wenti zhuanshi (Special topics on the return of released persons into the society). Beijing: Shehui kexue.


