

**“World Drifters”: Institutional Reform, Illicit Enterprise, and Organized Crime in a
Post-Socialist Factory Town, 1985 to the Present**

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Abstract

The thesis explores how inconsistencies within China's urban institutional reform facilitated the rise of organized criminal activity. Beginning in 1985, municipal governments across the country initiated a series of reforms aimed at transitioning from a socialist system to a capitalist market economy. These reforms encompassed restructuring the state-business complex, establishing entrepreneurial associations, assembling marketplace infrastructures, privatizing state-owned enterprises, and subcontracting law enforcement agencies. Like many other cities, the steel town of Ma'anshan in central China underwent these ambitious yet ill-conceived changes from the late 1980s to the early 1990s. Concurrently, a community of petty hooligans, resourceful profiteers, unrelenting racketeers, illicit tycoons, and corrupted officials formed along the cleavages of institutional transformations. Known as "World Drifters", these illegal agents appropriated lucrative state assets, extorted centralized marketplaces with absentee oversights, and nullified criminal justice with their expansive networks of complicity over the course of the 1990s and the 2000s. Drawing on oral history interviews, local gazetteers, archives, court papers, and newspapers, this thesis reconstructs how criminal actors usurped state projects in China's "Long 1990s" (1989-2008) and assigns historical agency to the former. By unearthing the derailed elements of the Chinese reform, this thesis offers a microscopic perspective to extrapolate the compatibility between collective violence, governance, and residents' way of life in a global moment of urban decline.

Table of Contents

Acknowledgement	1
Introduction	3
Chapter 1: Urban Reform in the Hinterland	17
1.1: Restructuring Organs: Bureaus, Companies, and Commissions.....	20
1.2: Shaping Entrepreneurship: Individually Owned Firms, State-run Corporations, and Conglomerates	25
1.3: Infrastructures: Food Basket Project and Other Integrated Bazaars	31
1.4: MISC and the Politics of Outsourcing	37
Chapter 2: Scrambling for the Streets: “World Drifters” and Local Institutions	42
2.1: From Southward Cadres to People of the Society: A Genealogy of World Drifters	46
2.2: Iron Rats.....	57
2.3: Grocery Lords.....	70
2.4: Violence and Social Geography.....	75
Chapter 3: “<i>Pax Criminalis</i>”: Policing World Drifters	83
3.1: The Authorities’ Dilemma: Public Security Bureau, Industry and Commerce Bureau, and Mass Organizations	88
3.2: Reform, <i>Pax Criminalis</i>	101
Epilogue: The Worlds are Drifting	112
Bibliography	116

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*To my grandmothers, Pei Kunfang and Sang Guilin
They were people's teacher and doctor.*

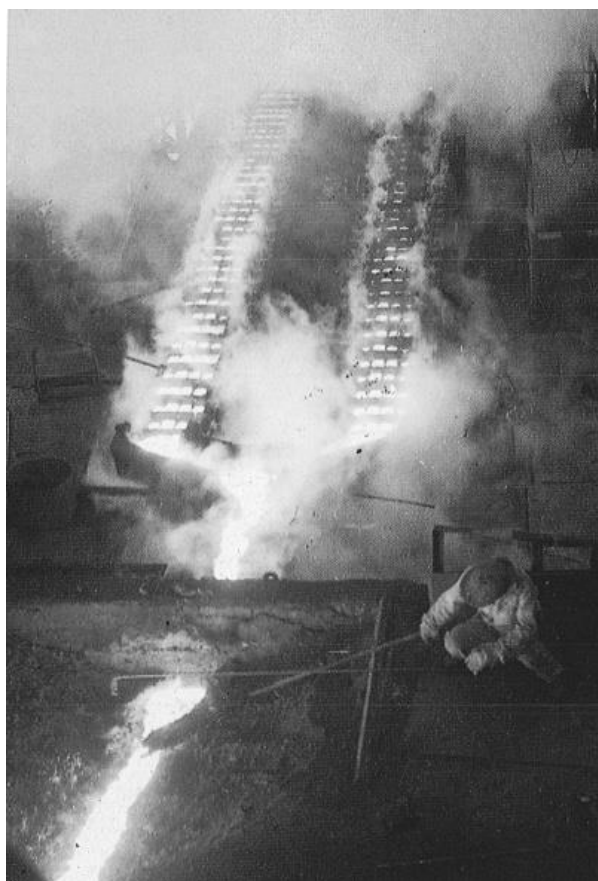
Introduction

A stream of molten iron flowed alongside the transferring tube in the No.1 Steel Mill of Ma'anshan Iron & Steel Company (MISC). The two components in that metal liquid—iron and slag (waste)—have different densities: iron is lighter and tends to flow up, while slag is heavier and tends to sink down. But that doesn't happen automatically—workers need to add a special type of counterweight block, which is heavier than iron and lighter than slag, to separate the two components from each other. However, when the stream reached blast furnaces, workers were told by their workshop supervisors to not add these counterweight blocks. The waste dumped out of the mill was supposed to be mostly slag with little iron. But that deliberate scheme on the workshop floor made it quite the opposite—it was mostly iron with little slag.

Truck drivers, employed by the same contract company, were responsible for transporting MISC's "waste" cargo. They would deliver thousands of tons of this "waste" to underground steel plants that had proliferated in the suburban areas of southern Ma'anshan. Here, the "waste" underwent reprocessing into steel products, which were then sold to private firms, other SOEs, and even back to MISC itself. This circulation of material objects mirrored the interactions between social subjects: the molten stream of the No.1 Steel Mill carried the Chinese state's slogan of "common prosperity" from its "Reform and Opening Up" campaign, albeit in a mocking caricature. Organized crimes like these orchestrated by criminal gangs with deep roots in the factory facilitated the transfer of state capital to enrich individuals in collusion and contributed to the emergence of the Chinese market. From 1996 to 2018, furnace operators, workshop supervisors, contract drivers, and plant owners co-prospered through co-conspiring

in the smuggling empire of Chen Xuezhong, local cartel boss and a “World Drifter”.¹ Chen began his journey as an individual iron smuggler. Over time, he gained wealth and connections by running a casino in Ma’anshan’s largest government-affiliated hotel, infiltrated MISC’s administration, and eventually acquired a billionaire status by orchestrating a network of collusion that extended from workshop floor operators to the head of the Ma’anshan Police Bureau.²

Figure 1. Worker Laboring near the Flow of Molten Iron in Ma’anshan Iron & Steel Company, circa 1985



Sources: *ma’anshan nianjian 1987* [Ma’anshan Yearbook 1987]

Ma’anshan, a socialist factory town in central China, was established in 1957 to bolster

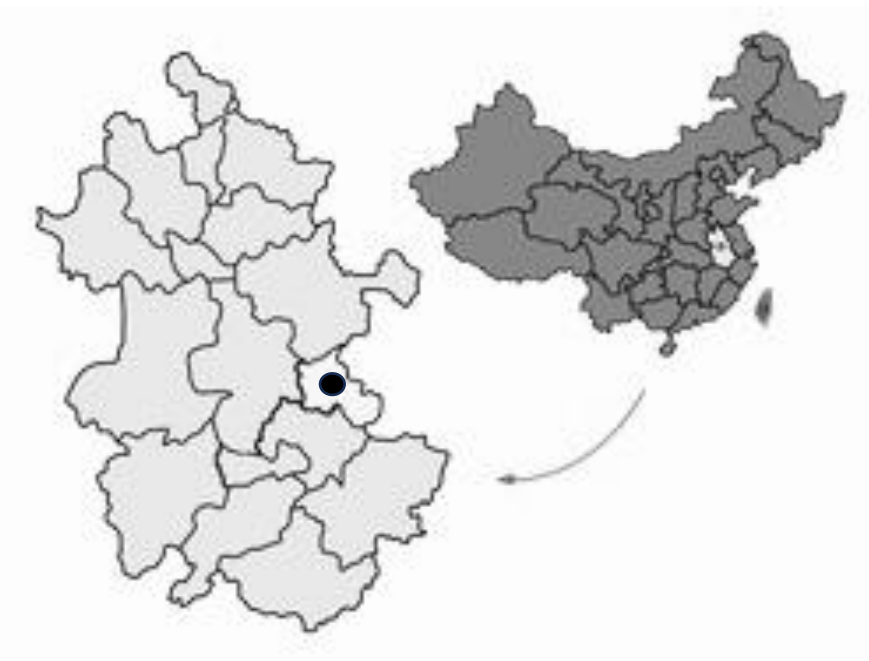
¹ Interview with “Zhang Bing”, interview by Zhengzai Pei, July 16, 2021.

² Interview with “Da Ning”, interview by Zhengzai Pei, July 7 2022.

steel production for the newly formed People's Republic of China (PRC). However, as the PRC embraced market reforms in the post-Mao era, Ma'anshan underwent a profound transformation. Since the early 1990s, the city has become a breeding ground for crony capitalists and gangsters, epitomized by figures like Chen Xuezhong. In colloquial Chinese, a "World Drifter" (*Hunshiren*) refers to a racketeer who leads a Bohemian and purposeless existence, straddling the line between ordinary, law-abiding citizens and those who have deviated into a life of lawlessness and social disconnection. Although traditionally in classical Chinese, "World Drifter" primarily denoted criminal racketeers, in the era of reform, individuals from various levels of society, including state, semi-state, and grassroots actors, have embraced the practice of "World Drifting" (*Hunshi*) or simply "drifting" (*Hun*). As philosopher of history Reinhart Koselleck observes, the widespread adoption of certain words and concepts reflects the subtle shifts in societal consciousness.³ Indeed, the prevalence of the term "World Drifter," both linguistically and socially, underscores its deep-rooted connection to China's historical transitions.

Figure 2. Ma'anshan

³ See Koselleck, Reinhart. *Futures Past: On the Semantics of Historical Time*. Columbia University Press, 2004.



Beginning in 1985, the Chinese state launched a series of reforms to transform its urban economy and social landscape. This served as one crucial step of Chinese Communist Party's Reform and Opening campaign commenced in 1978, which aimed to create a market economy and reopen China to the globe. Concurrently with the urban reform, the country experienced a spike in organized crime. In the late 1990s, gang crime made up to 60-70% of all criminal offenses in the country.⁴ At urban places where state-owned enterprises (SOEs) influenced heavily community lives, bureaucrats, private capital holders, mafia cartel bosses, SOE employees, and hooligans were all potential World Drifters. The system of political economy they created is best characterized as a "kleptocracy", wherein "the state is controlled and run for the benefit of an individual, or a small group, who use their power to transfer a large fraction of society's resources to themselves."⁵ In Ma'anshan, the illicit activities included agriculture products, entertainment, mining, sex, and most notably, smuggling from Ma'anshan Steel and

⁴ Chen, An. "Secret Societies and Organized Crime in Contemporary China." *Modern Asian Studies* 39, no. 1 (2005): 78.

⁵ Acemoglu, Daron, Thierry Verdier, and James A. Robinson. "Kleptocracy and Divide-and-rule: A Model of Personal Rule." *Journal of the European Economic Association* 2, no. 2-3 (2004): 163.

Iron Company. The criminality took an array of forms including market extortion and monopoly, smuggling, underground refinery, and rent seeking. In Ma'anshan at the turn of the century, it seemed like Chinese elitist knowledge had transformed from late Qing (1644-1911) literati's pursuit of *Jingshi* ("World Ordering"), the art of statecraft, to post-socialist kleptocrats' mastery of *Hunshi* ("World Drifting"), the art of organized crime and stealing from the state.

Systematic reorganization of institutions at the local has shaped China's acute transformations over the past four decades. As theorized by sociologist Andrew Walder, the ascending market economy post-1980 could erode the "institutional pillars" of a communist regime by diversifying the interests of local state agents and thus weakening their dependence on central authorities. The subsequent strengthening of horizontal alliance between local actors posited a possible antagonism to the central state.⁶ On the other hand, Bruce Dickson cautions against overemphasizing local agency by pointing out that the party-state developed a set of alternative institutions to integrate political support from local officials and corporatists.⁷ Indeed, amidst the expeditious changes of the 1980s and 1990s, the Chinese local state faced two institutional dilemmas: first, the tension between adhering to central government reform policies and adapting their implementation to local socioeconomic conditions; and second, the struggle to maintain social control over non-state actors while also engaging in collusion with them.

The establishment of a kleptocracy by the World Drifters—statesmen, private entrepreneurs, cartels, and hooligans— can be seen as an inadvertent response to both

⁶ Walder, Andrew G. "The Decline of Communist Power: Elements of a Theory of Institutional Change." *Theory and Society* 23, no. 2 (1994): 297–323.

⁷ Dickson, Bruce J. *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change*. Cambridge University Press, 2003, 16-23.

dilemmas. Through microscopic and local lenses, I track how state actions empowered semi-state and semi-grassroots agents to establish illicit enterprises. I intend to answer three questions: How have formal and informal institutions in urban China evolved since the 1980s? How have top-down designs from the central state, alongside local variations, facilitated distinct patterns of organized crime and illicit activities? How does illicit activity speak to the making of Chinese capitalism in historical rupture and continuity?

I argue that the World Drifters' exploitation of state resources to nourish illicit businesses signifies a formula of prosperity—an art of appropriating governance to navigate the inconsistencies between old socialist institutions and new reformist ones. These institutional inconsistencies emanated from a series of municipal reforms in late 1980s and early 1990s, which encompassed the unsettled state-business complex, the new ad-hoc market apparatus with centralizing traits, the absentee market oversight with the state formalistically “retreating” from the economic realm, and a law enforcement sector overwhelmed by subcontracts and fragmentation. By undermining the state's presence in both its ambiguous new institutions and outdated structures, World Drifters infiltrated political organs and market apparatuses over the course of the 1990s. They “drifted” between two worlds—dysfunctional state institution and an increasingly marketized society—by transferring material, labor, power, and meaning from the first to the second. Chapter 1 explores Ma'anshan's urban institutional reform in late 1980s and early 1990s and tracks how it failed to unknot the state-business complex in bureaucratic organs, entrepreneur organizations, infrastructure network, and outsourcing of state-owned assets. Chapter 2 tracks how from late 1980s to the 2000s, organized crime and informal economy thrived from institutions discussed in Chapter 1, co-evolved with them, and altered

them. Chapter 3 reveals how institutional dysfunction negated the efforts of policing these organized crimes.

This thesis's focus on World Drifters in post-socialist China was inspired by secret society studies, one of the most perennial subfields in sinology. Scholars from various disciplines within the structuralist tradition have explored how secret societies in China have substituted for, challenged, and conferred authority upon state power during the modern era. Joseph Esherick's seminal work on Boxer Rebellion elucidates how peasant organizations in northern China responded to a surging external crisis of imperialism with folk militanism. Elizabeth Perry, looking at the same region, explores how violent groups worked as the locals' surviving strategy amidst the series of political and ecological disasters in late 19th and early 20th century.⁸ This body of historiography spans chronologically from the 18th century to the 1940s and thematically from municipal administration to rural order.⁹ More or less, the literature views secret societies as barometers of the boundaries of state power and its legitimacy within society.¹⁰

While the socialist period (1949-1978) was largely devoid of scholarship on secret societies due to the dominance of the formal state apparatus, recent work by business historians has begun to uncover the scope and significance of the informal economy in socialist China.¹¹ The erratic institutional arrangement of reform era (1978-present) shed a light on a novel

⁸ See Esherick, Joseph. *The Origins of the Boxer Uprising*. University of California Press, 1987 & Perry, Elizabeth J. *Rebels and Revolutionaries in North China, 1845-1945*. Stanford University Press, 1980.

⁹ See Naquin, Susan. *Millenarian Rebellion in China: The Eight Trigrams Uprising of 1813*. Yale University, 1974. Wakeman Jr, Frederic. *Policing Shanghai, 1927-1937*. University of California Press, 1995. & Wang, Di. *Violence and Order on the Chengdu Plain: The Story of a Secret Brotherhood in Rural China, 1939-1949*. Stanford University Press, 2018.

¹⁰ Whether a "civil society" or "public domain" outside of state control existed in late imperial and modern China was a underlying concern behind these scholarships. Rituals and genealogy of secret societies were the more "cultural" themes in the field. See Ownby, David. "Recent Chinese Scholarship on the History of Chinese Secret Societies." *Late Imperial China* 22, no. 1 (2001): 139-158.

¹¹ Frost, Adam K. "Reframing Chinese Business History." *Business History Review* 96, no. 2 (2022): 280-282.

possibility of unearthing state-society relationship through the lens of criminal actors. While organized criminals of the reform era cannot be seen as identical to their secret societies counterparts in the 19th and early 20th century, they too constitute a niche of historical inquiry into the diachronic fluctuation of state power and the syncretic changes occurred in the newborn sectors of the society: streets, privatized factories, and bazaars.

The resurgence of nonstate violent specialists who wield critical influences on urban institutions provides an opportunity to reevaluate historical agency. Since the 1990s, scholars of humanities and social sciences have waged debates over who drove China's post-socialist changes, which has been divided along the central agency versus local agency line. The former camp emphasizes how national leaders' designs, as described by historian Ezra Vogel, “presided over a fundamental transformation of China itself—the nature of its relation with the outside world, its governance system, and its society.”¹² The latter viewpoint recognizes the role of innovative local politicians, adventurous bureaucrats, and their open-minded patrons in Beijing who advocated for new policies and supported businesses.¹³ Political scientist Jean Oi, for instance, demonstrates how village and township officials practiced a “local state corporatism” by raising funds, circulating capital, and managing credits to foster rural industrialization.¹⁴ As Elizabeth Perry points out, the reform meant not only top-down

¹² Vogel, Ezra F. *Deng Xiaoping and the Transformation of China* (Cambridge: Harvard University Press, 2011), 693.

¹³ See Gewirtz, Julian. *Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China*. (Cambridge: Harvard University Press, 2017), 125-133. Gewirtz shows how foreign economists co-authored the crucial economic policies with Chinese technocrats. Barry Naughton periodizes the reformist state into an era of power decentralization (1978-1993) and an era of recentralization (1993 and after). See Naughton, “A Political Economy of China’s Economic Transition” in *China’s Great Economic Transformation*, 92. Julian Gewirtz also notices how non-centrist intellectuals and cadres engaged in the debate of radical political reform in the 1980s. See Gewirtz, *Never Turn Back: China and the Forbidden History of the 1980s*, 161-175. Elizabeth Perry and Merle Goldman’s edited compilation also seeks to highlight the role of grassroots agents and informal institutions in facilitating China’s change. See Perry, Elizabeth J., and Merle Goldman, eds. *Grassroots Political Reform in Contemporary China*. Vol. 14. Harvard University Press, 2009.

¹⁴ Oi, Jean C. “The Evolution of Local State Corporatism.” “Fiscal Reform and the Economic Foundations of Local State Corporatism in China.” *World Politics* 45, no. 1 (1992): 99–126. Local state corporatism since became an intensively debated topic in the field for a time.

engineering but also “substantial renegotiation of state-society relations at the grassroots level.”¹⁵

I take a step further to debunk the statist narrative and reveal that even the local state simply created preconditions, oftentimes inadvertently and by administrative incompetence or mismanagement, that allowed a socioeconomic system of illicit activities to thrive and constitute what is retrospectively perceived as a prosperous market economy. Following the insights of political scientists Yuen Yuen Ang and Kelle S. Tsai,¹⁶ I see state and society in post-Socialist China as co-evolving, challenging, responding with, and adapting to each other all the time. It was in this co-evolving dynamic that secret societies “drifted” between the two and maneuvered institutional dysfunction into their own paradigms of business and governance.

Organized criminals’ agency in transitioning economies was not unnoticed by criminologists. Building on Diego Gambetta’s seminal work on the Sicilian mafia, a string of “mafia” studies tracks how organized crime groups, despite being in different nations, offered institutional services that the state and other formal organizations were incapable of, which renders them parallel social function to the Sicilian mafia. Federico Varese and Vadim Volkov’s respective works on the Russian post-socialist mafias, for instances, both reveal how mafias helped with property right protection and credit maintenance in the country’s newly marketized economy.¹⁷ Also from the criminological tradition, Peng Wang’s monographic study of organized crime in reform-era China argues that such criminal activity arises from both state

¹⁵ “Introduction” in Perry, Elizabeth J., and Merle Goldman, eds. *Grassroots Political Reform in Contemporary China*. (Cambridge: Harvard University Press, 2009): 14.

¹⁶ See Ang, Yuen Yuen. *How China Escaped the Poverty Trap* (Ithaca: Cornell University Press, 2018), 3-4 & Tsai, Kellee S. “Evolutionary Governance in China: State–society Interactions Under Authoritarianism.” In *Evolutionary Governance in China*, 5. Harvard University Asia Center, 2021.

¹⁷ See Varese, Federico. *The Russian Mafia: Private Protection in a New Market Economy* (Oxford: Oxford University Press, 2001), 3-6. & Volkov, Vadim. *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002), 20-23.

failure and economic cronyism embedded in social relations, subsequently thriving through these dual mechanisms.¹⁸ While the “mafia-study” criminologists relies on models that presuppose the failure of post-socialist statecraft, this thesis historicizes that failure by returning to the statesmen’s initial blueprints and voyages of urban reform, from which institutional disintegration gradually occurred.

It was precisely the under-determination and redirection of statist project, not its steadfast completion, that *acted out* the “reform” as a historical event on the ground level. In this way, organized crime became a deeply problematic yet indispensable type of momentum behind China’s transition. Using Bruno Latour’s Actor-Network-Theory, I discover agency from organized criminals as an unwitting interjection to China’s grandeur reform project. According to Latour, social scientists should not “conflate all the agencies overtaking the action into some kind of agency— ‘society’, ‘culture’, ‘structure’, ‘fields’, ‘individuals’” but should identify agency as “a surprise, a mediation, an event.” The essence of agency derives from “under-determination of action, from the uncertainties and controversies about who and what is acting.”¹⁹ Organized criminals’ impulse to profit, monopolize and control under-determined the statist design on the organization of bureaucracy, market infrastructures, and price mechanisms.

What the transition means to ordinary Chinese citizens has been controversial. In his 1986 work, Andrew Walder contends that a generic “institutionalized clientelism”, which he calls Communist Neo-traditionalism, would continue to prevail in state-owned factories after the

¹⁸ Wang, Peng. *The Chinese Mafia: Organized Crime, Protection, and Extra-legal Protection* (Oxford: Oxford University Press, 2017), 11-12.

¹⁹ Latour, Bruno. *Reassembling the Social: An Introduction to Actor-network-theory*. (Oxford: Oxford University Press 2007), 45.

reform.²⁰ I show that through corruption and collusion in illicit activities, such institutionalized clientelism permeated beyond the factory floor and extends to the bureaucracy and the private sectors of economy, which eventually impacted, oftentimes harmfully, livelihoods of normal residents. On the other hand, Jacob Eyferth rejects a “universal, totalizing logic” of Chinese labor culture and questions the “unproblematic Chinese workplace” by repudiating both narratives that portray laborers as unproblematic and hyperproductive and narratives that depict them as deficient and incapable individuals.²¹ Chasing that insight, this thesis tells the life history of how in the reform era, Ma’anshan’s incorruptible urban worker population in state rhetoric could pragmatically engage in illegal activities out of self-interest. The contrast does not entail a cliché of moral degeneration. Rather, it points to more profound historical transformations—erosion of socialist norms, remodeling of property concepts, retreat of statist meaning system from worker’s everyday politics etc.— that happened on the individual level.

Lastly, I hope my detailed account of the turbulent landscape in a steel town could pave the way for a more universalizing project that integrates China’s transition to the decline of what Joel Andreas terms the “global era of industrial citizenship”.²² During this period of decline, industrial communities across the planet, from Baltimore to Magnitogorsk, Tbilisi to Ma’anshan experienced a synchronous outburst of corruption and collective violence. Political scientists have examined the profound impact of organized crime on the former Eastern Bloc over the past three decades,²³ some even claimed countries had their institutions hijacked by

²⁰ Walder, Andrew G. *Communist Neo-traditionalism: Work and Authority in Chinese industry*. (Oakland: University of California Press, 1986), 223-230.

²¹ “Introduction” in Eyferth, Jacob, ed. *How China Works: Perspectives on the Twentieth-century Industrial Workplace* (Oxford: Routledge, 2006), 11-14.

²² Andreas, Joel. *Disenfranchised: The Rise and Fall of Industrial Citizenship in China*. (Oxford University Press, 2019), 231.

²³ Such effort is represented by political scientist Loise Shelley and affiliated scholars. See Shelley, Louise. *Dirty Entanglements: Corruption, Crime, and Terrorism*. Kupatadze, Alexander. *Organized Crime, Political Transitions and State*

organized criminals and evolved into “gangster states” during that process.²⁴ However, few have incorporated China into the narrative. The case of Ma’anshan, a lesser famous industrial city in the Chinese interior, exemplifies to how the crescendo of organized crime could be intrinsically linked to the global regime change—reformulation of the state and disembedding of market from the society—at the dusk of Cold War.

Method and Archives

While historians and social scientists working on crime and legality in People’s Republic of China (PRC, 1949-present) have extensively used archives, statistics, and academic reports from the national level,²⁵ I intend to supplement these sources with qualitative evidence from fieldwork in the locality. Starting in summer 2021, I began to approach members of Ma’anshan’s underworld through personal and family connections. After I revealed the nature of my project—that it will be my undergraduate thesis in an American university, written in English, and only discussing crime cases that had already been prosecuted—some of these individuals agreed to do an interview with me. I then followed the chain of referral and met more people. None of my interviewees referred to themselves as “gangsters (*heibang*)” or “secret society members (*heishehui*)”. Instead, they used argots (see Chapter 2) like “World Drifters”, “people of the society (*shehui*)”, and hooligans (*liumang*). Notwithstanding the euphemism, they were involved in one kind of organized crime or another. I asked them about their personal history, history of the famous cartel bosses, and how were the illicit businesses

Formation in post-Soviet Eurasia. & Varese, Federico. *The Russian Mafia: Private Protection in a New Market Economy.*

²⁴ Hirschfeld, Katherine. *Gangster States: Organized Crime, Kleptocracy and Political Collapse.* (Springer, 2015). 12.

²⁵ To name a few, see Michael Dutton, *Policing Chinese Politics: A History.* Duke University Press, 2005. M. Klaus. *Criminal Justice in China: A History.* Harvard University Press, 2009. Trevaskes, Susan. *Policing Serious Crime in China: From 'Strike Hard' to 'Kill Fewer'.* Routledge, 2012. & Bakken, Børge. *Crime and Control in China: The Myth of Harmony.* John Wiley & Sons, 2022. In these works, central government documents, released statistics from national bureaus, and reports/statistics from academic journals relating to public security are widely used with critical lenses.

operated.

After three summers (May-July 2021; June-July 2022, online interviews; June-August 2023) of field work, I managed to conduct semi-structural and informal interviews on 17 organized criminals, 2 police officers, and 2 government officials with their consent and full knowledge of the project. Officer Jin Xiao (pseudonym) was kind enough to offer his 1200 pages personal memoir that had only been published and circulated privately. I revisited some interviewees in 2022 and 2023. I offered gifts, expanded contacts, and became friends with some of them. To avoid repercussions, I will only use pseudonyms when citing these interviews. I only use real names for people who were either prosecuted or else who were named in public investigations.²⁶

I follow what sociologist David Brotherton calls a “Critical Ethnography of the Gang” by avoiding pathological/exoticizing representations of the interviewees and positioning their contradictory agency within the problematic social structures.²⁷ I also uphold the historians’ cognizance of the biases embedded in the interview data, in this case, the tendency to exaggerate the influence of oneself or one’s affiliated crime groups. I try to de-filter the information by juxtaposing multiple interviews and scrutinizing the archival sources.

Another segment of my sources are local gazetteers, newspapers, court papers, and government archives. Historians of premodern China have thorough knowledge of these local documents and see them as information collectors for the central state, propaganda of the local

²⁶ Since the cartel cases have been prosecuted, using their real names cause no more trouble for my interviewees. However, some of the officials involved in the collusion are still in power or, if retired from official positions, retain their influences. I mark the officials’ pseudonym when using them.

²⁷ Brotherton, David C. “Studying the gang through critical ethnography.” In *The Oxford Handbook of Ethnographies of Crime and Criminal Justice* (Oxford: Oxford University Press, 2021): 228.

state, embodiment of local elite culture, and tools for regional identity formation.²⁸ I read post-socialist China's local documents with the same insight and interpret them as faithful record on how institutional actions were initiated by the local state, but not how these actions impacted the whole society. Moreover, I cross-examine them critically with the anecdotal stories from the oral history interviews. A good-enough oral history challenges the statist narrative, and, in historian Gail Hershatter's words, "is available to reinterpretation; it can be woven into many larger narratives."²⁹ Anecdotal stories and official documents in the local, once woven together, become mutually reinterpetive: they enable critical positivism and a novel historical narrative entrenched in the (dis)information of PRC's official discourses.

²⁸ See Dennis, Joseph R. *Writing, Publishing, and Reading Local Gazetteers in Imperial China, 1100–1700*. BRILL, 2020 & Bol, Peter K. "The Rise of Local History: History, Geography, and Culture in Southern Song and Yuan Wuzhou." *Harvard Journal of Asiatic Studies* 61, no. 1 (2001): 37-76.

²⁹ Hershatter, Gail. *The Gender of Memory: Rural Women and China's Collective Past*. (Oakland: University of California Press, 2011), 3.

I. Urban Reform in the Hinterland

In 1978, the Chinese Communist Party initiated a monumental campaign aimed at merging a free market economy with various forms of state intervention, a process that continues to this day. From 1978 to 1984, the reform first swept coastal cities in the forms of Special Economic Zones (SEZs) for international trade, and rural areas in the forms of privatizing land property rights. Notwithstanding the scope of the campaign, the vast urban space in the Chinese interior had only finite participation and conceded developmental resources to coastal cities under the country's "Ladder Step Doctrine".³⁰ In the central province of Anhui, the Secretary of Province Wan Li had become a pioneer of radical land reform as early as 1979. Nonetheless, municipal, county, and township cadres were cautious about changes. Like many other places in Anhui, major reforms in Ma'anshan were confined to de-collectivizing agricultural production in neighboring countryside areas before 1984.³¹ The city's adjacent rural areas like He County and Dangtu County didn't even complete land reform until 1982 and 1983.³² The uncertainty of Anhui's reform in the early 1980s was encapsulated in a saying among lower-level cadres: "Jiangsu's policy is stable, Shandong's policy is ruthless, and Anhui's policy is a donkey wallop."³³ Indeed, the incompetence and frustration embedded in the phrase "donkey wallop" epitomized the relative disadvantage in the reform's backcountry compared to coastal SEZs, both in terms of political support and foreign capital. The scarcity of external resources shaped

³⁰ "tidu fazhan". Since the late 1990s, social scientists and historians have noticed the regional disparities in reform directed by state strategy. See Yang, Dali L. *Beyond Beijing: Liberalization and the Regions in China*. Routledge, 2012. 27-28. & Friedmann, John. *China's Urban Transition*. University of Minnesota Press, 2005. 22-26.

³¹ Xu Qing, "zhenfenjingshen ruiyijinqi jiandingbuyide ba gexiang gaige jinyibushenru" in *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 33-34.

³² Interview with a former cadre at He County Government's trade company, interview by Zhengzai Pei, July 4, 2023.

³³ Ibid., "江苏政策稳，山东政策狠，安徽政策驴打滚". For more about the uncertainty of reform in Anhui, see "wei nongcungaige wuhui pinbo de zhouri li" in *China Reform Database*, <http://www.reformdata.org/2008/1015/8009.shtml>, accessed August 7, 2023.

the story of path dependence.

In 1985, when reform planners in Beijing finally decided to extend these reforms to inland cities, the city leadership of Ma'anshan volunteered to become one of the sixteen experimental sites.³⁴ Ma'anshan's "local state" comprised both the municipal administration (party committee and government) and Ma'anshan Iron and Steel Company (MISC) with its behemoth network of affiliated factories, mines, and agencies. For the municipal administration, the term "urban institutional reform (*chengshi jigou gaige*)" had dual implications: it involved the restructuring of government organs and the establishment of a market apparatus. The former entailed reallocating powers to control society and regulate the economy among personnel within the bureaucracy, while the latter focused on fostering entrepreneurship, implementing rules, and developing infrastructure networks within a commodity-based market. In the first seven years (1985-1992) of urban reform, the municipal administration was carrying out both reforms with the cardinal principle to get rid of institutions "with no separation of government and enterprise."³⁵ In other words, the administration refused to institutionalize the intermediary functions and authorities shared by government organs and market apparatus and believed that it was creating two unrelated systems. However, amidst the chaos of the reform era, the municipal administration had other compelling priorities that outweighed the slogan to keep government away from business: to stabilize the volatile dual-track price system, to cultivate export-oriented local business, and to feed its citizens. These priorities fueled institutional inertia for municipal administration to preserve its state-enterprise complex that

34 Zhang Zhenguo, "Ma'anshan shi jigou gaige chujianchengxiao" *People's Daily*, 1987, July 30. As cited in *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 10.

35 *Ibid.*, 10.

had existed for decades, mobilize government organs and market apparatus for state agendas, and gradually deviate from the promise to separate government from enterprise.

When Ma'anshan Iron and Steel Company (MISC), the city's largest SOE and economic cornerstone, embarked on total reform in 1988, it followed the same trajectory to depoliticize factories and outsource management organs—both of which used to be agencies where state and business intertwined. The transformation yielded a disenfranchised working class alienated from their labor and a corrupted leadership prone to bribes and collusion.

Ironically, the local state's refusal to formalize the inherent intermediacy between the state and business allowed this intermediacy to permeate both systems in informal and unexpected ways. While the state sought to impose regulatory laws on the emerging market apparatus, the demands of the free market influenced political organs. Throughout the 1990s, the market apparatus deteriorated into hubs of criminal activity as state officials centralized profits there and diverted their policy priorities elsewhere. Meanwhile, under pressure to function as self-sustaining market entities, political organs within the municipal administration and MISC became vulnerable to corruption. Ultimately, Ma'anshan's urban reform gave rise to a class of absentee market overseers and created fertile ground for economic criminal activity to flourish.

1.1. Restructuring Government Organs: Bureaus, Companies, and Commissions

The “institutional reform” of the past focused on institutions per se. We had 37 years of experience in the cycle of separation and unification. Once the institutions are downsized, the staff increases, and the cycle continues. This time we launch the reform with a clear leading ideology to activate enterprises and entrepreneurial cells as well as to liberate productivity. This reform is conducive to the separation of government and enterprises, to the improvement and strengthening of the Party's leadership, and to the expansion and decentralization of power to enterprises and the revitalization of enterprises.

--Deputy Secretary of Anhui Province Lu Jingrong, in his 1987 visit to Ma'anshan

As a communist party cadre, Lu's perspective on reform mirrored that of a modern developmental economist during his 1987 visit to advise the local Ma'anshan administration. He conceptualized the term “institution” not only in the context of individual organs but also as a normative order that governed society, acting as a “constraint to human interactions”.³⁶ By emphasizing that “entrepreneurial cells” mattered as much as “institutions per se (*jigou*, government organs)”, Lu had implied a holistic view of the reform that considered economic changes inseparable from the political. For the reformist bureaucrats like him, the notion of plural “institutions” (*jigou*) seemed to be transforming into the singular “institution” (*zhidu*). However, paradoxically for Lu, the goal of this holistic reform was “the separation of government and enterprises”, as if the profound connection between political and economic sectors in a socialist factory town can be immediately eradicated. This blueprint was implemented faithfully by Lu's supervisee, mayor of Ma'anshan Zhou Yude. In his 1987 reform plan, Zhou strived to outsource as many state-owned enterprises to individual managers as possible. Yet, Zhou emphasized placing these enterprises under the supervision of restructured government organs.³⁷ At this initial stage, statesmen like Lu and Zhou were rather imprudent

³⁶ North, Douglass C. “Institutions.” *The Journal of Economic Perspectives* 5, no. 1 (1991): 97–112. <http://www.jstor.org/stable/1942704>.

³⁷ Zhou Yude, “zhengfu gongzuo baogao” in *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 51.

and self-contradictory about urban institutional reform. In their Kafkaesque vision, the government should have only minimal and subtle links to the enterprises, but it should impose decisive influences on enterprises if necessary.

This all-encompassing state desire was epitomized by the municipal administration's strategy known as "removing bureaus and companies to build commissions."³⁸ Bureaus referred to organs that specialized in regulating sectorial industries and planning economic tasks, while "companies" in the administrative system were business agents directly commanded by the city government. Contrary to the specialized functions of bureaus and companies, commissions were decision-makers who wielded power abstractly. From 1985 to 1987, the Ma'anshan city government integrated the powers of most bureaus and companies to the Economy Commission and Commerce and Trade Commission.

Ideally, reconstruction would eliminate the bureaucratism of "mid-level powers" and liberalize the regulatory sectors of the economy by enabling enterprises to "face supervision and inspection bodies directly".³⁹ Since late 1984, most state-owned enterprises in Ma'anshan, including State-run Corporations that would later become subordinates of the Commerce and Trade Commission, had claimed managerial power from city government and fiscally delinked themselves from the government.⁴⁰ When the Commerce and Trade Commission was founded in September 1987, it aimed at "moving from micro-management to macro-control" and delegating managerial powers to the enterprises,⁴¹ granting State-run Corporations more

³⁸ Ni Zhimin & Fu Changyu, "jiji de tansuo chengong de gaige—Ma'anshan shi jigou gaige jishi" in *Anhui Ribao* [Anhui Daily], September 22, 1987. As cited in *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 15.

³⁹ *Ibid.*, 15-18.

⁴⁰ Xu Qing, "zhenfenjingshen ruiyijinqu jiandingbuyide ba gexiang gaige jinyibushenru" in *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 34.

⁴¹ *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 284-285.

independence in principle. Compared to bureaus, the Economy Commission's Sectorial Offices contained fewer subordinate organs, making it easier for enterprises to get their licenses and permissions from any of the offices without having to go through multiple procedures of approval. Deciding what an enterprise can or cannot do used to require inter-bureau negotiations, but now it could be discussed and decided just by officials within the Economy Bureau.⁴² In other words, commissions were not supposed to deal with trivial details of economic regulation but only make grand decisions. On paper, the reform did cancel the redundant intermediary organs and decentralized powers of economic regulation.

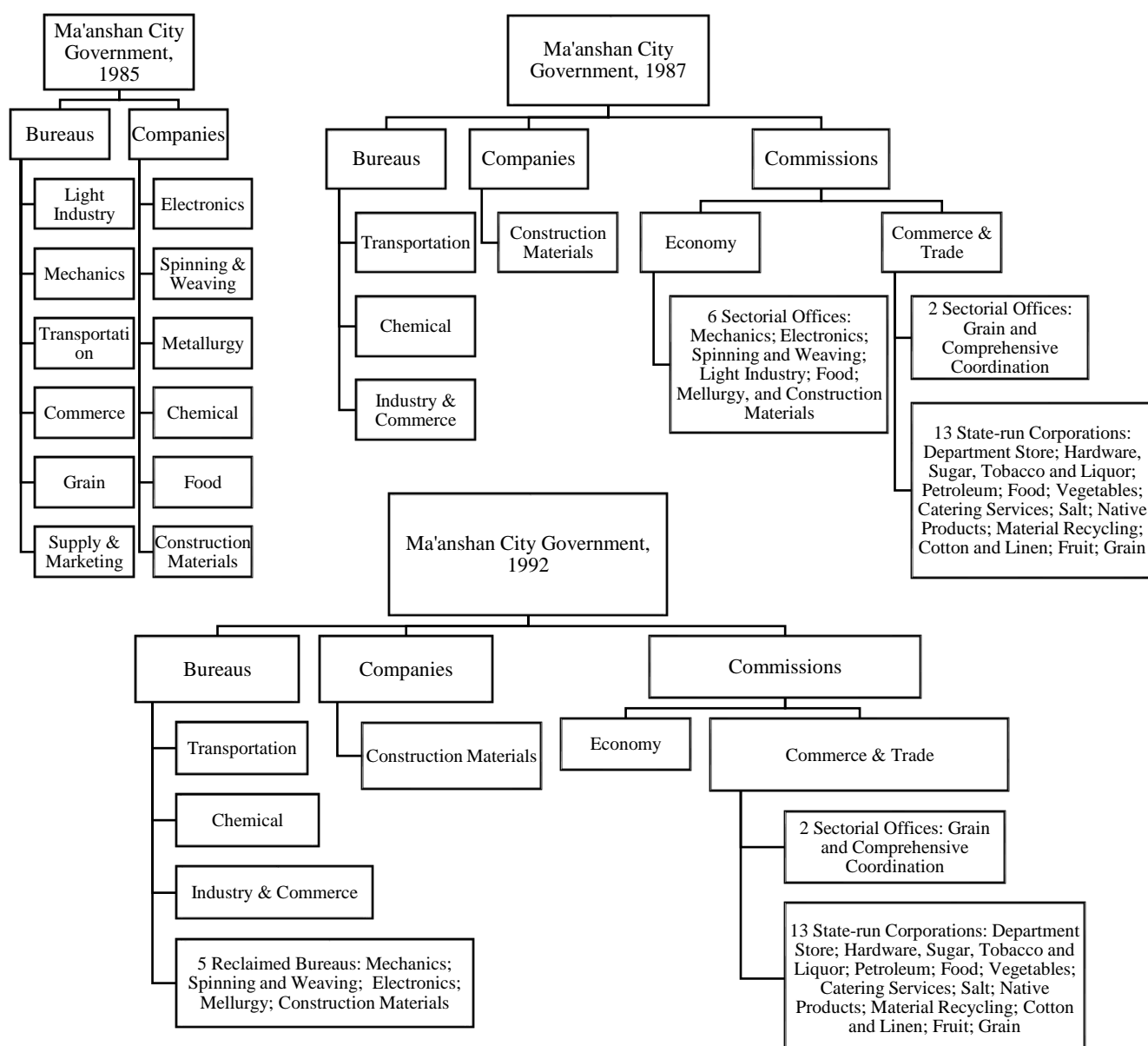
However, the new government organs found themselves quickly tasked by their superiors with coordinating economic activities, this time within a commodity-based market. From 1987 to 1992, bureaus, companies, and commissions all engaged in safeguarding the dual-track price system, forming business conglomerates to bolster exportation, and building market infrastructure networks with centralizing traits. In this first phase of the reform, government organs' deep involvement in shaping market apparatus was not subject to established laws or institutional arrangement, but rather susceptible to the immanent economic needs. As shown in Table 1, the 1987 reform disbanded several bureaus and companies and gave their power to the Sectorial Offices under the Economy Commission. In 1992, however, the city government removed the 6 Sectorial Offices and reclaimed the bureau status for 5 of the sectors that were considered significant to put heavy regulation on. Meanwhile, the Commerce and Trade Commission continuously assigned governmental missions to the 13 State-run Corporations. Among these missions, the Food Basket Project would become a game-changing move that

⁴² Ibid., 326.

centralized the market of agricultural products for organized criminals to plunder.

The changing status of commissions, companies, and bureaus demonstrated the inconsistency of “the separation of government and enterprises” or eliminating mediacy. Instead of clarifying to whom the “mid-level powers” to regulate business belonged, the municipal administration allowed multiple organs to arbitrarily pass such powers around. The result was the government organ’s dictation in the early stage of establishing a commodity-based market and irresponsibility in the long run.

Table 1. Restructuring of Ma’anshan Government Organs, 1985-1992



Sources: *Ma'anshan nianjian*, [Ma'anshan Yearbook], 1988-1993. In 1991, the government removed Sectorial Offices and reclaimed bureaus, see *Ma'anshan nianjian* 1992, 192-204. The "Company" status of Construction Materials sector had been kept since 1985, but the Sectorial Office of Construction Materials was created in 1987 and replaced by bureaus in 1991. The graph only shows government organs that had been changed.

1.2. Shaping Entrepreneurship: Individually Owned Firms, State-run Corporations, and Conglomerates

What does an enterprise mean? Who is an entrepreneur? These were the pressing issues urban bureaucrats faced when trying to reengineer the entire economy. In the socialist era, an enterprise was an economic unit, political domain, and social community, while an entrepreneur was the embodiment of state will, a cadre, manager, and worker, all in one. In the reform era, despite the ostensible delegation of managerial power to individuals, entrepreneurship continued to intertwine with state-business complex and continued to be influenced by state agendas. The municipal administration's failure to attain real changes was exemplified in the respective economic roles played by three major elements of entrepreneurship: Individually Owned Firms (*getihu*), State-run Corporations (*guoyingshangye*), and Conglomerates (*jituan*).

In 1979, the municipal administration lifted bars on individual trading after the national government alleviated its former restrictions on the private economy. In 1984, the national government abolished unified government purchase of agricultural products from peasants, which allowed a massive inflow of grain, meat, and vegetables from adjacent countryside to urban Ma'anshan, bolstering the newly liberated commodity market.⁴³ Starting in 1985 when the city government began to attenuate its regulatory power, Individually Owned Firms prospered and boosted six times in number over two years.⁴⁴ The definition of Individually Owned Firms was not very clear, but roughly included small business owners who were traders selling agricultural products from the countryside, catering industrialists, handcrafters, grocery

⁴³ *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 79-81.

⁴⁴ *Ibid.*, 82-83.

dealers, repairers, and porters. A burgeoning private sector was, for a brief period, characterized by vendors and carrying polls scattered along the city's main roads. Rural traders brought food with local specialties to urban residents, while handcrafters provided the rare tailoring service to the city's industrial population.⁴⁵ However, this decentralized model of commodity exchange did not last for long.

Despite the promise to delegate managerial power, the newly founded Commerce and Trade Commission soon turned from by-design a passive and uninterested decision-maker to the managerial arbitrator of Individually Owned Firms and State-run Corporations. This transformation was prompted by exigency: Since 1984, China established a dual-track price system in which the state set a price for certain products, usually those of high value, and allowed the market to mark a price for other products. In 1988, to further liberate the market, the national government attempted to remove such price regulation and enable market price for all products, only to suffer nationwide inflation and panic buying of subsistence.⁴⁶ Stabilizing the price and supply of life necessities thus became a priority for governments of all levels.

Commerce and Trade Commission sent agents of State-run Corporations to other areas and import large quantities of products for Individually Owned Firms to distribute and sell in Ma'anshan. In 1988, one year after its establishment, the Food Corporation under the Commission purchased 41895 pigs from nine provinces; the Salt Corporation purchased 10201 tons of salt from three provinces and sold them at a lower price in Ma'anshan; the Vegetable Corporation granted subsidies to vegetable farmers in the suburbs to encourage selling products

⁴⁵ Ibid., 83-84.

⁴⁶ Meisner, Maurice, *Deng Xiaoping Era: An Inquiry to the Fate of Chinese Socialism, 1978-1994* (New York: Hill and Wang, 1996), 386-388.

to the city at a lower price.⁴⁷ Although Individually Owned Firms were expected to function as distribution channels in these procurement missions led by the Commission, they were by no means equal partners. A manager of an individually owned trade company in He County of Ma'anshan recalled:

I was told by my superiors to transport in [to the county] whatever but humans, guns, bullets, and artillery.

Yet:

I didn't have the guts to do that after 89'. When I was importing agricultural materials (*nongyeziliao*), I had to deal with sons of commanders of Nanjing and Shanghai's military regions and get a supply of goods from them. When I was borrowing loans from banks, I had to sign my own name, not the name of the trade company. I did not have an official seal, for my company wasn't officially affiliated with the Commerce & Trade system (*shangmaoxitong*) or the Supply and Marketing system (*gongxiaoxitong*)...⁴⁸

The manager's unpleasant adventure with the crooked children of corrupted officials adumbrates how the procurement missions could take place through informal channels. It also shows how the state-led nature of these missions could easily override the will of the actual owners of Individually Owned Firms.

When the conservative faction of the national government temporally came to power after the crackdown of 1989 the democratic movement, the centralizing features of the entrepreneurial system escalated. In 1990, the Commerce and Trade Commission emphasized the role of State-run Corporations as "primary channels" and called for "external purchase and internal association, unified purchase and distributive sales".⁴⁹ To achieve that, the Commission built wholesale stations under the State-run Corporations to purchase products from other areas and distribute through retail stores, which were often individually owned.

⁴⁷ *Ma'anshan nianjian 1989* [Ma'anshan Yearbook 1989], 305-307.

⁴⁸ Interview with a former cadre at He County Government's trade company, interview by Zhengzai Pei, July 4, 2023.

⁴⁹ *Ma'anshan nianjian 1991* [Ma'anshan Yearbook 1991], 197.

Employees of the Corporations also attended “supply gatherings” in other cities and sought opportunities to export for domestic enterprises, both state-owned and individually owned.⁵⁰ Bulk trading in a unified channel (possibly formed through collusion) was the most viable way for commercial activities.

Also gravitated by state agendas in the late 1980s and early 1990s, establishing conglomerates, hence horizontal monopoly, had become the quintessential way for doing business. In its white paper for strategic development in the 1990s, the Ma’anshan city government highlighted “horizontal economic association” as the quintessential means to pivot the integration of economic resources.⁵¹ To achieve this goal, government organs regained their power to intervene with the economy and became themselves major builders of business monopoly. The Supply and Marketing Cooperative was abolished in the 1985 reform. In 1991, the municipal administration restored its status. The Cooperative took over some of the Commerce and Trade Commission’s functions and engaged in procurement missions to import pesticides, fertilizers, and farming tools.⁵² A year later in 1992, the Cooperative again renamed itself “Ma’anshan Supply and Marketing Corporation”, proposed stepping “towards entrepreneurial conglomerate”, and expanded its procurement businesses to metal recycling, auctions & pawns, and textiles.⁵³ In some sense, the Supply and Marketing Corporation was the precursor to city’s many state-owned and private conglomerates in the decades to come. In the late 1990s, the municipal administration blatantly declared “forming conglomerates” as the primary focus of economic reform and encouraged mergers and acquisitions in both state-

⁵⁰ Ibid., 198-199.

⁵¹ Ibid., 44-47.

⁵² *Ma’anshan nianjian 1992* [Ma’anshan Yearbook 1992], 223.

⁵³ *Ma’anshan nianjian 1993* [Ma’anshan Yearbook 1993], 167.

owned enterprises and the private sector.⁵⁴

In the private sector, urban reform also yielded new social organizations to promote entrepreneurs' horizontal association. In the 1950s, the Chinese Communist Party used the Federation of Industry and Commerce as a platform to improve its relationship with handcrafters, entrepreneurs, and capitalists in support of socialist collectivization.⁵⁵ Ma'anshan's Federation ceased to exist during the Culture Revolution (1966-1976) and was not reactivated by the government until 1986.⁵⁶ Since its resuscitation, the Federation transformed from a mere communication channel between government and business to the preeminent hub for information and connection within the business arena. The Federation not only held the most prestigious social gatherings for businessmen of Ma'anshan, such as an Entrepreneur Council of a hundred that had a voice in local politics,⁵⁷ but also guided capital investment in and out of town: in 1988, the Federation began to reach deals in the coastal cities for its members. It also contacted overseas Chinese businessmen and attracted their investment in Ma'anshan.⁵⁸ From the democratic movement of 1989 to the crisis of mass unemployment in 1998, the Federation operated to incite Ma'anshan's entrepreneurs into collective actions, some were state-led, some were spontaneous and out of market incentives.⁵⁹ Entrepreneurs who joined the Federation cherished it as an opportunity to develop cross-sectorial and cross-regional business influences, since commerce chambers, divided by business fields and

⁵⁴ See *Ma'anshan nianjian 1996* [Ma'anshan Yearbook 1996], 43. & *Ma'anshan nianjian 1999* [Ma'anshan Yearbook 1999], 47.

⁵⁵ *Ma'anshan minzhudangpai yu gongshanglian jianzhi* [Brief History of Ma'anshan's Democratic Parties and Federation of Industry and Commerce], 644. This volume is composed by Municipal Committee of the Communist Party of China and the Chinese People's Political Consultative Conference of Ma'anshan City in 2016.

⁵⁶ *Ibid.*, 646-647.

⁵⁷ *Ibid.*, 649-650.

⁵⁸ *Ma'anshan nianjian 1989* [Ma'anshan Yearbook 1989], 195.

⁵⁹ *Ma'anshan minzhudangpai yu gongshanglian jianzhi* [Brief History of Ma'anshan's Democratic Parties and Federation of Industry and Commerce], 654 & 666. This includes indoctrinating the entrepreneurs during the 1989 movement and employing SOE workers who were dismissed of their life tenure contract.

entrepreneur's birthplaces, all belonged to the Federation.⁶⁰ Among the profiteers conniving, cooperating, and lobbying to local bureaucrats was one illicit iron tycoon Chen Xuezhong, publicly known as chair of Hanshan County's commerce chamber under the Federation.⁶¹

The nature of entrepreneurship in this initial phase of urban reform foreshadowed its kleptocratization later. When government organs and State-run Corporations launched large business operations, horizontal monopolizes grasped all the profits, and Individually Owned Firms turned preys.

⁶⁰ Ibid., 672 & 678-680.

⁶¹ Ibid., 679.

1.3. Infrastructures: Food Basket Project and Other Integrated Bazaars

Over half a century ago, American sinologist William Skinner observed that the new socialist regime in the 1950s was trying to “dispense altogether” the traditional periodic markets in rural China and replace them with market infrastructures run by state agents, such as the Supply and Marketing Cooperatives. Skinner believed that this communist attempt to “contain or constrain the interlocked network of natural marketing systems within the bounds of discrete administrative units” would inevitably fail.⁶² In some sense, the Chinese state in reform era inverted the 1950s process: its endeavor to harbor a natural marketing system—to build some kind of commodity market from nothing—began with creating an infrastructure network where products, raw materials, and distribution channels were integrated. These infrastructure networks were better translated as “integrated bazaars” (*jimaoshichang*), for they did aim at sustaining periodic markets based on autonomous consumer and merchant actions independent from state control. However, the integrated nature of infrastructures would shape the marketing system that emerged out of them by incentivizing monopolies. In the case of Ma’anshan, the Food Basket Project and other infrastructure projects eventually constituted cradles for extortion and smuggling (see Chapter 2).

The Food Basket Project was initially launched by PRC’s Ministry of Agriculture in 1988 to as a rationing program for agricultural products. In Ma’anshan, the project turned into the municipal administration’s ambitious trial to maintain the market nature of agricultural products in a framework of centralized production and distribution.

⁶² Skinner, G. William. “Marketing and Social Structure in Rural China: Part III.” *The Journal of Asian Studies* 24, no. 3 (1965): 371-374.

Confronted with the inflation and panic buying crisis of 1988, the city government was eager to find a stable source of agricultural supply aside from importation. In his 1989 work report, Mayor Zhou Yude called for “effective care for people’s food baskets” to mitigate the insufficient supply of agricultural goods to Ma’anshan. Zhou advocated government support to increase the number of livestock specialists among peasants and government construction of livestock farming bases.⁶³ From 1989 to 1992, led by the Commerce and Trade Commission as well as State-run Corporations, the Basket Project constructed large livestock bases and vegetable greenhouses in suburban Ma’anshan. In these bases, State-run Corporations uniformly provided livestock breeders and vegetable farmers with breeding animals and plant seeds of high quality.⁶⁴ The financial and technical support soon facilitated mass production. In 1991, the Project ran a pig farm that provides the urban area with 200000 pigs per year.⁶⁵

As the primary government organ responsible for overseeing the order of marketplaces, the Industry and Commerce Bureau worked together with the Commerce and Trade Commission to build an integrated distribution network to sustain agricultural mass production. In 1991, the Industry and Commerce Bureau obliterated the decentralized street economy by removing some 600 mobile vendors managed by Individually Owned Firms.⁶⁶ In replace of that, the Bureau invested 5 million Yuan from 1990 to 1992 (approx. \$71 million in 2023) to manufacture integrated bazaars in urban Ma’anshan.⁶⁷ In 1993 alone, the Bureau

⁶³ *Ma’anshan nianjian 1990* [Ma’anshan Yearbook 1990], 48-50.

⁶⁴ *Ma’anshan nianjian 1993* [Ma’anshan Yearbook 1993], 143.

⁶⁵ *Ma’anshan nianjian 1992* [Ma’anshan Yearbook 1992], 207.

⁶⁶ *Ma’anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma’anshan], 87.

⁶⁷ See *Ma’anshan nianjian 1991* [Ma’anshan Yearbook 1991], 229. 2.05 million Yuan. *Ma’anshan nianjian 1992* [Ma’anshan Yearbook 1992], 242. 1.5 million Yuan. *Ma’anshan nianjian 1993* [Ma’anshan Yearbook 1989], 190. 1.5 million Yuan.

invested 8 million Yuan.⁶⁸ The money for construction came from a variety of sources: Bureau's finance, city government's finance, and private investment. Once erected, the bazaars were usually large flat spaces with high ceilings. Each retailer was given a square position for their stalls. Starting in 1991, to sell anything in the bazaars, merchants—most of them Individually Owned Firms—had to display a business license, a hygienic license for their products, and a health license for themselves.⁶⁹ Contrast to the restrictions on Individually Owned Firms, the integrated bazaars prioritize State-run Corporations when allocating the stall positions.⁷⁰ An illicit economy would emanate from the dispersed financial sources, the joined profits, and the rentier landlordism of integrated bazaars.

⁶⁸ *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 5.

⁶⁹ *Ibid.*, 48.

⁷⁰ *Ma'anshan nianjian 1992* [Ma'anshan Yearbook 1992], 243.

Figure 3. Jinjiazhuang Agricultural Market



Source: Photo by the Author, August 14, 2023.

From 1994 on, the Basket Project dominated every moment in the production and circulation of agricultural products before the actual transaction happened. In 1995, all the meat stores in town were integrated into four newly constructed “wholesale bazaars” in four urban districts of Ma’anshan.⁷¹ Although named “wholesale bazaars”, these bazaars also included retail stores for urban residents’ everyday consumption. A year later, the city government combined the state-run milk factory, chicken farm, and pig farm to establish a conglomerate.⁷² In 1997, an equally integrated network for vegetable sales was completed by district-level governments.⁷³

⁷¹ *Ma’anshan nianjian 1996* [Ma’anshan Yearbook 1996], 121.

⁷² *Ma’anshan nianjian 1997* [Ma’anshan Yearbook 1997], 106.

⁷³ *Ma’anshan nianjian 1998* [Ma’anshan Yearbook 1998], 117.

Aside from agricultural products and the Basket Project, the modality of integration also permeated other forms of market infrastructures. The Material and Equipment Bureau was in charge of supervising the market of industrial raw materials. Through its affiliated State-run Corporations, the Material and Equipment Bureau engaged in some of the most luxurious missions to stabilize price and supply. In 1988, Ma'anshan Material and Equipment system had a total expenditure of 250 million Yuan (\$3.5 billion in 2023), which was used in procurement missions for steel, coal, lumber, and automobiles.⁷⁴ In 1987, the Bureau built an integrated bazaar for iron to bolster free circulation of steel products independent of Ma'anshan Iron & Steel Company's planned trading.⁷⁵ This liberalized sector of steel economy was further buttressed by a series of flourishing scrapyards across the city.⁷⁶ Following the strategy to "combine releasing with supplementing", the Bureau mediated the price of steel by acting as a "reservoir" of commodities and selectively buying and selling them.⁷⁷ For both industrial materials and agricultural products, statesmen strived to circumscribe voluntary commodity transactions with market infrastructures that had centralizing features. As political scientist Terry Sicular perceptively observed in 1988, regardless of the free trade's increasing scope, the Chinese state found alternative methods to maintain its market power.⁷⁸ Infrastructure network was one such method.

This fervor for state-led building of integrated marketplaces, however, was soon impeded by a backlash within the municipal administration. Since 1985, the fiscal delinking between the local government and its economic tentacles like state-owned enterprises had been the

⁷⁴ *Ma'anshan nianjian 1989* [Ma'anshan Yearbook 1989], 314.

⁷⁵ *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 291.

⁷⁶ *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 73.

⁷⁷ *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 292.

⁷⁸ Sicular, Terry. "Plan and Market in China's Agricultural Commerce." *Journal of Political Economy* 96, no. 2 (1988): 306.

cornerstone to urban reform. In 1994, the national government launched a reform that exchanged taxation power from local governments by offering more discretionary power on economic issues to them.⁷⁹ The ensuing fiscal pressure drove Ma'anshan government to outsource the abovementioned infrastructures to the private sector: in 1988, the Material and Equipment Bureau fiscally delinked with Ma'anshan Material Trade Center, the largest integrated bazaar for industrial materials in the city, while still deploying the Bureau's steel stockpiles to the center.⁸⁰ In 1994, the Commerce and Trade Commission turned Jinjiazhuang Agricultural Market, the largest integrated bazaar for agricultural products, to an experimental site of "state-owned and privately run" market infrastructure, allowing private entrepreneurs to manage the market through taking shares.⁸¹ In the end, the seed of market extortion was planted in the local state's aggressive yet ephemeral effort in infrastructure building and the abrupt outsourcing of them.

⁷⁹ See Chapter 5 in Pei, Minxin. *China's Crony Capitalism: The Dynamics of Regime Decay*. Harvard University Press, 2016.

⁸⁰ *Ma'anshan nianjian 1989* [Ma'anshan Yearbook 1992], 314-315.

⁸¹ *Ma'anshan nianjian 1995* [Ma'anshan Yearbook 1995], 44.

1.4. MISC and the Politics of Outsourcing

When the municipal administration was carrying out bold reforms, the city's linchpin SOE, Ma'anshan Iron and Steel Company (MISC), also commenced its industrial restructuring. From 1988 to 1994, MISC underwent monumental fragmentation where each of its subordinate organs—factories, mills, and mines—was outsourced to an individual contractor who managed the organs as self-sufficient business entities. While MISC relied on worker-based union organizations to enact these reforms in the first place, it soon disregarded the latter and turned to forging a professional and efficiency-maximalist mode of management. As a result, outsourcing not only alienated the SOE workers from their labor but also rendered the positions of factory leadership corrosive. That is to say, the system deprived workers of their incentives to maintain workplace discipline and ushered in profiteering behaviors.

In March 1988, the MISC signed a series of contractual protocols with its subordinate organs. Titled “Four Contracts, One Protection, and One Coupling Link” (*sibao, yi baohu, yi guagou*), the protocols set forth the rights and obligations for both parties: the subordinate organs were responsible for yields, quality, assortments, and processes of manufacture of their products (“Four Contracts”). In turn, MISC would support the subordinate organs with necessary equipment and materials (“One Protection”) and determine the wages of workers in a particular organ based on its productivity (“One Coupling Link”).⁸² As China's Enterprise Law (1988) was far from mature at the time, these protocols could only be formalized through informal bargains and negotiations happening among and between the newly appointed managers and workers. Collateral to this institutional demand was the political elevation of the

⁸² Ma'gang zhi bianjibu [MISC Gazetteer Editorial Board], *Ma'gang zhi*. [MISC Gazetteer]. 265.

All-Ma'anshan Federation of Trade Unions. For a brief period, the MISC leadership and reformers in the municipal administration saw unions as a critical toolkit to reach the working population and collect public opinion.

In 1989, the All-Anhui Federation of Trade Unions called for building the “community of interests” in SOEs to bolster the outsourcing policies.⁸³ The provincial organization’s counterpart in the city of Ma’anshan acted accordingly and initiated a plethora of investigation teams.⁸⁴ In 1991, these teams visited MISC and other major SOEs in the city, heard complaints from workshop floor, surveyed the debts of individual factories, and filed policy proposals to the municipal administration. Unions within the MISC also partook proactively in the industrial restructuring.⁸⁵ In No.1 Steel Mill of MISC, union members established five special committees to oversee the professionalization and technical upgrades in the production line.⁸⁶ The year 1992 saw the peak of union influence in industrial reforms, with managers and workers signing “Co-Protection Contracts” (*gongbao hetong*) that nominally evened the franchise between two parties. The Contracts declared the “Unification of managerial authority and the employees’ sense of ownership”. The managers and workers were supposed to “co-protect” the profits, technical upgrades, labor conditions, and workplace disciplines of the factories. For an individual SOE organ, all agendas had to be approved by a tripartite meeting

⁸³ Guofu Bian, “*guanchedangde shisanjie sizhongquanhui jingshen, tuanjie quansheng zhigong, fahui gonghui zuoyong, wei luoshi sijian dashi zuogongxian—zai anhuisheng zonggonghui bajie liuci changwei kuodahuiyi shang de jianghua (taolungao)*” [Implementing the spirit of the Fourth Plenary Session of the 13th CPC Central Committee, uniting workers across the province, playing the role of trade unions, and contributing to the implementation of the four major events - Speech at the Sixth Expanded Meeting of the Eighth Session of the Anhui Federation of Trade Unions (Discussion Record)], August 1989, J125-002-0454-0005, Ma’anshan Municipal Archives (hereafter cited as MMA), Ma’anshan.

⁸⁴ All-Ma’anshan Federation of Trade Unions, “*fahui zhengzhiyoushi diaodong yiqie jiji yinsu shi gaohao guoying dazhongxing qiye de jiben baozheng*” [Bringing political advantages into play and mobilizing all positive factors are the basic guarantees for the improvement of large and medium-sized State-run enterprises], December 25, 1991, J125-002-0330-0001, MMA, Ma’anshan.

⁸⁵ Ibid.

⁸⁶ No.1 Steel Mill, *Ma’gang yitiechang zhi 1986-1995* [MISC No.1 Steel Mill Gazetteer 1986-1995], 70.

attended by the manager, union leader, and communist party commissioner.⁸⁷ For a while, unions seemed to be the bones of industrial restructuring that attested to its compatibility with labor rights.

The underlying provisions of managerial power in MISC, however, spoke another truth. Although unions enjoyed political privileges during the beginning phase of the reform, managers and company authorities never ceased to encroach on the fiscal power of MISC. The first contractual protocols of 1988 enabled MISC company authorities to dictate the employees' wages ("One Coupling Link"). MISC's entrance to the stock market in 1993 furthered fiscal centralization. The Financial Department at the MISC headquarters could calculate each organ's ideal expenditure based on their productivity. It would then set a standard on the organ's revenue mission based on their expenditure. The organs had to meet that standard by first reaching a level of revenue and then paying a certain amount of its profits to the MISC. The Financial Department would then coordinate all the capital cashflows—that was, all the excessive funds eligible for investment—between subordinate organs.⁸⁸ Even though managers ran the individual organs, they were subjected to constant fiscal pressure imposed by the tributary revenue system. Ultimately, the managers would pass on this pressure on workers.

The No.1 Steel Mill was a telling example of how fiscal centralization revoked labor conditions: from 1987 to 1989, the manager of the mill gradually categorized workers into different strata as a basis of wage distribution. "Skilled" workers got promotions to a higher stratum. The stratum was semi-permanently fixed in 1990. After the shareholding reform in

⁸⁷ All-Ma'anshan Federation of Trade Unions, "gongbao hetong shixing banfa" [Trial Approach to Co-Protection Contracts], March 1992, J125-002-0383-0001, MMA, Ma'anshan.

⁸⁸ Ma'gang zhi bianjibu [MISC Gazetteer Editorial Board], *Ma'gang zhi*. [MISC Gazetteer]. 271-76.

1993, No.1 Steel Mill faced even greater challenges in keeping up with the productivity and revenue profits. In 1994, the manager formalized the system of skill-based wage, hence permanently abolishing the egalitarian wage system that had nourished No.1 Steel Mill for decades.⁸⁹ In 1993, the maximal bonus for a skilled worker to get in the mill was two Yuan per month,⁹⁰ about 2% of what they could earn out of a single petty theft operation to smuggle out couple pig iron ingots (see Chapter 2). Although there was no smoking gun on how fiscal centralization stimulated the managers' corruption, with the Financial Department's hold on capital cash flow, factory leaders had little legal leverage to expand production scale, attract investment, or simply make a fortune for themselves other than colluding with economic criminals. Indeed, from the 1990s to the 2010s, the No.1 Steel Mill became a nexus of grand larceny and ludicrous cases of illicit iron enterprises.

After 1994, the industrial restructuring abandoned its façade of union-based collective effort. The MISC authorities called for departing from “a system of union responsibility” and upstaging the role of professional management.⁹¹ An era of dusky industrial enfranchisement ended, then came the undisguised cronyism.

⁸⁹ No.1 Steel Mill, *Ma'gang yitiechang zhi 1986-1995* [MISC No.1 Steel Mill Gazetter 1986-1995], 140-45.

⁹⁰ *Ibid.*, 146.

⁹¹ *Ibid.*, 72.

Chapter Conclusion

When urban institutional reform took off in 1985, its core tenet was to separate government from business. Ma'anshan's bureaucrats, entrepreneurs, infrastructure engineers, and SOE managers saw this tenet as a panacea to the problems of socialism and a master key to a prospering capitalist future. Nevertheless, the reformers had paid little attention to the intricacies and frictions of the "separation" process itself: dictatorial government agencies to enforce procurement missions, entrepreneurial associations built on government connections, ambitious market infrastructure projects, and unscrupulous outsourcing of SOEs such as MISC all demonstrated a dialectical interplay between the nominal separation of state and market apparatus and their intrinsic connection. What is more, the institutional reforms in the late 1980s and early 1990s were constantly intercepted with political, economic, and social exigencies. Hyperinflation, food security, and the craving for economic growth all contributed to the lingering role of the local state in shaping market apparatus. While China's "gradualist" reform is oftentimes juxtaposed with the "Shock Therapy" and the rapid unleashing of market forces in the Eastern Bloc for being more adaptive, harmonized, and stable, the story of Ma'anshan challenged that narrative by telling a tale of path-dependence, chaos, and desperation. These obstacles created a fertile soil for informal builders and arrivistes of institutions.

II. Scrambling for the Streets: World Drifters and Local Institutions

[...] the idea of a self-adjusting market implied a stark Utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness. Inevitably, society took measures to protect itself, but whatever measures it took impaired the self-regulation of the market, disorganized industrial life, and thus endangered society in yet another way.

--Karl Polanyi, *The Great Transformation*

One billion people, ninety million entrepreneurs. Let's work together to deceive the Party Center.

One billion people, ninety million are profiteering. The ten million left are in searching.

One billion people, ninety million are gambling. The ten million left are dancing.⁹²

--1990s popular saying in China

In June 1987, a 17-year-old Lu Daojun just finished his handball training and was heading back home. At no.2 bus station where he always appeared, Daojun found his friends sitting in a row on the rails. A member of the Ma'anshan Handball Team, Daojun earned the city a bronze medal in the Anhui Provincial Games and in turn, a tenured job in the MISC Transportation Department, which would otherwise be impossible given his household registration status (*hukou*) as a peasant originally from He County. Daojun spent half of his time in the factory and the other half on training. During their spare time, he hung out with members of the Gang of Dabeizhuang, a quasi-bandit group formed by youngsters of the Dabeizhuang area, a shantytown in eastern Ma'anshan where most peasants who migrated to the city lived.⁹³ In middle school, Daojun joined the gang and swore allegiance to Big Brother Laibao to protect himself from bullies who discriminated migrants from rural areas.

Daojun did not hesitate when his friends asked him to join what was later recalled as “the

⁹² “十亿人民九亿商，齐心协力骗中央。十亿人民九亿倒，还有一亿在寻找。十亿人民九亿赌，还有一亿在跳舞。” I want to thank Ye Lin for introducing the saying to me.

⁹³ Interview with “Lu Daojun”, Interview by Zhengzai Pei, July 4, 2021. See also Ma'anshan shi diming weiyuanhui [Ma'anshan City Toponymic Names Committee], *Anhui sheng Ma'anshan shi diming lu* [Toponymic Gazetteer of Ma'anshan, Anhui], 1989.

cruellest fight” of his life, which took place between the Gang of Dabeizhuang and the Gang of 9th Region for territorial acquisition. Daojun “grabbed two cleavers” and went on the offensive in Yushan, a hill in downtown Ma’anshan and the base for Gang of 9th Region:

We took the primitive things of those days: spades, bricks, sticks, and there were no harpoons and spikes, not then. I was slashing down with my cleaver and cut off [the person’s] ear. I don’t know if the skin came off at that time, because it was already dusk. It was a pretty nasty fight. Back and forth – that fight was similar to the ones in the Wan Chai area of Hong Kong and Kowloon Bay. The total number of participants on both sides amounted to more than three hundred. The fight was so intense that we didn’t know if we were winning or losing, it was all over the hill. When I was going after people with a group of ours, I heard the police siren, and we ran away.⁹⁴

Reflecting on the evolvement of Ma’anshan’s organized crime, the 1987 Fight of Yushan was far from the cruelest: it occurred among youngsters, with not many lethal weapons, and out of childish interests. It was, however, cruelly life-changing for Daojun as an individual: after following two of his enemies to their home and beating up their father—Deputy Director of Ma’anshan Party Committee Office—Daojun was brought by the public security officers to MISC’s Conference Hall in a police-supervised trial without standard judicial procedures. These trials were common in the years of “Strike Hard”, PRC’s fierce anti-criminal campaign in the 1980s and ‘90s that resulted in numerous extrajudicial sentences nationwide. Daojun was sentenced to 2 years of service in Nanhu Reeducation Through Labor Farm and fired from MISC, losing all the prestige and status he gained as an employee of a state-owned enterprise.

In the summer of 1989, right after national leader Deng Xiaoping cracked down on the sweeping democratic movement, the Reeducation Farm released Daojun back to town. He found that the underworld, or “Rivers and Lakes” (*43ianghu*), in Ma’anshan had transformed drastically: “there were no gangs in the ‘90s, only business.”⁹⁵ Young World Drifters stopped

⁹⁴ Interview with “Lu Daojun”, Interview by Zhengzai Pei, May 26, 2022.

⁹⁵ Ibid. “九十年代没有帮，只有生意。”

spending leisure time with charismatic leaders like Big Brother Laibao. Instead, they turned into bodyguards and mercenaries for entrepreneurs (*laoban*). The hooligan profession could be profitable—Just follow the money. In the historical watershed of post-Mao China, while the intelligentsia lamented the depoliticization, the craze for consumerism, the cynical citizenry, and the ever-stronger authoritarianism,⁹⁶ Daojun the hooligan saw in this thralldom an emancipatory moment. The Polanyian transformation was, for Lu Daojun and World Drifters, an opportunity to become the invisible hands of the market and visible hands of society.

Daojun's narrative is emblematic of the ethnographic exploration of World Drifters in Ma'anshan presented in this chapter—a portrayal of individuals navigating between the underworld of crime and the aspirational promises of state-led projects (see Chapter 1). The chapter investigates how illicit enterprise and organized crime derived from, symbiosis in, and altered the state vision of socioeconomic structure. In evaluating the “semi-ness” of organized criminals—that they were semi-grassroots by representing a societal force and semi-state by co-conspiring with the bureaucracy—I borrow sociologist Bruno Latour's concepts of intermediaries and mediators. For Latour, intermediaries were subjects that “transport meaning or force without transformation”, hence carrying continuity, whereas mediators “transform, translate, distort, and modify the meaning or the elements they are supposed to carry”, hence enforcing change.⁹⁷ I track how World Drifters' roles as *both* intermediaries and mediators unfolded in their genealogical identity, models of organized crime, and creation of an informal economy with exacerbating violence. Underground steel industry and agricultural

⁹⁶ See Luo Yalin, “‘fumei jiushiniandai’: cong lishi huangyuan dao shenmei kongjian” [‘Re-enchanting 1990s’: From Historical Wasteland to Aesthetic Space] in *Wenyi Lilun yu Pipan* 222, no.4 (2023): 106-110.

⁹⁷ Latour, Bruno. *Reassembling the Social: An Introduction to Actor-network-theory*. (Oxford: Oxford University Press 2007), 39.

market racketeering best exemplified how they expropriated the reform institutions and took advantage of the unsettled state-business complex, market apparatus with centralizing traits, unevenness in price mechanisms, and lack of efficient market oversight. Delving into these dynamics, this chapter narrates an institutional and social history to enrich the understanding of what cultural study scholars have identified as China's "Long 1990s"⁹⁸ (1989-2008) that fundamentally shaped the country's political economy and citizens' corresponding notions of subjectivity.

⁹⁸ See Shi Anshu, "zuowei qiyuan de 'manchangde jiushiniandai': 'balinghou' de daiji shijiao" ['The Long 1990s' as Source: the Intergenerational Perspective of the '1980s Generation'] in *Wenyi Lilun yu Pipan* 222, no.3 (2023).

2.1. From Southward Cadres to People of the Society: A Genealogy of World Drifters

Although Daojun's periodization of Ma'anshan's underworld was concise enough, a historical genealogy of organized criminals requires a closer examination of their responses to structural changes over time. Tracking how patterns of organized crime changed along with changing state and market institutions adds nuances to the dichotomy of pre-1990 delinquent gangs vs. post-1990 entrepreneurial cartels. Indeed, throughout the 1990s, local organized crime groups became increasingly corporatist, cartelized, and integral to local social life.

1. Southward Cadres

“Southward Cadres” (*nanxia ganbu*) were the first World Drifters who took commercial profits as exclusive goals to conduct crime. A dark irony, the term originated from CCP's 1940s & '50s campaign that sent party officials in the north to migrate southward and replace local elites in government services. In the early and mid-1980s, the Cadres included smugglers, thieves, and most importantly, pimps, sex traffickers, and bodyguards who left Ma'anshan for coastal cities in southeast China. Xiamen and Shenzhen, both China's prospering Special Economic Zone, were the two top choices for Ma'anshan's Cadres.⁹⁹

Regional disparity facilitated the sex industry run by the Cadres. In the first place, sex workers often agreed to travel southward with the Cadres under the assumption that they would be “doing [formal] businesses” (*zuoshengyi*) in coastal cities, where more opportunities for cross-regional trade were enabled by cheaper consumer goods in Special Economic Zones.¹⁰⁰

⁹⁹ Interview with “Shang De”, Interview by Zhengzai Pei, July 12, 2023.

¹⁰⁰ The translation of Chinese sex industry has been controversial. For instance, Gail Hershatter insists on using the term “prostitution” rather than “sex work” because the latter fails to capture the complicated, many cases exploitative nature of sex-for-money transaction. See Hershatter, *Dangerous Pleasures: Prostitution and Modernity in 20th Century Shanghai* (Berkeley: University of California Press, 1997), 329-330. In the same chapter, Hershatter mentions how reform economy facilitated the sophistication of sex industry.

Using these conditions to foster fraud, the Cadres orchestrated promises to share profits, help hometown fellows, or to save money for marriage if in a sexual relationship with the sex worker. In many cases, sex workers had little choice when they recognized the nature of these frauds but were already at coastal cities.¹⁰¹

The comparative advantage of coastal cities in the entertainment industry and financial organizations also generated incentives for the Cadres: a well-established network of nightclubs, hotels, and casinos in Xiamen and Shenzhen put pimps of Ma'anshan in connection with local celebrities, bureaucrats, and Hong Kong businessmen while empowering them to coerce sex workers into accepting low wages. Xiamen's Lujiang Harbourview Hotel, situated in the city's busy tourist dork, was where most of Ma'anshan's Southward Cadres and sex workers resided. In 1985, a new Cadre would get one room for free in the first week upon arrival, which was a gift from influential leaders among Ma'anshan Cadres.¹⁰² Aside from the sex industry, Ma'anshan Cadres worked as bodyguards for Xiamen locals' 'bidding gatherings' (*biaohui*), a popular type of illegal rotating savings and credit association in Fujian Province. To raise funds, all association members would invest money. For once in a while, each member would "take the bid" and become primary receiver of funds from other members. However, "gathering bosses" (*huitou*) who organized the associations often escaped with the funds and caused "gathering bankruptcy" (*daohui*)—the total evaporation of collective funds. This prompted gathering bosses to seek protection from Southward Cadres, who were outsiders and worked for money.¹⁰³

¹⁰¹ Interview with "Shang De", Interview by Zhengzai Pei, July 12, 2023.

¹⁰² Ibid. Shang De himself was treated by a Ma'anshan Cadre leader. He paid tributes to the leader and other Ma'anshan Cadres after settling down his business.

¹⁰³ Informal interview with "Zhao Yi", Interview by Zhengzai Pei, July 12, 2023. See also Chen Youfang, "minjian biaohui de weihai he zhilidui" [Harms and Governance Responses of Civil Bidding Gatherings] in *zhongguo renmin gongandaxue*

In the late 1980s, Ma'anshan's own sex industry and illegal finance thrived with more bars, nightclubs, karaoke centers, loan sharks, and casinos. Since then, Southward Cadres played diminishing roles in the underworld. Nevertheless, some of them retained a reputation among organized criminals. Guo Xiaohua, a Cadre leader in Shenzhen and allegedly a "Red Pole" (*honggun*, Leading Enforcer) of the Hong Kong Triad, returned to Ma'anshan in the late 1990s and partook in the two most violent gang conflicts.¹⁰⁴

Southward Cadres were the pioneers of maneuvering an uneven national market for their own benefit. With a nefarious empire built on sexual exploitation, coercion, and fraud, they were also the first World Drifters to demonstrate organizational sophistication in commercial activities. By taking advantage of regional disparity, Southward Cadres foreshadowed the underground corporatists' hijack of formal institutions.

2. Cartelization of Local Crime

Contemporary criminology and economics have reached an agreement on the nature of cartels. Criminologists repudiate the ethnic-based conceptualization of organized crime (eg. "Latin American Drug Cartels" or "Italian Mafia") and abstractify such activities as maintaining market monopoly through violent means and "responding to the needs and demands of suppliers, customers, regulators, and competitors" just as legal businesses do.¹⁰⁵ On the other hand, economists see cartels as different firms' collective endeavor to form horizontal price alliances to control the market for a particular commodity, whose stability is

xuebao [Journal of the Chinese People's Public Security University], no.4 (1990).

¹⁰⁴ Ibid.

¹⁰⁵ See Albanese, Jay S. "Development and Surges of Organized Crime: An Application of Enterprise Theory." In *Organized Crime in the 21st Century: Motivations, Opportunities, and Constraints*, 13-14. Cham: Springer International Publishing, 2023 & Hirschfeld, Katherine. *Gangster States: Organized Crime, Kleptocracy and Political Collapse*. (Springer, 2015). 24-26.

highly prone to individual leaders' roles and choices within the alliances.¹⁰⁶ In both fields, the cartel is an entrepreneurial alliance dedicated to forming and maintaining monopolies. In Ma'anshan throughout the 1990s, crime organizations became increasingly proximate to that of an entrepreneurial cartel, while retaining dispositions that fueled gang violence, like notions of hierarchy and territoriality.

In the mid-1980s, some delinquent groups reoriented their capital of violence to profitable businesses, while others like the Gang of Dabeizhuang and the Gang of 9th Region lacked systematic effort to do so. Speaking about the rise of Ma'anshan's new blood, Big Brother Laibao expressed a mixture of regret and despise:

Nobody knew Li Xinhua was Li Xinhua, not to say calling him Brother Four. We all just called him Little Four (*xiaosizi*) at the time. He wasn't the type who got in the front of a fight. He has good brains though. He shared benefits with brothers working under him and got good relationships with the Jiangdong Shopping Center.....At the time I knew union chairs as well as managers in MISC, but I never thought of money as I was proud and arrogant.¹⁰⁷

In the 1990s, Li Xinhua was among the principal racketeers who controlled agricultural markets and taxi services in Ma'anshan, known as Brother Four. In 1988, MISC contracted Jiangdong Shopping Center—its largest wholesale store—to two managers in its affiliating State-run Corporations, bouncing the trade volume to 1.8 million Yuan (\$ 21 million in 2023) in 3 months.¹⁰⁸ While Big Brother Laibao and his gang was satisfied with “dine and dash” type of hooliganism in the Center's catering business, Li started to extort several pig skin shops

¹⁰⁶ See Storli, Espen. "Cartel Theory and Cartel Practice: The Case of the International Aluminum Cartels, 1901–1940." *Business History Review* 88, no. 3 (2014): 446–448. & Levenstein, Margaret C., and Valerie Y. Suslow. "What Determines Cartel Success?" *Journal of Economic Literature* 44, no. 1 (2006): 44–45. George Stigler (1964) points out that the inherent instability in cartel alliances emerge from individual firms' impulse to cheat.

¹⁰⁷ Interview with “Lai Bao”, Interview by Zhengzai Pei, July 11, 2023.

¹⁰⁸ Anonymous journalist working for *Ma'anshan Daily* (“benbaoxun”), “Ma'gang Shenhua jingji tizhi gaige baochu xinwen, liangjia xiaoqiye chengbao Jiangdong dashangchang, jin sangeyue wancheng nian lirun 42%” [Breaking news from MISC's deepening economic institutional reform: two small enterprises contracted Jiangdong shopping mall and completed the annual profit target of 42% in only three months] in *Ma'anshan Ribao* [Ma'anshan Daily], August 12, 1988.

there. Li sent thugs to harass business owners and acquired pig skins at a lower price.¹⁰⁹ Although there was no clear evidence on whether Li cooperated with the center's managers as he would with managers of integrated bazaars in the 1990s, the same crave for market monopoly would have certainly last in his career.

In 1992, national leader Deng Xiaoping called for resuming bold economic reforms after the temporal halt since 1989. With the subsequent prospering market economy, top-down organizations based on personal loyalty to the leader were substituted by interest groups organized around entrepreneurial tasks. "Following an entrepreneur/boss" (*gen laoban*) became the *modus operandi* for World Drifters to make a living. The job market included a series of violence specialists whose expertise ranged from guarding nightclubs to escorting fraudsters who ran dummy corporations and made fake deals to raise funds.¹¹⁰ The increasing prevalence of pagers (*BP ji*) enabled hooligans to contact each other efficiently and assemble faster for group operations. Daojun remembered his first major triumph as a professional World Drifter in 1993 when he summoned thirty men with his pager and successfully collected a creditor's debt for the entrepreneur who hired him. After getting 7000 Yuan in reimbursement, Daojun purchased five more pagers for his followers who participated.¹¹¹

Around 1997, major cartel bosses had carved up sectorial industries and settled down their territory, thanks to the earlier statist projects that fostered horizontal entrepreneurial association and integrated market infrastructures (see next subsection): Li Xinhua and Da Chen on agricultural markets; Xiangzi on bars, nightclubs, and loan sharks; Chen Xuezhong on

¹⁰⁹ Interview with "Lai Bao", Interview by Zhengzai Pei, July 11, 2023.

¹¹⁰ Interview with "Zhang Bing", interview by Zhengzai Pei, July 16, 2021.

¹¹¹ Interview with "Lu Daojun", Interview by Zhengzai Pei, July 4, 2021. Zhang Bing and Lin Ming also mentioned how beepers helped with the commercialization of hooliganism in the 1990s.

smuggling and underground steel manufacture; Zhang Xingshun (known as “Riverside Shunzi”) on iron mining in southern Ma’anshan and sand mining in the Yangtze River.¹¹² Each of the cartels operated in ways statesmen, in the beginning of the decade, would expect conglomerates (*jituan*) based on horizontal economic association (*hengxiang jingji lianhe*) to work: an independent and exclusive chain of supply, which was in many cases enabled by racketeering and smuggling; an integrated distribution channel (through a stable network of integrated infrastructure and business connections); and a diversified consumer population.

On top of wielding coercion, Ma’anshan cartels handled the science of monopoly and extortion like every other top criminal organization in the globe: In the early 1980s, Sun Yee On, the leading Triad in Hong Kong, dominated the city’s underworld by adopting the strategy of “Support Gangs with Venues” (*yichang yangbang*) and deployed racketeers to work as long-term staff in entertainment venues, which routinized rent-seeking behaviors and enabled effective group mobilization during gang wars.¹¹³ Ma’anshan’s World Drifters also supported gangs with venues: hooligan groups led by mid-level chiefs like Daojun stationed semi-permanently at the cartel bosses’ firms, collecting rents from employees who actually managed the businesses and preparing to confront intruders from other cartels.¹¹⁴

Entering the 2000s, the cartel bosses gained enough influence to collude with high-level state agents. With the support from Vice Mayor Bao Huang (pseudonym) to protect monopoly and expand connections, steel tycoon Chen Xuezhong managed to contract Nanhu Hotel in

¹¹² Interview with “Lin Ming”, Interview by Zhengzai Pei, July 15, 2021 & Interview with “Zhang Bing”, interview by Zhengzai Pei, July 16, 2021.

¹¹³ Ye, Yongsheng, *Xianggang Sanhehui: Laili, Tangkou, yu Zhanggu*. [Hong Kong Triads: History, Tongs, and Tales], (Hong Kong: Yiyuan chubanshe, 2011), 86-92.

¹¹⁴ Interview with “Lu Daojun”, Interview by Zhengzai Pei, July 4, 2021. & Interview with “Zhang Bing”, interview by Zhengzai Pei, August 3, 2022. When working as bodyguards and professional racketeers, gang members spent most of their time in a day in a venue (restaurant, club, casino etc.). They also took jobs like chefs and parking lot collectors.

2000, where the Ma'anshan government held most of its conferences and hosted guests. Chen worked as assistant manager of the hotel for more than a decade and operated an underground casino to expand connections in the bureaucracy. In October of the same year, PRC's State Council and Anhui Provincial Government held in Nanhu Hotel a law enforcement conference, where nationwide representatives attended.¹¹⁵ In 2004, at the time Chief of the Criminal Police Detachment in Ma'anshan City, Jin Xiao recalled how Nanhu Hotel had become a hub for corruption: Cheng Liming, Director of Ma'anshan Public Security Bureau, would reside in his lifetime hotel room in Nanhu and wait for subordinates to buy from him the official positions of police station commander.¹¹⁶ The details about how Chen Xuezhong personally approached law enforcement officials were unclear, but the fact that police organs of all levels convened meetings in a criminal-ran hotel spoke to cartels' towering political capital.

In sum, the cartelization of crime in Ma'anshan over the 1990s and early 2000s meant the corporatization of violence, organizational complexity, monopoly of sectorial businesses, and self-protective collusion with the bureaucracy. Sociologist Chen Baifeng had observed similar trajectories with organized crime in central China's rural areas. According to Chen, after "Strike Hard" crashed on youngster hooliganism in the 1980s, "Second Generation" organized criminals resuscitated the business in the early 1990s, succeeded in primitive accumulation of resources, and transformed to local elites in the 21st century.¹¹⁷ Indeed, the "gentrification" thesis illuminates how cartels mediated the statist blueprint of entrepreneurship—a well-esteemed local elite and businessman like Chen Xuezhong was also a ruthless gang leader. The

¹¹⁵ *Ma'anshan nianjian 2001* [Ma'anshan Yearbook 2001], 30.

¹¹⁶ Jin Xiao, *Jin Xiao's Personal Memoir*, 785-786. The memoir itself has another title that I will not reveal. It is a 1200 pages memoir that had only been published privately by officer Jin Xiao, based on his work notes.

¹¹⁷ Chen Baifeng, *Xiangcun Jianghu: lianghu pingyuan hunhun yanjiu* [Rural Underworld: A Study of Hooligans in Hunan-Hubei Plateau], (Beijing: Zhongguo zhengfadaxue chubanshe, 2019), 145-156.

structure of entrepreneurial organizations intertwined with that of a bandit group engaged in property crime. While grounding the statesmen's early reform blueprint onto their vibrant commercial activities, World Drifters also fundamentally altered that blueprint with ceaseless extortion and pillage.

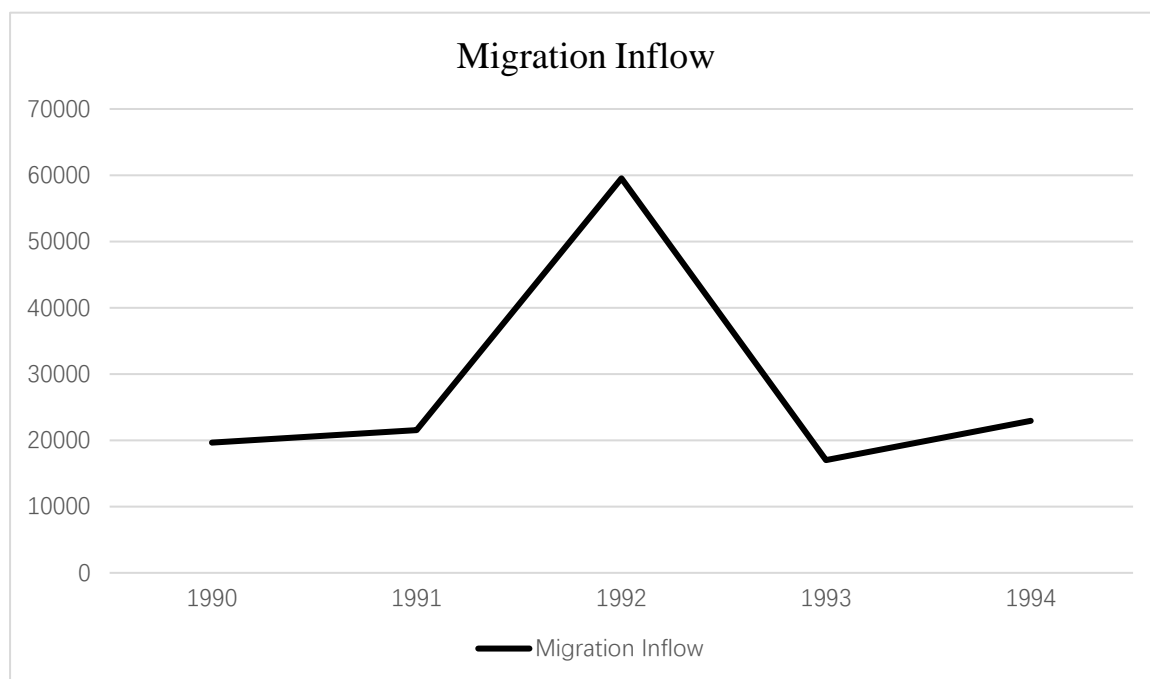
3. People of the Society: Identities in Post-socialist Underworld

“People of the Society” (*shehuiren*) is a rather stylish term for organized criminals. It lacks the universal applicability of World Drifters, which is interpretable across generations. Senior World Drifters use the term “In the Society” (*shehuishangde*) more frequently, which sounds humbler. Notwithstanding the variation, these terms shed light on the same hermeneutic: the extensive overlap between the public domain and crime scene, in the sense that a member (*ren*) of the civil society is somewhat equivalent to a member of the underworld.

In Ma'anshan, this overlap first occurred when a burgeoning migrant society clashed with a crumbling industrial society. Beginning in the late 1980s, young delinquency emerged in the unstable migrant communities, which grew rapidly in the early 1990s (see Table 2). Lin Ming, later a popular mercenary among cartels, recalled migrating from Xinjiang to Ma'anshan in 1985 with his parents, who were technicians redeployed to MISC. In his teenage years, Lin Ming familiarized himself with children of other MISC employees (*ma'gang zidi*) by conducting hooligan activities together.¹¹⁸ On the other hand, young migrants who lacked affiliation with MISC or other state-owned enterprises struggled to acquire communal protection.

Table 2. Migration Inflow to Ma'anshan

¹¹⁸ Interview with “Lin Ming”, Interview by Zhengzai Pei, July 12, 2021.



Year	Migration Inflow
1990	19634
1991	21533
1992	59534
1993	17013
1994	22926

Sources: *Ma'anshan nianjian*, [Ma'anshan Yearbook], 1991-1995 See *renkou* [Population].

Zou Tao, a fellow countryman of Daojun who also migrated from He County, explained the reason for joining the gangs:

In '91, I was just taking a walk near Yushan Lake. Suddenly a group of guys pushed me down and beat me up. I was severely injured and stayed in hospital for weeks. Later I realized that they misrecognized me for someone else. My family had no connections, but I wouldn't bear this, so I swore allegiance to a Big Brother (*renle dage*).¹¹⁹

For rural migrants like Zou, the protective strategy against sudden and unexpected gang violence was to be a gang member, thus an accepted member of Ma'anshan society. Becoming "People of the Society" hence bridged the exclusive urban working class identity and the

¹¹⁹ Interview with "Zou Tao", Interview by Zhengzai Pei, July 11, 2021.

precarious rural migrant identity: the boundary between canonized SOE workers and the marginalized rural migrant diluted in their shared leisure time as a hooligan.

Until the 2010s, after two decades of corporatization and cartelization, residents of Ma'anshan still perceived the hooligan identity as a middle ground between the unwelcomed and the mainstream. Since 2017 at the age of sixteen, Young Yu has led a youngster gang in smuggling electronic cigarettes. Growing up in a peasant migrant family from He County, Yu considered juvenile delinquency as an optimal career resolution for his lack of education and resources. What is more, delinquency is linked with reputation and assimilation to urban Ma'anshan. "We He County makes the best People of the Society here [in Ma'anshan]."¹²⁰

4. Conclusion

For Latour, intermediaries, however complex their inner structure is, would faithfully produce the same condition once receiving a given output.¹²¹ In this sense, the genealogical transformation of local organized crime responded to China's macro-level structural changes in a predictable way: uneven development across regionalities yielded inter-provincial crime; flourishing market gave rise to cartelization; urbanization and rural migration fostered contentious identities—the evolvment of crime organizations faithfully transported state actions and visions into society's everyday reality. Yet, going beyond the organizational genealogy and focusing on specific modalities of illicit enterprises allows us to discover the unexpected agency of World Drifters. As Latour points out, real agency requires the actor's interruption and redirection of the original system in which it resided.¹²² In Ma'anshan, the

¹²⁰ Interview with "Young Yu", Interview by Zhengzai Pei, July 13, 2021.

¹²¹ Latour, Bruno. *Reassembling the Social: An Introduction to Actor-network-theory*. (Oxford: Oxford University Press 2007), 39.

¹²²Ibid., 105-108.

World Drifters assumed such agency by usurping the socioeconomic landscapes and institutional conditions formulated by technocrats and cadres in the city halls. The underground steel industry and agricultural products were two quintessential examples.

2.2. Iron Rats

Just like gold seekers who were attracted by newly discovered gold on the American west coast two hundred years ago, “gold seekers” flocked to MISC plants stretching more than ten kilometers along the Yangtze River. Their slogan is: to become moderately prosperous, go to MISC (*yaoxiaokang, dao magang*).¹²³

In April 1988, columnist Li Ying at *Ma'anshan Daily*, the city's largest government-run newspaper, published a series of reports titled “Investigations on the Plague of ‘Iron Rats’ in Steel City”. Although preliminary and short, Li Ying's reports were cited repeatedly in the next decade (1992, 1995, 2000, 2001) by other columnists to illustrate the enduring theft and smuggling of iron from MISC. By making an analogy to the Californian Gold Rush, Li Ying revealed the pervasive social origins of the term “Iron Rats” (*tiehaozi*)—those who steal, smuggle, or privately manufacture state-owned raw iron and steel products. From the late 1980s to the 2000s, the illicit industry of smuggling iron evolved from a grassroots network of co-conspirators to a web of collusion encroaching upon state power in the municipality.

Iron is an upstream product in the supply chain, which means its natural market price is dependent on the demands of various downstream products: real estate construction, automobiles, etc. From 1985 to 1988, iron was among the state-regulated products in China's dual-track price system. Due to the upstream effect, economic planners in Beijing struggled to estimate a regulated price of iron that was close enough to the natural price to enable a smooth transition. They also lacked the institutional capacity for such a transition: corruption prevailed with government officials purchasing iron from SOEs at a low regulated price and selling it at a much higher price in the market, known as “official profiteering” (*guandao*). In April and

¹²³ Li Ying, “yao xiaokang, dao magang—gangcheng “tiehaozi” chengzai de diao cha zhi yi” [To become moderately prosperous, go to MISC—Investigations on the plague of ‘Iron Rats’ in Steel City, chapter one] in *Ma'anshan Ribao* [Ma'anshan Daily], April 20, 1988.

May 1988, Beijing had its first failed attempt to liberate most products from price regulation. At the beginning of the year, cold-rolled steel sheets had a de facto market price of 200% of the de jure regulated price. In September after price liberation disastrously inflated the product, the market price reached 500% of the regulated price. At the same time, “official profiteering” continued to jeopardize the already volatile steel market.¹²⁴

1. Grassroot Steel Business

In local Ma’anshan, however, Iron Rats in the late 1980s were not “official smugglers”. Most of them were MISC workers, rural migrants, and small business traders instead of state agents with powerful connections. The informal economy of smuggling iron was first built on a grassroots network of common interests: workers, peasant scavengers, security guards of MISC plants, and owners of scrapyards all benefited from spontaneously marketizing the state’s high-value assets.

Pig iron ingots, known as “tortoise iron” (*wangba tie*) among smugglers, were the most popular product in the underground market. Each of the ingots weighs about five kilograms and is an intermediary semi-finished product for further metallurgical processing.¹²⁵ Whenever the finished steel products exceeded the demands, MISC steel mills smelted the extra raw iron into pig iron ingots to store them. This overproduction, however, only existed in relation to MISC’s official trade channels, not to the general market demands. MISC Sales Department did not develop a distribution network facing national consumers until 1994. Before that, state-monopolized block trades and guaranteed sales, which usually happened between MISC and

¹²⁴ Xiao Donglian, *Tan luz hi yi: 1978 dao 1992 nian de zhongguo jingji gaige* [Pathfinder's Campaign: Chinese Economic Reform From 1978 to 1992]. (Beijing: shehuikexue wenxian chubanshe, 2019), 230-243.

¹²⁵ I gained this knowledge from my own visit to MISC, Multiple smugglers also told me that, including Yang Sheng.

other SOEs, were the primary channels of steel products.¹²⁶

Outside of the official channels, scrapyards and integrated steel bazaars mushroomed from municipal administration's infrastructure building and gradually disengaged from state control. In October 1985, 47 out of the 100 licensed scrapyards approved by the Industry and Commerce Bureau citywide were illegally acquiring steel products. The Bureau then reduced the number of licensed scrapyards to forty-five.¹²⁷ In December 1986, the municipal administration allowed free trade of steel products that were not included in MISC's planned deals. It also provided subsidies to encourage companies to purchase steel from the unplanned market, where the price tended to be higher than MISC official channels.¹²⁸ In the newly established integrated bazaars around the city (see Chapter 1), the Industry and Commerce Bureau broke with companies from other cities and introduced to Ma'anshan some 350 steel-related enterprises from 1987 to 1993.¹²⁹ Although the Bureau claimed to have strict regulations on the business entities that traded unplanned steel, the massive smuggling spoke otherwise.

For Iron Rats, smuggling state iron to an overpriced market entrenched in an infrastructure network was a convenient and profitable everyday practice. Li Ying estimated that 80% of the smugglers in MISC's semi-enclosed plants were rural migrants from counties in Anhui and Jiangsu Provinces; many moved to Ma'anshan just for smuggling iron.¹³⁰ A peasant from He County smuggled 20 kgs of iron and earned 40 Yuan each day. The income enabled him to

¹²⁶ Ma'gang zhi bianjibu [MISC Gazetteer Editorial Board], *Ma'gang zhi*. [MISC Gazetteer]. 193.

¹²⁷ Anonymous journalist working for *Ma'anshan Daily* ("benbaoxun"), "shi youguanbumen ti chu yao qiu he cuoshi jia qiang fei gangtie guanli zhengdun huishou wangdian" [Municipal departments put forward requirements and measures to strengthen the management of iron and steel recycling outlets] in *Ma'anshan Ribao* [Ma'anshan Daily], October 17, 1985.

¹²⁸ Anonymous journalist working for *Ma'anshan Daily* ("benbaoxun"), "woshi jingji tizhi gaige maichu zhongyao yibu, gangcai shichang yuandan kaifang" [The city's economic system reform took an important step forward, the steel market opened on New Year's Day] in *Ma'anshan Ribao* [Ma'anshan Daily], December 5, 1986.

¹²⁹ *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 57-58.

¹³⁰ Li Ying, "yao xiaokang, dao magang—gangcheng "tiehaozi" chengzai de diao cha zhi yi" [To become moderately prosperous, go to MISC—Investigations on the plague of 'Iron Rats' in Steel City, chapter one] in *Ma'anshan Ribao* [Ma'anshan Daily], April 20, 1988.

build three houses back home.¹³¹ Women and children participated widely in the businesses, as security guards and police found it more difficult to wield coercion on them.¹³² MISC workers also joined the franchise: trucker drivers from the Transportation Department got paid by scavengers to dump steel slags along the plants' main avenues for the latter to collect.¹³³ Perhaps due to the ubiquitous involvement of its tenured employees, MISC assigned little punishments to smugglers: In 1987, the MISC Security Department caught 5549 people for engaging in property crime but only arrested 34 and prosecuted one.¹³⁴

Once Iron Rats took their trophy (mostly pig iron ingots) from the piles scattered around MISC's warehouses and staging posts, they left the plants and resold the products to scrapyards. Yang Sheng, an Iron Rat for over thirty years, revealed the secret technique for smuggling out slightly larger amounts of steel products: those who rode motorcycles would modify their vehicles and add double-layered under-seat storage (see Figure 4). Even though smugglers had already bribed the security guards at the plant exit, this double-layered storage allowed security guards to perform a nominal inspection to deceive their supervisors, as nothing would appear in the first layer. In the second layer, smugglers could store up to ten pieces of pig iron ingots, which around 1990 brought about a hundred Yuan in profit.¹³⁵ Under the hyperinflation of the late 1980s and early 1990s, this was an enticing fortune even for tenured MISC workers that counted nearly a month's salary (see Table 3).

¹³¹ Ibid.

¹³² Li Ying, "youling ban de jiliang—gangcheng "tiehaozi" chengzai de diao cha zhi er" [Ghostlike tricks—Investigations on the plague of 'Iron Rats' in Steel City, chapter two] in *Ma'anshan Ribao* [Ma'anshan Daily], April 24, 1988.

¹³³ Ibid.

¹³⁴ Ma'gang shizhi bangongshi [MISC Historical Gazetteers Office], *Ma'gang nianjian 1988* [MISC Yearbook 1988]. 122.

¹³⁵ Interview with "Yang Sheng", Interview by Zhengzai Pei, July 13, 2023.

Figure 4. Double-Layered Motorcycle Underseat Storage (Left) & Pig Iron Ingots Scattered Around MISC's No.2 Mill Plant (Right)



Source: Photo by the Author, July 13, 2023.

Table 3. MISC Employers' Wages & China's Inflation Rate Measured by Consumer Price Index (CPI), 1987-1990

Year	1987	1988	1989	1990
MISC Employer Wages (Yuan/Person in a Year)	1770	2277	2655	3039
Annual Rate of Wage Growth	16.9%	28.6%	16.6%	14.4%
Inflation Rate Measured by CPI	7.2%	18.8%	18.2%	3.1%

Sources: ma'gang zhi bianjibu [MISC Gazetteer Editorial Board], *Ma'gang zhi*. [MISC Gazetteer]. 698. & World Bank.

The scrapyards distributed steel products to village & township enterprises near Ma'an Shan that otherwise had little access to MISC's iron. From 1985 to 1988, a scrapyard in Jiashan County gained a profit of some four hundred thousand Yuan. It purchased raw iron from smugglers at a price of four hundred Yuan/ton, manufactured them into steel balls, and sold to a state-run steel ball company at one thousand Yuan/ton.¹³⁶ To hide the transactions, the

¹³⁶ Li Ying, "yiceng jixingde chanyejiagou—gangcheng "tiehaozi" chengzai de diao cha zhi san" [A layer of deformed industrial structure—Investigations on the plague of 'Iron Rats' in Steel City, chapter three] in *Ma'an Shan Ribao* [Ma'an Shan Daily], April 27, 1988.

scrapyards would schedule the deal in advance with smugglers, usually at night.¹³⁷ At other times, the village and township enterprises purchased directly from smugglers. For instance, an agricultural machinery factory in He County purchased in bulk from the county's rural migrants who smuggled ferrous tin.¹³⁸ These cases demonstrated that the grassroots network of Iron Rats was an adequate supply chain, an initial production line, and a stable buyer base. A 1997 report estimated that MISC lost four million Yuan per year just from the identified thefts performed by individual scavengers, ones that lacked connection with plant staff and were easiest to get caught.¹³⁹

As massive iron smuggling and the influx of migrants became a problem for the municipal administration in the 1990s, the municipal police stepped in to push MISC to crack down on the illicit steel enterprise. In 1992, the Ma'anshan Public Security Bureau carried out its first campaign tailored specifically to Iron Rats.¹⁴⁰ Four years later in 1996, the Public Security Bureau launched its largest crackdown on iron smuggling and stepped in to regulate the plants by signing an administrative protocol with MISC. The police then removed the rural migrants' shantytown near MISC's staging posts and major factories, forcefully deporting some 150 migrants. In May and June, police operations eliminated forty-five scrapyards and revoked business licenses of twenty-nine. From then on, no scrapyards could be established within one kilometer of MISC's major plant area. Moreover, all non-employees entering the area needed a license from Ma'anshan Police Bureau and the Material and Equipment Bureau. After the

¹³⁷ Ibid.

¹³⁸ Ibid.

¹³⁹ Wang Mingduo, "ma'gang dali zhengzhi zhoubian zhian zhixu" [MISC vigorously rectify the surrounding security order] in *Ma'anshan Ribao* [Ma'anshan Daily], January 6, 1997.

¹⁴⁰ *Ma'anshan nianjian 1993* [Ma'anshan Yearbook 1993], 117.

campaign, Ma'anshan police claimed to have reduced the number of Iron Rats by 70%.¹⁴¹

The Iron Rats' business practice, however, did not perish with the crackdowns. A 2001 report at *Ma'anshan Daily* complained that checkpoints in the MISC plants were overly strict with normal entry and exit but became dysfunctional during nighttime when iron smugglers were active.¹⁴² Another report around the same time lamented that scrapyards "spread throughout the city's streets and suburban areas" and once again turned to "places where criminals sell their stolen goods".¹⁴³ For professional smugglers like Yang Sheng, the business had no devastating nadirs, only significant zeniths, such as the 2007 price peak for steel products. Knowing security guards at all the major check points, Yang's career as an Iron Rat remained unhindered until China Baowu Steel Group Corp., Ltd, the country's largest state-owned steel enterprise acquired MISC in 2019 and brought to the plants an electronic surveillance system in 2022.¹⁴⁴

By taking advantage of institutional inconsistencies in the local economy, Iron Rats bonded informal channels of steel supply to the formal economy. What is more, top players among the Iron Rats mediated not only economic blueprints but also the political power of the local state. Chen Xuezhong was such a Promethean character.

2. Chen Xuezhong and the Ascension of Iron Rats

On New Year's Eve 2000, some twenty hooligans swarmed into *Riviera Seine*, Ma'anshan's most prestigious fine dining restaurant. Led by Qiang Guangrun, known as Guangdan, the

¹⁴¹ *Ma'anshan nianjian 1997* [Ma'anshan Yearbook 1997], 72-75.

¹⁴² Mu Linsen, "gang cheng 'tiehaozi' weihe jingjiubushuai" [Why the Steel City's Iron Rat Endures] in *Ma'anshan Ribao* [Ma'anshan Daily], January 22, 2001.

¹⁴³ Wang Qihou, "feipin huishouye yao guan qilai" [The Waste Recycling Industry Needs to be Regulated] in *Ma'anshan Ribao* [Ma'anshan Daily], January 15, 2001.

¹⁴⁴ Interview with "Yang Sheng", Interview by Zhengzai Pei, July 13, 2023.

crowd smashed every dining table in the concourse. By vandalizing *Riviera Seine*, the hired thugs punished the restaurant's owner Li Zhongxin for insulting their boss, Chen Xuezhong. At the time, Chen was Li Zhongxin's business partner in running the restaurant and invested 900 thousand Yuan himself. On December 31, 2000, Chen booked a car from Li to celebrate the birthday of his patron, vice mayor Bao Huang's son. But the car never showed up. Infuriated with his damaged reputation, Chen turned on his business partner immediately and ordered the thugs' operation.¹⁴⁵ The Smashing of *Riviera Seine* has since become one of the most enthusiastically discussed tales in Ma'anshan's underworld, as has Chen Xuezhong's name. Apart from his eccentric temperament, the fact that Chen vandalized his own business adumbrates that cartel bosses like him clearly valued their political patronage network over temporary economic profits. What is more, the story demonstrates that for someone like Chen who began as a grassroots Iron Rat, even a relatively small percentage of high-value assets in MISC's total amount, once smuggled out and transported into society, had been enough to cause far-reaching impacts on local state power and to build a vast network of collusion. Chen's story was one of how illicit enterprise enabled grassroots agents to pervade formal institutions and gentrify themselves.

Officer Jin Xiao recalled first arresting fifteen-year-old Chen Xuezhong in 1981 for involvement in a group fight. When Chen was released from jail in 1983, smuggling iron was not that popular. An adopted child in a peasant family from Cihu County (an adjacent county

¹⁴⁵ Anonymous journalist working for Ma'anshan Daily ("benbaoxun"), "da za sainahepan dajiudian zhuyao fazui xianyiren bei xingju" [Main suspect in mopping up Riviera Seine Hotel in custody] in *Ma'anshan Ribao* [Ma'anshan Daily], January 3, 2001. See also *Ma'anshan nianjian 2002* [Ma'anshan Yearbook 2002]. Li Zhongxin had to organize a protest with his employees to force local police into investigation. Jin Xiao informed me that Chen was soon released from custody and legal responsibilities with the help from Director of Ma'anshan Public Security Bureau Zhu Kaichao. This anecdote was also confirmed by Laibao.

north to Ma'anshan), Chen probably did not have access to underground channels either. Instead, he accumulated wealth and connections by smuggling stones from the No.1 Steel Mill of MISC, which at the time blew up a hill nearby to expand the factory. According to Jin, Chen would share most of the profits with his colleagues as well as MISC employees who colluded with him. This earned him a reputation of generosity and some authority among the Iron Rats in the early 1990s.¹⁴⁶

World Drifters, however, had a drastically different version of the story. One that is more sensational and emphasizes Chen's innate political capital. Rong Zhu, who used to be Chen's protégé, mentioned that Chen was adopted by a bureaucratic family in Hanshan County, another county adjacent to Ma'anshan, which enabled him to become later the chair of Hanshan Chamber of Commerce in Ma'anshan.¹⁴⁷ Big Brother Laibao contended that Chen's family migrated from Shandong Province, and his father owned a tobacco store. In the 1980s, Laibao recalled, hardly anyone from the underworld had ever heard of Chen. It was not until 1992 when Chen smuggled 200 tons of steel products from No.2 Steel Mill that he turned rich and famous. He then rubbed shoulders with vice mayor Bao Huang and purchased the position of Deputy Director of Ma'anshan's state-owned woolen mills around 1994. After that, he became the Deputy Director of the Commerce and Trade Commission, the government organ that played a critical role in planning the city's economy in the 1990s (see chapter 1).¹⁴⁸

Browsing through the Ma'anshan yearbooks from 1990 to 2000, one could easily find that the Commerce and Trade Commission never had a Deputy Director with that name. On the

¹⁴⁶ Interview with "Jin Xiao", Interview by Zhengzai Pei, July 15, 2023.

¹⁴⁷ Interview with "Rong Zhu", Interview by Zhengzai Pei, July 22, 2022.

¹⁴⁸ Interview with "Lai Bao", Interview by Zhengzai Pei, July 11, 2023.

other hand, despite the exaggeration, the sensational stories and contradictory narratives altogether do entail a common trajectory on which Chen gradually encroached on local state power: he started off as an individual Iron Rat and then experienced an exponential growth in power, capital, and influences by broadening the web of corruption over the course of the 1990s. The above three narratives converged in 2000 when Chen contracted Nanhu Hotel and smashed *Riviera Seine*: Chen gained the fame as “mafioso of mafiosos” and a major benefactor of economic crimes in MISC.

At this stage, Chen’s expansive infiltration of MISC and local bureaucracy elevated him to the status of a local industrialist. According to Rong Zhu, in 2001, Chen had monopolized the steel recycling business in the No.2 Steel Mill of MISC, thanks to Nanhu Hotel’s pivotal role in enlarging his network of collusion with MISC’s officials. On top of the profit brought by monopoly, Chen assertively used it as a chance to smuggle out raw iron and steel products.¹⁴⁹ Aside from steel recycling, Chen also controlled most of the labor contracts in No.2 Steel Mill, which allowed him to command contracted truck drivers and build a route that transported smuggled iron exclusively to his own mills. These mills were registered as slag recycling companies but in fact, engaged in the refinery of raw iron into standard steel products. Once finished manufacturing the smuggled iron, the mills sold them to private building companies in an overheating construction sector in the 2000s.¹⁵⁰ At times, state-owned enterprises, such as Nanjing’s Meishan Iron & Steel Company and even MISC itself purchased steel products from Chen’s underground mills. In 2007, Chen benefited from selling large amounts of

¹⁴⁹ Interview with “Rong Zhu”, Interview by Zhengzai Pei, July 22, 2022.

¹⁵⁰ Interview with “Da Ning”, Interview by Zhengzai Pei, July 7 2022. “Da Ning” is a key informant of Ma’anshan’s underworld in the late 1990s and early 2000s. He participated in other types of illicit activity but shared physical territory with Chen Xuezhong.

underground steel to Meishan, which bought mild steel plates at a price of 4600 Yuan/ton while the market price was around 4000. The mills were not only Chen's personal business but also the backbones of his underworld connections: after leading the operation in *Riviera Seine*, Qiang Guangrun was nominated by Chen CEO to one of the mills.¹⁵¹

An industrial upgrade toward more robust enterprises occurred under Chen's supervision. In June 2008, Chen founded Ma'anshan WinTong Heavy Mechanical Manufacturing Co. Ltd, which was a Malaysian-invested company endorsed by Ma'anshan City Government and the Malaysian Commercial Consul to China.¹⁵² A November 2009 announcement from Malaysia's national stock information platform shows that Chen managed to push his Malaysian partners to increase the paid-up share capital by 5 million Yuan to fund the company's "ongoing project involving the setting-up of a plant and manufacturing facilities for downstream steel products."¹⁵³ Around 2010, Chen owned a steel conglomerate worth at least 160 million Yuan and a loan sharking company that profited approximately 50 million Yuan per year.¹⁵⁴ If Iron Rats of the 1990s were mostly grassroots small businesses, Chen Xuezhong's enterprise in the 2000s was a medium-sized local industrial conglomerate capable of transnational economic association, realizing the late 1980s economic blueprint of the city's reformist bureaucrats in a dark irony.

Entering the new century, Chen fit perfectly into the Latourian category of mediator, as he

¹⁵¹ Ibid.

¹⁵² Anonymous journalist who working for "jiansuji xinxiwang" [China Reduction Drive Information Web], "Ma'anshan yutong zhongxing jixie shebei zhizao gongsi zuo kaigong" [Ma'anshan WinTong Heavy Mechanical Manufacturing Co. Ltd started yesterday]. <http://www.jiansuji001.com/2008-6/200862895442.htm>. Accessed on August 5, 2023. The report was probably forwarding a report from Ma'anshan government's news conference.

¹⁵³ Winsun Technology Berhad, "Winsun Technologies Berhad ("Winsun" OR "Company") Subject: Change In Equity Interest And Increase In Paid-Up Share Capital Of Maanshan WinTong Heavy Mechanical Manufacturing Co. LTD." <https://www.malaysiastock.biz/Company-Announcement.aspx?id=384043>. Accessed on August 5, 2023.

¹⁵⁴ As revealed in search result "Chen Xuezhong" in China Enforcement Information Disclosure Website. <http://zxgk.court.gov.cn/>

broke between different departments of local state power and expropriated the power for his illegal businesses. In late 2001, Chen started to approach and seek patronage from Ren Qiang, the No.1 Steel Mill's Factory Manager and years later MISC's Deputy CEO. Ren's 2015 verdict shows that the Director offered no substantial help to Chen's business from 2001 to 2011, yet Chen paid tribute to him in Hong Kong Dollars every year. When interrogated by the police, Chen explained his staunch support of Ren:

Because I have been trading with MISC. And Ren Qiang was the leader of MISC. Although Ren Qiang was [only] the head of a department, there was a lot of room for upward mobility for him, and in the future, he would certainly go to a more important leadership position. I do long-term trade with MISC and might need Ren Qiang's help in the future. So I want to maintain a long-term good relationship with Ren Qiang and get his support in the trading process.¹⁵⁵

Chen's patient investment in collusion had certainly earned him a reputation among local elites. In 2012, the Chief of Ma'anshan Public Security Bureau Li Qun approached Ren Qiang through Chen. Having Chen vouch for Li, Ren Qiang helped with lifting obstacles for MISC orders contracted by Li Qun's relative.¹⁵⁶ With Chen as core, the triangular nexus of collusion emerged between Ma'anshan's leading criminal, law enforcement, and largest state-owned enterprise. Until his final arrest in 2020, Chen Xuezhong rubbed shoulders with three consecutive police chiefs of Ma'anshan City and escaped multiple felony charges over two decades.¹⁵⁷ By ascending himself as the ideal broker, the steel tycoon played a pivotal role in channeling credits and interests between elites in the local institutions.

3. Conclusion

The underground steel business was quantitatively miniature compared to MISC's total

¹⁵⁵ People's Procuratorate of Anqing City, Anhui Province v. Ren Qiang, July 28, 2015. <https://wenshu.court.gov.cn/>. Accessed on August 5, 2023

¹⁵⁶ Ibid.

¹⁵⁷ Interview with "Jin Xiao", Interview by Zhengzai Pei, July 15, 2023.

production amount. Nevertheless, the lucrative smuggling activities generated a qualitatively momentous shock to Ma'anshan's sociopolitical ecology. In the beginning, peasants, workers, and small business owners' popular profiteering exercises simply exploited institutional fractures in the market apparatus. Over time, however, the startling rise of local strongmen and private entrepreneurs like Chen Xuezhong from these profiteering practices radically reformulated the institutions. To some extent, Ma'anshan's extensive network of collusion entered what sociologist Pino Arlacchi calls an "inflationary-clientelistic process", in which the need to distribute interest to a broad network of agents rendered the smallest increment of power and resources high value.¹⁵⁸ The process elevated organized criminals, who possessed coercive and unconventional means to enforce their will, over traditional political brokers in the formal systems. Ultimately, the lucrative smuggling of iron and the resulting extensive network of collusion redefined what governance meant in Ma'anshan—a web of complicity between government officials, powerful corporatists, ruffians, and petty profiteers.

¹⁵⁸ Arlacchi Pino, *Mafia Business: The Mafia Ethic and the Spirit of Capitalism*, (London: Verso, 1986), 164.

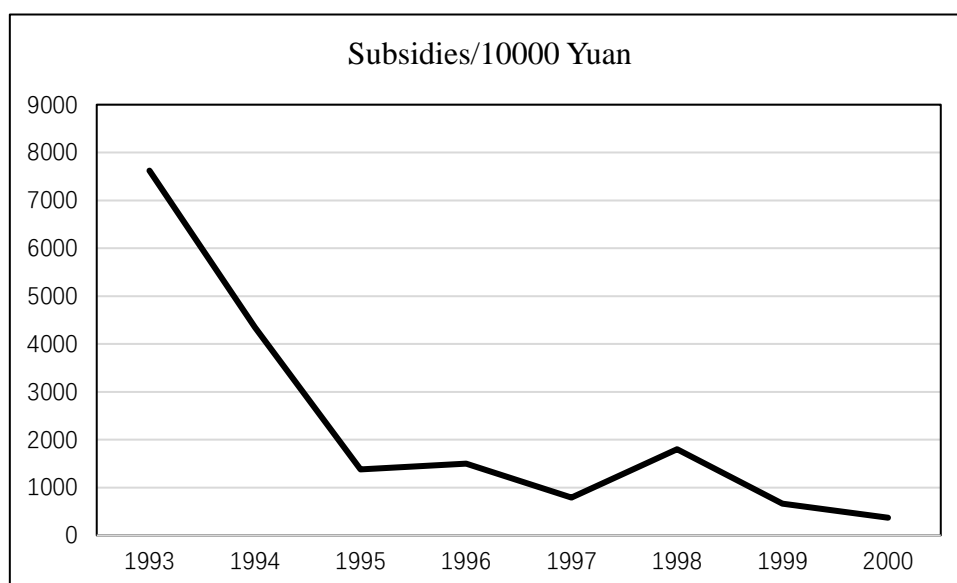
2.3. Grocery Lords

Anton Blok's classic study characterizes 20th-century Sicilian mafias as middlemen and rent collectors between an absentee proprietor state and its peasantry.¹⁵⁹ This framework applies well to the agriculture racketeering business in reform China, where the extortionists known as "Grocery Lords" (*caiba*) collect tributes and monopolize businesses of retail sellers and farmers. There is, however, one critical difference between the Sicilian mafia and Ma'anshan's Grocery Lords: while the former rose from state power's vacuum as a result of political and economic disintegration, the latter took advantage of the integrated bazaars and wholesale channels such as those in the Food Basket Project built by the state in the late 1980s and early 1990s. By acting as racketeers additional to the government's tax collection organs, Grocery Lords' success ultimately disintegrated the market apparatus they thrived from and imposed a surfeit of rentier domination on their victims.

Starting in 1994, the integrated bazaars built during the rapid development in the initial phases of the Food Basket Project were outsourced to private capital holders. These bazaars were both stations for wholesale transactions and the only legal hubs for retail sellers to gather (see Chapter 1). During the 1994 tax reform, the municipal government lost taxation power and endured fiscal pressure. The years 1993 and 1994 marked a 45% shrink in the city government's industry and commerce tax¹⁶⁰ and a peak for subsidies to money-losing state-owned enterprises (see Table 3).

¹⁵⁹ Blok, Anton, *The Mafia of a Sicilian Village 1860-1960: A Study of Violent Peasant Entrepreneurs*, (Long Grove: Waveland Press, 1988), 7.

¹⁶⁰ From 5,6764,0000 Yuan in 1993 to 3,0937,0000 Yuan in 1994. See Anhui Sheng caizhengting, [Department of Finance of Anhui Province], *Anhui sheng caizheng nianjian 1994* [[Anhui Province Finance Yearbook 1994], 263. & Anhui Sheng caizhengting, [Department of Finance of Anhui Province], *Anhui sheng caizheng nianjian 1995* [[Anhui Province Finance Yearbook 1995], 271.

Table 3. Ma'anshan City Government's Subsidies to Money-losing SOEs, 1993-2000

Sources: Anhui Sheng caizhengting, [Department of Finance of Anhui Province], *Anhui sheng caizheng nianjian*. [Anhui Province Finance Yearbook], 1994-2001. See *caijing tongji ziliao, Ma'anbshan shi caizheng shouzhi juesuan biao* [Financial and Economic Statistics-Statistical Tables of Accounts of the Financial Income and Expenditure of Ma'anshan City].

For the municipal government, the declining tax income and surging subsidies to SOEs reduced the aptitude for state regulation and increased that for privatization. In 1994, the city's largest agricultural integrated bazaar, Jinjiazhuang Agricultural Market, opened its shares to private investors.¹⁶¹ The private shareholders had no interest in enforcing effective market oversight, for they benefited mainly from sellers' stall rent, not the market's overall business performance. All sellers would have to get a licensed stall in one of the integrated bazaars, not only because it was legally required but also because most transactions, whether it's citizens' daily demands or wholesale deals from the catering industry, happened within these bazaars. In such monopolized trading venues, private shareholders had no need to attract sellers, hence no incentive to improve market order.

¹⁶¹ *Ma'anshan nianjian 1995* [Ma'anshan Yearbook 1995], 44.

An economy of racketeering and monopoly emerged out of this system of market infrastructures that centralized resources but diluted responsibilities. Farmers were the first victims subjected to exploitation. In the early 1990s, a natural wholesale market came into shape near Caishi Dock south of Ma'anshan, where around five hundred tons of vegetables were traded between retail vegetable sellers and farmers every day.¹⁶² Mobs of retailers, usually organized in a decentralized manner, would gather and wait for farmers to arrive across Yangtze River with their products in the early morning. They forced farmers to sell vegetables at a price significantly lower than the price in integrated bazaars downtown—sometimes the price gap could be up to four times. Farmers who refused got beaten up or robbed. Worse off, farmers had no licensed stalls in integrated bazaars and were unable to enter the city and sell vegetables themselves.¹⁶³ Retail sellers hence became the first outlet of the racketeering economy.

Once retailers entered the integrated bazaars in urban areas, they themselves turned prey to extortion gangs who controlled the bazaars and colluded with market regulators. Li Xinghua was the most powerful Grocery Lord in the mid-1990s. His gangs bought pig skins, heads, and trotters from retailers at a lower price and sold them through more profitable channels, such as catering entrepreneurs from Shanghai, where these ingredients were more expensive than in Ma'anshan.¹⁶⁴ Li could not have done it without shaking hands with the absentee market regulators: In 1997, Du Daoquan was the biggest private shareholder of Huashan District Meat Market, who owned 20% of the bazaar's shares and the land it was built upon. According to

¹⁶² Anonymous journalist working for *Ma'anshan Daily* ("benbaoxun"), "Caishi dukou shucai piling shichang de guai xianxiang zhideshensi—Caiba hen ru hu, cainong tanmin jiaoku" [The strange phenomenon of the vegetable wholesale and retail market in Caishi Dock is worth pondering over—Grocery Lords are ruthless as tigers, and farmers whine about hardships] in *Ma'anshan Ribao* [Ma'anshan Daily], June 18, 1994.

¹⁶³ Ibid.

¹⁶⁴ Interview with "Da Ning", Interview by Zhengzai Pei, July 7, 2022.

Li's business partner, Du stepped into the bazaar's construction project and helped finance it through his connection with the Director of Huashan District. Li then approached Du with his plan to establish a monopoly and committed to regularly pay money to Du, in exchange for the latter's acquiescence, if not blatant support of racketeering activities.¹⁶⁵ On top of Huashan, Li also controlled other six major integrated bazaars for meat selling, which covered most of urban Ma'anshan from 1996 to 2001.¹⁶⁶

Just like in the case of Huashan, Grocery Lords had reaped benefits from rentier landlordism fostered by municipal administration's infrastructure building. Li's influence peaked in 1998 when the city government erected the Yushan District Meat Market, the largest integrated bazaar in the city.¹⁶⁷ At the time, the city government no longer invested money directly in the Food Basket Project but transferred the task to state-supported conglomerates. Nevertheless, the same impulse for standardization was retained in market building. In 1998, Jiangnan Farming Conglomerate launched a campaign named "Four Unification and Four Guarantees". The Conglomerate was created by the city government in 1996 to sustain food procurement. During the campaign, the Conglomerate would offer "unified seed supply, unified material supply, unified epidemic prevention, and unified purchase" and "technical guidance guarantee, crop survival guarantee, acquisition guarantee, profitability guarantee" to the farmers.¹⁶⁸ Along with the standardization on the production side, integrated bazaars like Yushan Meat Market were to ensure "fixed-point slaughtering, centralized disease checking, unified tax payment, decentralized operation" in the selling of stock animals.¹⁶⁹ The

¹⁶⁵ Interview with "Sang Jiu", Interview by Zhengzai Pei, July 25, 2023.

¹⁶⁶ Jin Xiao, *Jin Xiao's Personal Memoir*, 737.

¹⁶⁷ Interview with "Sang Jiu", Interview by Zhengzai Pei, July 25, 2023.

¹⁶⁸ *Ma'anshan nianjian 1999* [Ma'anshan Yearbook 1999], 134-35.

¹⁶⁹ *Ibid.*, 239.

government's strict entrance requirements bonded retailers with their stalls in the integrated bazaars with heavy sunk cost, which constituted an opportunity for Grocery Lords to exploit: Li's mobs would assign a special type of "exit license" to regulate retailers' moving in and out. Retailers without the license were charged additionally when they tried to leave the market—they would not want to, given the price already being paid to gain the official business license and pass hygienic inspections.¹⁷⁰ In most cases, retailers had little choice but to comply with monopoly and illegal extortion happening within the integrated bazaars.¹⁷¹ One license for the underworld, the other for the underworld.

Three interlocking rentiers emerged in the agricultural marketplace: the government who collected formal taxes, the market shareholders who collected stall rents, and Grocery Lords who practiced monopoly or straightforward extortion. According to police officer Su Rang, the first generation of Ma'anshan's Grocery Lords dominated most food bazaars from the early 1990s until 2001. From February to September 2001, the Police Bureau carried out a series of operations targeting the most powerful extortionists in the city: "Bean Lord", "Vegetable Lord", and finally, Li Xinghua himself.¹⁷² The law enforcement's sudden interest in Grocery Lords, however, had little to do with promoting a just market order: It was a reaction to deteriorating safety conditions in urban spaces.

¹⁷⁰ Jin Xiao, *Jin Xiao's Personal Memoir*, 737-38.

¹⁷¹ Interview with "Chai Hua", Interview by Zhengzai Pei, July 25, 2023.

¹⁷² *Ma'anshan nianjian 2002* [Ma'anshan Yearbook 2002], 161-62.

2.4. Violence and Social Geography

On November 10, 1999, an attempted assassination of Li Xinghua killed an innocent citizen on the major national highway of northern Ma'anshan. There were five assassins in two vehicles, patrolling the entire highway that night. The ambush was ill-planned. Assassins received little information about Li other than the fact that he drove a motorcycle. Having misrecognized a passing rider as Li, the assassins fired at him on the spot and stabbed him multiple times as he fell off the motorcycle.¹⁷³

Guo Xiaohua's gang committed the murder. A former Southward Cadre, Guo made his fortune in Shenzhen and soon evoked conflicts with local gangs upon his return to Ma'anshan. Guo's feud with Li Xinghua started from a September 3rd bar fight between their clients. As the conflict escalated, Li Xinghua led three attacks on Guo Xiaohua's gang and ventures on October 7th, 13th, and 16th. All of them aimed at intimidating Li's enemies rather than causing fatalities.¹⁷⁴ Li's choice of limited violence was reasonable as he had no territorial or interest conflicts with Guo. On the other hand, Guo seemed to be far less realistic on the matter—he orchestrated the assassination on November 10 after borrowing firearms from Qiang Guangrun, steel tycoon Chen Xuezhong's best attendant.¹⁷⁵

In the age of corporatist cartel-like groups, Guo's fever for vendetta seemed to be rather archaic. Albeit what appeared to be an irrational choice for a mob leader, Guo's atrocity was far from contingent: gang violence in reform-era Ma'anshan's underworld was not always as dramatic, but implicitly prevalent; it did not always take the extreme form in the first place but

¹⁷³ Jin Xiao, *Jin Xiao's Personal Memoir*, 735-36.

¹⁷⁴ *Ibid.*, 736.

¹⁷⁵ People's Procuratorate of Dangtu County, Anhui Province v. Tai Jiabing, May 29, 2020. <https://wenshu.court.gov.cn/>. Accessed on July 7, 2022.

usually possessed a self-perpetuating character. When World Drifters were communicating, conducting businesses, and identifying friends and enemies, direct violence or violent threats were an institutionalized language. This language stemmed from the underworld's customs, the corporatist strategies, and, most importantly, the embeddedness of state violence in local society. As mediators, organized criminals transformed the cultural milieu of violence into a tangible social geography which all citizens had to reside in and reconcile with.

To begin with, violence was the most measurable and accessible capital for organized criminals. From the late 1980s to the early 1990s, young delinquents formed their hierarchy based on one's performance in feuds and fights. In Daojun's words,

As long as you don't get someone killed, prison years are deductible. We all had backdoors and ways to get you out. Once you are out, prison years are automatically transferred to qualifications (*zili*). Little ones would respect you as they know you had a good fight.¹⁷⁶

Aside from being a showcase of violent capabilities, prisons themselves nurtured violent habits. In his first sentence (1987-1989), Daojun was beaten unconscious by jailers several times with electric batons.¹⁷⁷ Zhang Bing recalled how in 1999, his cellmate, the infamous cartel boss Zhang Xingshun, had to break his own leg to get compassionate release for medical treatment.¹⁷⁸ For World Drifters, incidents like this instrumentalized violence and rendered it a panacea.

Entering the 1990s, gang violence was exacerbated by the influx of undocumented firearms to Ma'anshan. In May 1993, a smuggler purchased two revolvers from northeast China and sold them for 5500 Yuan in Ma'anshan.¹⁷⁹ Presumably, only wealthy criminals could afford

¹⁷⁶ Interview with "Lu Daojun", interview by Zhengzai Pei, May 26, 2022.

¹⁷⁷ Ibid.

¹⁷⁸ Interview with "Zhang Bing", interview by Zhengzai Pei, July 16, 2021.

¹⁷⁹ Weili, "gangcheng heiqiang jiemi" [Revealing Illegal Firearms in "Steel City"] in *Ma'anshan Ribao* [Ma'anshan Daily], September 11, 1993.

undocumented firearms like this that were smuggled out of police and military. In other cases, criminals bought starting pistols from sports shops and reformulated them into preliminary handguns.¹⁸⁰ In 1996, the municipal police confiscated 782 undocumented guns.¹⁸¹ In a country where private ownership of guns is banned, thugs who owned a firearm had a paramount advantage over those who fought with daggers, spears, truncheons, and sticks. For instance, before his shotgun was confiscated by police in 1998, Lin Ming enjoyed the reputation of “Ma’anshan’s First Hitman”.¹⁸² Although it is difficult to estimate the scale of firearm black market, guns frequently appeared in the most violent events and groups in the city’s underworld.

After the failed assassination attempt in 1999, Guo Xiaohua stayed low profile until 2003. In June 2003, Guo hired a judge from Ma’anshan City Court as a middleman to approach Tai Jiabing, the Chief of Criminal Police Brigade in Jinjiazhuang District. A deal was reached between Tai and the middleman: Guo would turn himself in with his firearms, and Tai would set up a bail of 100000 Yuan and arrange testimonies in a way that was beneficial for Guo in court. In September, Guo Xiaohua turned himself in. All parties carried out the scheme as planned: in January 2004, Ma’anshan City Court sentenced Guo to three years imprisonment with five years’ probation. The court clerk recalled that Guo’s intention for bringing a shotgun on the night of assassination as well as his vendetta with Li Xinghua were omitted in testimonies provided by the police. Although the victim’s parents reported the scheme to Anhui Province’s Political and Legal Affairs Commission, the provincial authorities transferred the

¹⁸⁰ Ibid.

¹⁸¹ *Ma’anshan nianjian 1997* [Ma’anshan Yearbook 1997], 74.

¹⁸² Interview with “Lin Ming”, Interview by Zhengzai Pei, July 12, 2021.

appeal back to Ma'anshan city, and, ironically, to Jinjiazhuang District police. Tai Jiabing, the police chief who organized the entire scheme, signed the resolution to the appeal and declared it a closed case.¹⁸³

In June 2004, a group of rival gangsters ambushed and assassinated Guo Xiaohua near his home. The group, led by local mafioso Sun Xinghai, had no conflicted business interests with Guo Xiaohua.¹⁸⁴ Just like Guo did with Li Xinghua, Sun took out Guo because they had a bar fight at a gambling house. Presumably, Guo humiliated Sun by showing off the cash he made as a Southward Cadre in Shenzhen.¹⁸⁵ Five months after being released from court, Guo's sudden death struck as an embodiment of the subtle absurdity in street rules. This irrational violence, however, never diverged from the increasingly rationalized underworld: the mature networks of complicity, the extensive criminal infiltration of bureaucracy, and World Drifters' confidence in their personal connections with government authorities all precipitated the reckless abuse of violence.

The highly available agents of violence provided a source of institutional service. As Vladim Volkov observes on Russian entrepreneurial mafias in the 1990s, organized crime groups worked as enforcement partners for both creditor and debtor in a tumultuous market where businesses needed extra-legal protection and dispute-settlement.¹⁸⁶ In Ma'anshan, Zhang Xingshun and his violence specialists were known for offering these kinds of services. In the 1990s, Zhang was a mid-level chief in Chen Xuezhong's illicit iron empire. He then split

¹⁸³ People's Procuratorate of Dangtu County, Anhui Province v. Tai Jiabing, May 29, 2020. <https://wenshu.court.gov.cn/>. Accessed on July 7, 2022.

¹⁸⁴ Anonymous journalist working for *Anhui shichang bao* [Anhui Market Newspaper], "Ma'anshan teda sheheian yishen panjue" [First Trial Verdict in Ma'anshan's Mega Mafia Case], May 10, 2005. <https://news.sina.cn/sa/2005-05-11/detail-ikkntiam3441297.d.html>. Accessed on July 3, 2023.

¹⁸⁵ Interview with "Da Ning", Interview by Zhengzai Pei, July 21 2022.

¹⁸⁶ Volkov, Vadim. *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca: Cornell University Press, 2002), 49-51.

with Chen and organized his group around monopolizing the illegal sand extraction from the Yangtze River. After suffering a major police crackdown in 1998, Zhang's group was on the brink of disintegration. It was Lu Benzhao, the city's steel mining tycoon, who rescued Zhang's enterprise in 2003 by recruiting him as a security guard of the iron mines. Ever since, Zhang's cartel had maintained an influence over the coal and iron mines of southern Ma'anshan.¹⁸⁷

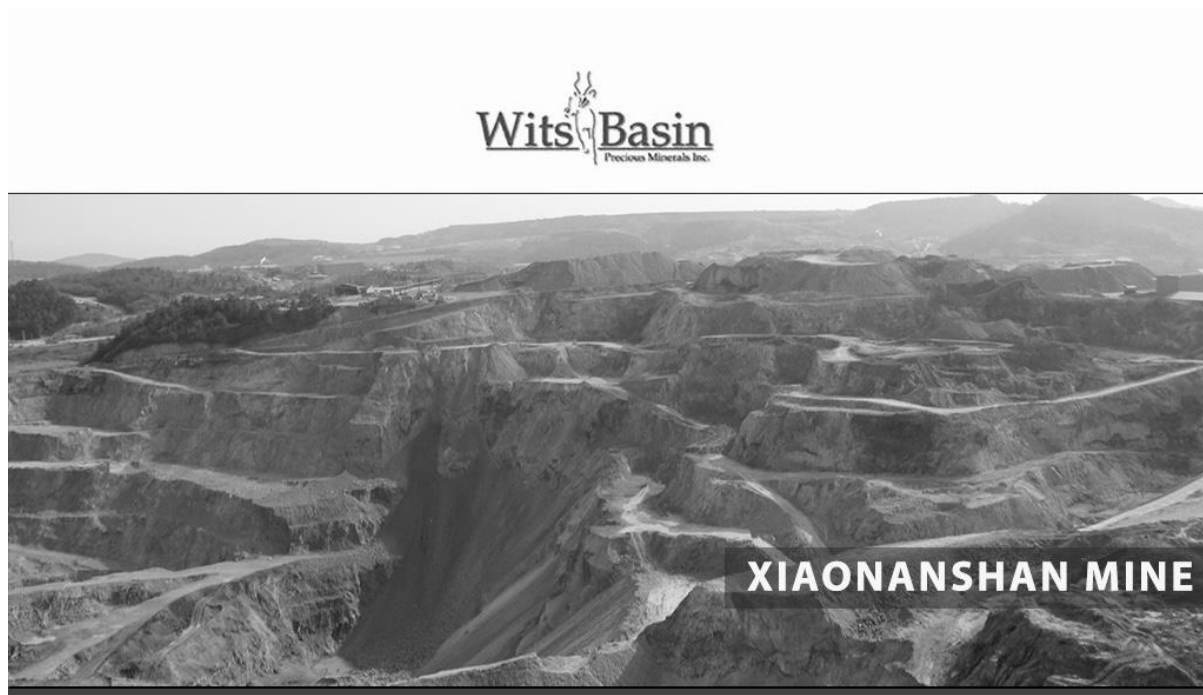
In 2008, Wits Basin Mineral Inc., a mining company based in Minnesota, started a joint venture with London Mining Plc in Ma'anshan Xiaonanshan Mine.¹⁸⁸ At first, Wits Basin first hired Lu Benzhao as the mining CEO given the latter's rich experience. In 2013, Hu Yuqi, a local businessman spent one hundred million Yuan to purchase the position from Lu. Notwithstanding the lucrative American capital, Hu's deal with Lu brought him mounting debts. Under the guise of his creditors' harassment. Hu ran the mines poorly and disappointed Wits Basin's CEO Stephen David King, who soon fired Hu. In April 2015, after witnessing the unsatisfactory performance of his new proxy, King proposed to receive 6 million Yuan from Hu in exchange for hiring the latter as the mines' CEO once again. This time, Hu invited Zhang Xingshun as his bodyguard.¹⁸⁹

¹⁸⁷ Interview with "Lin Ming", Interview by Zhengzai Pei, July 13, 2023.

¹⁸⁸ Quality Stocks, "Wits Basin Precious Minerals Inc. (WITM.OB) Announces JVP with London Mining Plc in the People's Republic of China", August 22, 2008. <https://www.qualitystocks.com/wits-basin-precious-minerals-inc-witmob-announces-jvp-with-london-mining-plc-in-the-peoples-republic-of-china/>. Accessed on July 3, 2023.

¹⁸⁹ People's Procuratorate of Yushan District, Ma'anshan, Anhui Province v. Hu Yuqi, January 21, 2021. <https://wenshu.court.gov.cn/>. Accessed on July 7, 2022.

Figure 5. Xiaonanshan Mine, as demonstrated in Wits Basin Mineral Inc.'s Website.



Sources: <https://web.archive.org/web/20170528115352/http://www.witsbasin.com/index.html>.

Accessed on December 10, 2023.

Zhang was not going to play the game within regulations and restrictions. In August 2015, Zhang and his thugs forced most of Hu's employees out of the mines. Hu, at the time busy with another trial, had no means whatsoever to stop Zhang. In October 2016, perhaps realizing that the situation on the ground was out of control, Wits Basin transferred all its shares to Zhang's company. Under the reign of Zhang, mining in Xiaonanshan frequently excavated below the 28-meter depth regulated by the law.¹⁹⁰ The illegal excavation brought tremendous wealth to Zhang and made him the only cartel comparable with Chen Xuezhong in Ma'anshan. Zhang's ascension exemplified how violent agents could easily hijack legal businesses in an environment where only violence spoke with credit.

¹⁹⁰ Ibid.

In 1999, Guo Xiaohua shot his victim near the statue of “Three Horses” (*Sanpima*), Ma’anshan’s iconic construction and a symbol of the city at the exit of the national highway. Since 2005, Zhang Xingshun’s protégé had enclosed Yushan Lake, the public park at the city center, and charged all ordinary citizens who went there to fish and relax.¹⁹¹ In its everydayness, violence became the spatial and social matrices of the city.

Figure 6. Yushan Lake, 1993



Sources: *ma'anshan nianjian 1994* [Ma'anshan Yearbook 1994]

¹⁹¹ People’s Procuratorate of Yushan District, Ma’anshan, Anhui Province v. Wei Bangping, October 26, 2020. <https://wenshu.court.gov.cn/>. Accessed on July 7, 2022.

Chapter Conclusion

From late 1980s and on, organized criminals in Ma'anshan were not parasites of dysfunctional institutions, they were active rule makers and deal breakers. Playing both intermediaries and mediators, they contributed to a socioeconomic landscape where theft, deception, collusion, and violence became institutional bedrocks of the urban market and life. Notwithstanding the triumph of illegal actors, the state did not once and for all "retreat" from society. Instead, the prevalent complicity we witnessed in the late 2000s and 2010s was a result of multiple rounds of negotiation, contestation, and adaptation between the formal state and the informal proto-states i.e. organized criminals. This process began in the 1980s. At the time, policing World Drifters seemed possible.

III. “*Pax Criminalis*”: Policing World Drifters

In November 2001, Chief Jin Xiao of the Criminal Police Detachment in Ma’anshan City was assigned by his province-level superiors a strange task. Although specialized in drug-related crimes at the time, Jin Xiao found himself leading a special investigation team against a crime group that monopolized the aquaculture industry in Zhawan, a town in Ma’anshan’s countryside.¹⁹² Despite Jin’s reluctance, the director of municipal Public Security Bureau (PSB) forced him into accepting the mission. Jin was uncomfortable working beyond his expertise and complaint about the mismanagement:

When the situation (*xingshi*) demands you to step out, the organization [police bureau] will not take into account the division of labor and functions, it only reckons with your character when there’s a promotion.¹⁹³

As Jin realized, such mismanagement was not simply a prank in office politics but a demand of the situation: the authorities in municipal PSB selected Jin for irrelevant police work to remedy the lack of trustworthy law enforcement on the township level. The leader of the racketeer group, Sun Fei, colluded extensively with the township police bureau, court, and prosecutor and had evaded charges multiple times. Sun’s connections were so resilient that the police chief of Zhawan filed a fake report to cloak his crimes in the first province-led investigation.¹⁹⁴

Jin Xiao was not a favorite of bureaucratic procedures and was considered a misfit in the municipal police department. This might be the reason why he was chosen to lead the new investigation team. But he was only able to extemporize in this case given that the provincial authorities were outraged by the fake report and reprimanded the municipal police. Desperate

¹⁹² Jin Xiao, *Jin Xiao’s Personal Memoir*, 745.

¹⁹³ *Ibid.*, 747.

¹⁹⁴ *Ibid.*, 747-48.

times call for desperate measures.

The investigation team arrived at Zhawan without notifying the township police of the nature of its mission. Jin interviewed multiple villagers simultaneously at night to confound the Sun Fei crime group's informants all over the town. In January 2002, the team finally garnered enough evidence to hold Sun's group in custody. To reestablish citizens' trust in the township government, Jin proposed to arrest the group publicly in front of the prosecutor's office.¹⁹⁵

The pendulum swung back soon. In April, the crime leader Sun's attorney, a law professor who taught at Ma'anshan's vocational school, started to approach and intimidate witnesses, forcing them into retracting from testifying.¹⁹⁶ Notwithstanding the predicament, Jin was unwavering in toppling the organization once and for all. After deliberately summoning the attorney twice—knowing that his refusal to show up would allow the police to skip due process and warrant arrest—Jin handcuffed him in front of his entire college class.¹⁹⁷ The abrupt police operation terrified the attorney and made him give up on the defendants. As such, Jin explained to the attorney in the interrogation room:

I've made a move like this today, and if you show up with a new trick tomorrow, I'll show up with a new trick, but it's always out of order. You lawyers will play with the law and walk the legal tangents. Our public security organs have legal nerds who only know to walk the central line of the law, but the vast majority of us will not lose to you—we will also walk the tangent line of the law and walk more artful than you.¹⁹⁸

Here, "walking the legal tangents" implies managing problems in a grey zone, such as what Jin did to the attorney by setting up an arrest. Artfully walking the "legal tangents" seemed to be the motto for police organs in crashing organized crime: although succeeded in convicting the

¹⁹⁵ Ibid., 750-762.

¹⁹⁶ Ibid., 765.

¹⁹⁷ Ibid., 765-773.

¹⁹⁸ Ibid., 777.

Sun group, Jin omitted the names of corrupted township police officers in his investigation report. Moreover, after bribing the municipal police authorities, Sun Fei was able to serve his sentence in the detention center instead of prison, where conditions were less harsh.¹⁹⁹ As demonstrated in Sun's case, the philosophy of walking tangents and exploiting ambiguity had shaped not only police work but also how legality and social order were conceived by statesmen in the reform era. Even though organized criminals were never able to challenge legal authorities by force, the lack of effective supervision between vertical police organs, the suspension of government responsibility, and the ephemeral campaign-type operations against organized crime all contributed to the perfunctory nature of criminal justice. What institutional factors, then, culminated in the crime asylum of the 2000s? How was extensive collusion between criminals and lawkeepers possible in the first place?

Political scientist Michael Dutton characterizes the general strategy of police work in reform China as a "contractual form of mass line". The idea of mass line entails that police work remained community-based and conducive to semi-civil organizations as it was during the Maoist years.²⁰⁰ Nevertheless, such community connections were built not on political identity but monetary rewards. Authorities create economic incentives for subsidiary security organs, police officers, and their civilian subcontractors. On the one hand, the distribution of responsibility encourages professionalization and specialization. On the other hand, the profit-driven subcontracting hijacks police work and ultimately undermines the rule of law.²⁰¹ Susan Trevaskes notices a similar pattern in the series of "Strike Hard" campaigns from 1983 to the

¹⁹⁹ Ibid., 779.

²⁰⁰ Dutton, Michael, *Policing Chinese Politics: A History*, (Durham: Duke University Press, 2005), 255.

²⁰¹ Ibid., 255-82.

2000s, where PSBs nationwide turned to mass incarceration as well arbitrary arrests to control crime. According to Trevaskes, the “Strike Hard” campaigns served as a type of “quasi-Maoism” to bridge the past with the present, crossbreeding Maoist and Dengist state rhetoric and practices.²⁰² Entering the 2010s, the Chinese government’s means of social control had become inextricably linked to subcontracting. Everyday state power, as summarized by Lynette H. Ong, was sustained by “outsourcing repression to nonstate agents who use violent and nonviolent strategies.”²⁰³

The germane insight from the political science literature is that a contradiction lies at the core of police governance in reform China: the state apparatus’ search for efficiency— “how to police”— has perplexed the agenda-setting processes— “who/whom to police”. In other words, to be powerful enough to establish stringent social control, formal law enforcement agencies like the PSB sometimes found themselves reciprocating with precisely the troublemakers, actual criminals and subcontractors with ulterior motives alike, whom they try to control. This chapter probes how in Ma’anshan, this contradiction came to be from the 1980s to the present. On the one hand, from the late 1980s to the bulk of the 1990s, the law enforcement agencies’ quenching for administrative competence led to a series of ill-conceived institutional reforms that delegated police power to various subcontractors. On the other hand, formal law enforcement agencies such as the PSB indulged in carrying out campaign-type anti-criminal operations and disconnected themselves from quotidian affairs. The diluted police power effectively fragmented the agenda-setting procedure in criminal justice and paved the

²⁰² Trevaskes, Susan. *Policing Serious Crime in China: From 'Strike Hard' to 'Kill Fewer'* (Abingdon: Routledge, 2012), 24-41.

²⁰³ Ong, H. Lynette, *Outsourcing Repression*, (New York: Oxford University Press, 2022), 2.

way for World Drifters to expand networks of collusion. This contributed to the preposterous hardships that Jin Xiao encountered in solving Sun Fei's 2002 case.

When Jin Xiao first enrolled in Ma'anshan municipal police in 1980, two hundred and seventy police officers—among which only twenty-seven were trained as crime investigation specialists—patrolled a city of half a million people.²⁰⁴ The understaffed police organ was a result of systematic cleansing of professional bureaucrats during the late 1960s and early 1970s. At the time, Mao Zedong and his revolutionary clique sought to replace professional police work with a combination of stationary army and mass-led para-militia. The role of Public Security Bureaus (PSB), the country's official police institution, dwindled at the heyday of socialism and only started to recover in the early 1980s.²⁰⁵

From the 1980s and on, the major law enforcement agencies and market regulators of the city—PSB, Industry and Commerce Bureau (ICB), and Mass Organizations—all ran into difficulties respectively in forging responsive organizations compatible with increasing socioeconomic upheavals. To overcome the crisis of competence, they turned to rampant outsourcing of police power to the private sector, which fragmented the clear-cut agenda and nullified the attempt to police organized crime. As Latour anticipates, the entanglement of heterogeneous actors redirected the police system and manufactured an edifice of security and governance that was radically different from what formal builders of institutions would expect—a *Pax Criminalis* whose stability and harmony were based on complicity, tacit interests, concessions, and patronage-clientelism within law enforcement agencies and between law keepers and criminals who were supposed to be their enemies.

²⁰⁴ Jin Xiao, *Jin Xiao's Personal Memoir*, 191.

²⁰⁵ Dutton, Michael, *Policing Chinese Politics: A History*, (Durham: Duke University Press, 2005), 197-247.

3.1. The Authorities' Dilemma: Public Security Bureau, Industry and Commerce Bureau, and Mass Organizations

When a gang feud occurred in 1985, any patrolling officer would think twice before trying to intervene with an overused twelve-inch rubber baton and a torned badge illegible to a bustling crowd.²⁰⁶ Without radio communication equipment, a more viable strategy was biking to one of the five district PSB stations in Ma'anshan and calling for back-ups. By the time police backup made it to the scene and declared peace, the conflict would have already been over.²⁰⁷ The image greatly contrasted with what one would associate with contemporary China, whose electronic surveillance and police tentacles seem to be ubiquitous.

What then, contributed to this discrepancy? Historian Harold Tanner observes that two camps of officials contested with each other over how to police crime in the early 1980s: the hardliners, who advocated exhaustive crackdown on crime along with mass incarceration, and the proponents of “comprehensive social management”, who favored using ground-level social organizations to contain and rehabilitate criminals. The hardliners spearheaded a de-facto victory when Deng Xiaoping leaned towards them and called for the first “Strike Hard” in 1983, but the idea of comprehensive social management never faded away from policy rhetoric.²⁰⁸ In Ma'anshan, the municipal police honed its administrative competence by training more crime investigation specialists like Jin Xiao and carrying out periodic “Targeted Struggles” (*zhuanxiang douzheng*) against targeted crimes. Nevertheless, under the name of comprehensive social management, the law enforcement departments including the PSB and

²⁰⁶ Interview with “Jin Xiao”, Interview by Zhengzai Pei, July 15, 2023.

²⁰⁷ Interview with “Jin Xiao”, Interview by Zhengzai Pei, July 15, 2023. Lin Ming mentioned the similar situation in his interview.

²⁰⁸ See Tanner, Harold, *Strike Hard: Anti-Crime Campaigns and Chinese Criminal Justice, 1979–1985*, Cornell University Press, 2010.

ICB relied excessively on subcontractors when it came to routinized police tasks like economic crime and street-level violence. Although in the late 1980s and early 1990s, Mass Organizations such as Employees' Price Supervisory Station offered an alternative, the institutional effort to consolidate functioning Mass Organizations was outvoted by political exigencies. The result was a strong and tenacious formal police system that triumphed in solving serious violent crimes or politics-related cases but fell short of guaranteeing the everyday socioeconomic order.

1. Subcontractors: Joint Public Security Defense Teams, Enterprise Public Security, and Market Regulation Assistants.

Subcontracts alleviated the understaffed situation faced by Ma'anshan PSBs. Early in 1981, Anhui Provincial PSB issued an order asking cities to establish "Joint Public Security Defense Teams" (*zhian lianfang dui*), which were para-police teams comprised of civilians and usually employees in work units.²⁰⁹ In 1988, Ma'anshan City Government founded the first 114 defense teams with 645 members. Chanting the slogan of "National responsibility for major security, local and unit responsibility for minor security", employees joined the defense teams to patrol their workplaces, including factories, companies, schools, and government organs.²¹⁰ The defense teams ballooned in 1989, with 4820 members in a three-layered network of city, district, and street (*sanji zhian lianfang wangluo*, see Table 4). On top of that, the municipal government assigned monetary rewards or fines to enterprises and companies according to the performance of their affiliated joint defense teams.²¹¹

Table 4. Three-layered Network of Joint Public Security Defense Teams, 1989

²⁰⁹ Anhui Sheng difangzhi bianzuan weiyuanhui, [Committee on the Compilation of Anhui Province Local Gazetteers], *Anhui shengzhi: gong'an zhi* [Anhui Province Gazetteer: the Public Security Gazetteer], 469.

²¹⁰ *Ma'anshan nianjian 1988* [Ma'anshan Yearbook 1988], 358.

²¹¹ *Ma'anshan nianjian 1989* [Ma'anshan Yearbook 1989], 165-66.

Level	Composition	Member Size
City	Patrolling officers affiliated to Ma'anshan Municipal PSB.	20
District	45 Joint Public Security Defense Teams with professional training and uniform.	447
Street/Residents' Committee	220 directors; 355 full-time Joint Public Security Defense Team members; 3028 volunteers; 750 rural Joint Public Security Defense Team members	4353

Sources: *Ma'anshan nianjian 1990*. [Ma'anshan Yearbook 1990], 168.

Organizational resources in the subcontracted Joint Public Security Defense Teams soon became transferrable in fortifying the formal police system. In 1994, the municipal PSB formed the city's first official Patrol Police Detachment of sixty people selected from the patrolling officers affiliated with Joint Public Security Defense Teams.²¹² This arrangement prepared for the municipal PSB's momentous reform in 1998, which segmented the city into police districts and standardized the security priority, number of police officers, and patrolling time and area in each district.²¹³

Another source of the subcontracted police force was the enterprise public security (*qiye gong'an*). Enterprise public security was essentially part of security guards in large and medium-sized state-owned enterprises and factories. Although enterprise public security units nominally represented the municipal PSB, the enterprises and factories were the actual

²¹² *Ma'anshan nianjian 1995* [Ma'anshan Yearbook 1995], 87.

²¹³ *Ma'anshan nianjian 1999* [Ma'anshan Yearbook 1999], 97.

providers of their personnel and funding.²¹⁴ Most predominantly in Ma'anshan, the MISC enterprise public security was a gargantuan institution. In 1993, the MISC Armed Force Department—the militia back in the socialist era—was abolished and subsumed under the MISC Security Department. As the headquarter of MISC security, the Department grew into an umbrella organization in 1998, commanding five PSB stations, three PSB detachments, and eleven MISC offices.²¹⁵ The enterprise public security squad in MISC's Mining and Engineering Company alone, comprised of twelve members who received professional police training, arrested over a thousand iron smugglers from 1985 to 1994.²¹⁶

The PSB was not the only law enforcement institution that turned to subcontracts to bolster administrative competence. Since its restoration in 1985, the Industry and Commerce Bureau (ICB), the city's principal regulator of marketplaces, had sought to recruit more personnel from outside the bureaucracy to oversee an ever-expanding private sector. In 1987, fifty-four staff in the ICB were responsible for 18067 Individually Owned Firms and 22419 traders citywide.²¹⁷ The erection of integrated bazaars from 1987 to 1993 prompted the ICB to segment and rationalize its organizational structure. In 1993, the ICB recruited extensively “Market Regulation Assistants” (*shichang xieguanyuan*) to manage sixty integrated bazaars in the city. These assistants were not official members of the ICB but enjoyed discretion in market regulation (see Table 5).

²¹⁴ See Wang Tao, “qiye gong'an jigou zai tantao” [Revisiting the institutions of enterprise public security] in *Zhongguo renmin gong'an daxue xuebao*, no.3 (1990).

²¹⁵ Ma'gang shizhi bangongshi [MISC Historical Gazetteers Office], *Ma'gang nianjian 1988* [MISC Yearbook 1988]. 365.

²¹⁶ Anonymous journalist working for *Ma'anshan Daily* (“benbaoxun”), “kuangshan gongcheng gongsi jingjing xiaodui weilida” [The economic public security squad in mining company is powerful] in *Ma'anshan Ribao* [Ma'anshan Daily], June 28, 1994.

²¹⁷ *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 26 & 85.

Table 5. Market Regulation Assistants in the ICB, 1993

Name of District Bureau	Function	Member Size	Percentage of Market Regulation Assistants in all staff
Economic Speculation	Economic crimes	14	0%
Headquarter	Supervision	11	0%
Fuyuan	Downtown integrated bazaars	27	66.7%
Xiangshan	Integrated bazaars adjacent to rural areas	39	43.6%
Jinjiazhuang	Urban integrated bazaars	46	43.5%
Huashan	Urban integrated bazaars	136	72.1%
Yushan	Urban integrated bazaars	45	51.1%

Sources: *Ma'anshan gongshang xingzheng guanli zhi* [Gazetteer of Industry and Commerce Regulation in Ma'anshan], 30-32.

By the mid-1990s, both the PSB and the ICB had developed their networks of subcontractors and was willing to delegate quotidian tasks to volunteers and vigilantes. As for themselves, however, the two formal institutions preferred less quotidian triviality and more occasional strikes against serious crimes.

2. Formal Police Work: Targeted Struggles as Strategy

When asked about whether the municipal PSB had enough police forces (*jingli*) in the 1990s, Jin Xiao paid special attention to the terminology: "...depends on what you mean by enough police forces. We had fewer hands but more discretion and less bureaucratic procedures back then."²¹⁸ For Jin, police work was a solo combat against a world of

²¹⁸ Interview with "Jin Xiao", Interview by Zhengzai Pei, August 1, 2023.

degeneration. Only through discretionary and unpredictable strikes, not repetitious and sluggish inspections, can police officers stifle the surging serious crimes. Indeed, “Targeted Struggles” (*zhuanxiang douzheng*) had become the *modus operandi* for PSB and ICB since the nationwide “Strike Hard” campaign started in 1983.

From 1983 to 1987, PSBs in Anhui Province carried out three rounds of “Strike Hard” campaigns. While the first campaign revolved around the opaque crime category of “hooliganism”, the next two campaigns ceased from focusing on the elusive category and continued to target at felonies including grand larceny and robbery (see Table 6).

Table 6. Three Rounds of “Strike Hard” Campaigns in Anhui Province, 1983-1987

Round/Year		Captured Hooligan		Captured Larceny		Captured Robbery	
		Groups/ Persons		Groups/Persons		Groups/Persons	
1	1983.8- 1984.8	1495	7167	1328	5113	417	1527
2	1984.8- 1986.2	167	832	816	3633	122	610
3	1986.2- 1987.2	180	1094	834	4075	120	570

Sources: *Anhui shengzhi gong'an zhi* [Anhui Province Gazetteer: the Public Security Gazetteer], 307-8.

These province-level operations ushered the rapid and fierce type of anti-crime struggles in municipal police work. Moreover, crime categories in provincial “Strike Hard” campaigns shaped what constituted a priority from the municipal perspective. Starting in 1989, the municipal PSB launched “Targeted Struggles” every year. Usually during summer months,

Table 7. Ma’anshan Municipal PSB Targeted Struggles, 1989-2000

Year	1989	1990	1991	1992	1993	1994
Targeted	general	general;	general;	general;	general;	general;

Struggle Concentration		waterborne crimes	smuggling; special industries	smuggling; cult; waterborne crimes	smuggling; public transportation robbery	migrant population; special industries; rural crimes
Year	1995	1996	1997	1998	1999	2000
Targeted Struggle Concentration	general; cult; waterborne crimes; rural crimes	general; special industries; smuggling; rural crimes	general; smuggling; taxi business	general; smuggling; migrant population;	general; smuggling; migrant population; cybercrime	general; smuggling; migrant population

Sources: *Ma'anshan nianjian*, [Ma'anshan Yearbook], 1990-2001 See *gongan* [Public Security]. The "general" category includes 18 crime categories 1983-1987 provincial campaigns had concentrated on: roving, homicide, arson, bombing, poisoning, drug trafficking, robbery, rape, grand larceny, human traffickers, prostitution, obscene materials, hooliganism, general theft, gambling, assault, fraud, and conducts that interrupt economic order. "Waterborne crimes" include ship robbery, illegal mining of river sand, and illegal fishing. "Smuggling" (*neidao*) refers mainly to employees stealing from the enterprises who hire them, iron smuggling from MISC is an important part. "Special Industries" (*tezhong hangye*) include hotels, printing, metal scrapyards, publishing houses, and rented apartments. These are industries conducive to 1) hosting a criminal (hotel, apartments) 2) publishing obscene or politically problematic materials 3) selling smuggled items.

the operations aimed at crime categories that had been highlighted during the 1983-1987 campaigns, but also dealt with burgeoning new forms of crime in Ma'anshan like smuggling and waterborne crimes (see Table 7). In addition to customs and crime trends, political exigencies in a given year also contributed to defining what counted as valuable “targets” to struggle against: in 1993, for instance, MISC issued the company’s first shares. Municipal PSB subsequently launched a mission to protect wealthy businessmen who came to Ma'anshan to purchase the shares.²¹⁹ Whenever a “malicious case” (*e'xing anjian*)—felonies like murder that would potentially panic-stricken the public—occurred, the PSB was also likely to wage a “Targeted Struggle”.²²⁰

Although not specializing in violent crimes, the ICB also actively participated in “Targeted Struggles”. In 1988, the ICB executed the first anti-economic crime campaign in Ma'anshan. During the mass crackdown on iron smuggling in 1996, the ICB worked closely with the PSB to put down illegal metal scrapyards.²²¹ In fact, the ICB took the lead in destroying the distribution system of illicit smuggling activities.²²² Starting in 1997, the ICB also institutionalize the formal supervision of integrated bazaars along the lines of periodic struggle sessions: district bureau chiefs would intermittently examine the performance of market regulation squads and promote or fire them correspondingly.²²³

“Targeted Struggles” functioned both as the orthodox strategy for law enforcement institutions and a backbone of their public image. A 2001 *Ma'anshan Daily* report on the

²¹⁹ *Ma'anshan nianjian 1994* [Ma'anshan Yearbook 1994], 119.

²²⁰ *Ma'anshan nianjian*, [Ma'anshan Yearbook], 1990-2001 See *gongan* [Public Security].

²²¹ *Ma'anshan nianjian 1997* [Ma'anshan Yearbook 1997], 73.

²²² *Ibid.*, 131-32.

²²³ Zheng Faning, “shi gongshangju wenming jimao shichang zongshu” [Overview of municipal Industry and Commerce Bureau’s effort to create a civilized integrated bazaar] in *Ma'anshan Ribao* [Ma'anshan Daily], November 20, 2000.

PSB struggle against gang groups depicted the event as wiping out “regional hegemons” and addressing “various forms of evil”.²²⁴ Another report eulogized the anti-gang struggle as the fruitful success of police-civilian cooperation.²²⁵ In one report, images of police officers standing behind arrested crime group members, publicly displayed, conveyed a message of stability, portraying the PSB as guardians of social harmony who wielded an erratic, unrelenting, yet infallible justice (see Figure 7).

Figure 7. Public Display of Criminals in an Anti-Gang Crime Struggle Before Spring Festival, 2001



Sources: Long Zheng, “dahei chu’e, zhengzai youtiaobuwende jinxingzhe” [‘Sweeping Gangsters and Eliminating Evil’ is being organized] in *Ma’anshan Ribao* [*Ma’anshan Daily*], January 19, 2001.

By lionizing “Targeted Struggles”, formal law enforcement institutions including the PSB and the ICB promulgated the façade of a safe and harmonious society in which all

²²⁴ Anonymous journalist working for *Ma’anshan Daily* (“benbaoxun”), “Dangtu jingfang ‘liangda yisao’ chengguo feiran” [Dangtu police “two strikes and a sweep” achieved remarkable results] in *Ma’anshan Ribao* [*Ma’anshan Daily*], January 5, 2001.

²²⁵ Anonymous journalist working for *Ma’anshan Daily* (“benbaoxun”), “yikao qunzhong tiezhou sao hei: woshi ‘liangda yisao’ zhuanxiang douzheng chuzhan gaojie” [Relying on the mass’ iron broom to sweep out gangsters: the city’s ‘two strikes and a sweep’ targeted struggle achieved initial victory] in *Ma’anshan Ribao* [*Ma’anshan Daily*], January 13, 2001.

turbulence can be smoothed out by occasional campaigns. However, as discussed in the next section, this idealized portrayal did not always reflect reality.

3. The Path Not Taken? Employees' Price Supervisory Stations as Union-based Mass Organization

While money-driven subcontractors and campaign-driven PSB and ICB imposed a heteronomous order, the people of Ma'anshan were left with little room to establish an autonomous socioeconomic order. In the early 2000s, laborers and traders of the nascent market economy rarely had a governing body that is driven by their immanent needs for economic security. In contrast, their law enforcement units were a mixture of expansive brokerage and arbitrary coercion. This was, however, not always the case. In the late 1980s, Employees' Price Supervisory Stations (EPSS, *zhigong wujia jiandu zhan*) loomed briefly as one of the union-based approaches to market oversight and social governance.

In 1986, the All-Ma'anshan Federation of Trade Unions founded the EPSS to oversee price-fixed commodities in the Dual-track Price System. During the hyperinflation of the last years of the 1980s, the EPSS undertook to guarantee that price fluctuations were bearable for ordinary residents, especially when it came to food and household goods like appliances. A 1989 file stated the mission of EPSS:

Price supervision is economic law enforcement (*jingji zhifa gongzuo*). It is distinct from both governmental and trade union mass work (*qunzhong gongzuo*). The quality of mass (*qunzhongxing*) and the quality of law enforcement (*zhifaxing*) coexist in this case.²²⁶

By integrating mass participation with law enforcement quality, the EPSS differentiated itself from subcontractors like Joint Public Security Teams, which also claimed to mobilize the power of the mass and recruited from employees and civilians. Unlike Joint Public Security

²²⁶ All-Ma'anshan Federation of Trade Unions, "Ma'anshan shi zhigong wujia jianduzhan yijiu baba nian gongzuo zongjie" [1988 work summary of Ma'anshan Employees' Price Supervisory Stations], December 9, 1988, J125-002-0250-0001, MMA, Ma'anshan.

Teams, the EPSS did not rely on the delegated authority or judicial discretion from superior government organs, nor was it fiscally dependent on bureaus or other mid-level organs.

Instead, it set its own agendas and procured funds directly from the municipal government's general revenues. This prompted the EPSS to engage in everyday economic securities that are most pertinent to urban residents' life necessities: keeping down petty frauds, expired foodstuffs, and price misrepresentations were its primary routine tasks.

In 1991, the EPSS set up district-level stations and had each station sign protocols with major marketplaces in the district. These protocols enabled EPSS to co-manage the marketplaces with the business entities who owned them—State-run Corporations, Integrated Bazaars, and Individually Owned Firms alike.²²⁷ The relevant interests and shared responsibilities urged EPSS agents—who themselves usually residents in the area—to prioritize instruction over punishment in marketplaces. “Teaching is the mainstay, punishment the auxiliary” turned the motto of the organization when dealing with business entities. Unlike the ICB, the EPSS decentralized its power to district-level stations and encouraged each station to reduce the number of desk-to-desk visits to the general headquarters by performing monthly self-inspections. By the end of 1991, 105 EPSS agents in eight district-level stations citywide helped manage 19292 business entities. All these arrangements strived to augment organic market oversights by absorbing governance into everydayness.²²⁸

²²⁷ All-Ma'anshan Federation of Trade Unions, “Ma'anshan shi zhigong wujia jianduzhan yijiu jiu yi nian gongzuo zongjie” [1991 work summary of Ma'anshan Employees' Price Supervisory Stations], December 7, 1991, J125-002-0287-0001, MMA, Ma'anshan.

²²⁸ Ibid.

In 1992, however, the idea of price supervision itself was shackled with the national government's further liberation of commodities from price quotas. The Price Supervisory Bureau in Ma'anshan halted from overseeing the plethora of products and called for "transforming oversight into service".²²⁹ Although EPSS was not officially affiliated with the Price Supervisory Bureau, it also periled losing the very legitimacy as a law enforcement institution. To maximize work efficiency and prove itself valuable, the EPSS in 1992 introduced a system of job responsibility and emboldened what used to be voluntary agents to work in a designated time slot. Contrary to what was expected, this responsibility system disheartened the agents as it asked them to overwork.²³⁰

Apart from the liberalized price mechanism, the decline of the EPSS also needs to be contextualized within the backdrop of the union recession in the late 1980s. As revealed in the 1992 work summary report, voluntary agents in EPSS were essentially "guardians of consumers' interests"—citizens/union members who wished to keep groceries affordable in their neighborhood stores. Their participation was a spontaneous act of mutual aid. As a subsidiary of the municipal union, the EPSS's retreat from the public domain can be seen as a collateral effect of an increasingly incompetent and depoliticized union.

4. Conclusion

Institutional reform in the late 1980s and early 1990s embarked on the search for administrative competence in law enforcement units. By 2000, the police power landscape and division of labor had become pellucid: subcontractors such as economic public security

²²⁹ *Ma'anshan nianjian 1993* [Ma'anshan Yearbook 1993], 193.

²³⁰ All-Ma'anshan Federation of Trade Unions, "Ma'anshan shi zhigong wujia jianduzhan yijiu jiu'er nian gongzuo zongjie" [1992 work summary of Ma'anshan Employees' Price Supervisory Stations], December 11, 1992, J125-002-0291-0001, MMA, Ma'anshan.

rectified the quotidian problems and petty crimes, the PSB and the ICB moved from one struggle to another, while the autonomous self-rule Mass Organizations paled into insignificance. Confronted with the spiraling organized crime, these institutional arrangements overstepped with each other, yielded conflicting agendas and contributed to the thriving kleptocracy.

3.2. Reform, *Pax Criminalis*

Till this day, Jin Xiao regrets ever preventing the right people from making the wrong money. In 1996, four families of colleagues in Ma'anshan conceived a brilliant but illicit scheme. As employees of No.17 Metallurgical Company—the second-largest SOE in Ma'anshan after MISC—they had lost their tenured positions during the company's privatization reform and sought quick riches. They started a fundraising campaign through the network of SOE employees and amassed over one million Yuan. Thereafter, they used that money to bribe officials and secretly purchase confiscated foreign cigarettes from China Customs' Anti-Smuggling Office in Nanjing. It did not take long for the municipal PSB in Ma'anshan, led by Jin Xiao and his squad, to cut off and capture the immense cargo.

The case was not policeable (*jingcha ban bu liao*). I was told by superiors that if we were to police the case and confiscate the cigarettes, this would get someone killed. The funds they used to purchase cigarettes were too discrete and pertained to too many people (*jizi tai fensan, qianche taiduoren*). And the PSB did not want to evoke discontent among them.²³¹

Nolens volens, Jin agreed to set loose the case. To ensure that the illegally raised funds for the illegal purposes got paid back to investors, the PSB went as far as to escort the confiscated cigarettes to another city and protect the smugglers when they were selling illegal cigarettes.²³²

In Ma'anshan, economic crimes and illicit enterprises like this were increasingly impervious to law enforcement over the course of the 1990s. This was partly due to the growth of robust and expansive collusion networks, but also the outbreak of internal contradictions within police institutions: There was a lack of organic cohesion between

²³¹ Interview with “Jin Xiao”, Interview by Zhengzai Pei, August 1, 2023.

²³² *Ibid.*

formal police work, consisting of periodic crackdowns and Targeted Struggles, and the outsourced police system. Law enforcement agencies were at each other's throats when it came to economic crimes. Constantly subcontracted police powers had led to broken agendas. Fragmented, demoralized, and hampered by each other, law enforcement agencies found it expedient to make peace with criminals than with their colleagues, and safer to blindly follow even the most arbitrary orders from bureaucratic authorities than to abide by the rule of law. Paternalism and co-optation hence became two perpetuating themes in police work.

1. The Unpoliceable

By the end of his career in the 2010s, Jin Xiao had spearheaded the Criminal Police Detachment in multiple Targeted Struggles against drug dealers, effectively quelling illicit transactions even as far-reaching as Xinjiang, Myanmar, and Hong Kong. In stark contrast to his achievement in curbing international narcotics, Jin's efforts in controlling local illegal enterprises and organized crime yielded little fruit. Having dealt with most cartel bosses in Ma'anshan, Jin arrived at the conclusion that economic crimes were "unpoliceable" (*guan buliao*) and that the most viable method was to adhere to "the superior authority's will" (*zhangguan yizhi*).²³³

The assertion of unpoliceability extends beyond mere cynicism of a retiree. It underscores how entering the 1990s, police power, especially when it comes to everyday socioeconomic issues, was diluted, and disqualified in the web of subcontractors—each of the individual subcontractors' responsibilities, incentives, and risks constituted a friction to

²³³ Ibid.

uniform agendas and operations. Besides, the nature of law enforcement agencies as fiscally self-sufficient market units rendered them susceptible to corruption and infiltration.

The municipal PSB itself was vulnerable to infiltration when its affiliated organs all started their own private businesses in the market. In 1992, the Criminal Police Detachment ran a trading company with its budgets and revenues. The Pretrial Office appropriated their detention sites to run scrapyards and partook in metal recycling businesses, and so did the Police Cadre Training School.²³⁴ From the 1990s to the 2000s, multiple high-ranking officers in the municipal PSB were part of the expansive criminal schemes and networks.²³⁵

Conflict between the municipal PSB and subcontractors of police power as well as PSBs of other localities was frequent. In May 1994, a grand larceny in No.3 Steel Mill of MISC brought together the PSB and MISC's economic public security organs. The thief stole the mill's crystallizer—an appliance worth eight hundred thousand Yuan and essential to crystallize molten iron—and smuggled it outside of the city. Jin proposed initiating the investigation with scavengers whom MISC granted official licenses to collect discarded appliances, which provoked the head of MISC's enterprise public security. Concerned about exposing complicity between MISC officials and professional smugglers, the head of enterprise public security became reluctant to cooperate with Jin and other PSB officers.²³⁶

When Jin eventually identified the suspect and tracked him down in Wenling, Zhejiang Province, he found out that the suspect's cousin was the deputy mayor of Wenling. The

²³⁴ Jin Xiao, *Jin Xiao's Personal Memoir*, 478-79.

²³⁵ Interview with "Jin Xiao", Interview by Zhengzai Pei, August 1, 2023.

²³⁶ Jin Xiao, *Jin Xiao's Personal Memoir*, 497-500.

situation became so intractable that Jin had to create a stand-in for the suspect to avoid hijackings when trying to secretly transport him out of the city.²³⁷ During the process, Jin arranged a clandestine entry to the city and concealed the operation from local PSBs, who were the suspect's acquaintances.²³⁸ In another fraud case happened in the same year, the suspect cheated No.2 Steel Mill out of three million Yuan and escaped to his hometown in Yueqing, also in Zhejiang Province. Jin had to painstakingly grab the suspect from an angry crowd of villagers and local PSBs while firing shots into the air.²³⁹

In smuggling cases like this, the municipal PSB, SOE enterprise public security, and PSBs of other localities could all have interest conflicts or even involvement in and support of economic crimes. Law enforcement agents in charge of the economic crime case faced systematic pressure from various interest groups much more substantively compared to when facing individual violent crimes or serious crimes like drug trafficking, which was less likely to be associated with collusion and corruption.

The Joint Public Security Defense Teams proved to be another aggravation for police work. Due to the lack of professional training, the Defense Team members oftentimes resorted to police brutality and mistreated other civilians.²⁴⁰ Sometimes the recalcitrant Defense Teams were themselves a source of social turmoil: In June 1994, a group of Defense Team members led by their leader ambushed and beaten up two PSB officers. Presumably, the attack was the leader's retribution on officers who attempted to arrest him.²⁴¹ Over time,

²³⁷ Ibid., 510-14.

²³⁸ Ibid., 514-20.

²³⁹ Interview with "Jin Xiao", Interview by Zhengzai Pei, August 1, 2023.

²⁴⁰ See Chen Baifeng, *Xiangcun Jianghu: lianghu pingyuan hunhun yanjiu* [Rural Underworld: A Study of Hooligans in Hunan-Hubei Plateau], (Beijing: Zhongguo zhengfadaxue chubanshe, 2019).

²⁴¹ Anonymous journalist working for *Ma'anshan Daily* ("benbaoxun"), "guaishi yizhuang, qiyou cili: lianfang duiyuan

Defense Teams also lost the merit of ground-level self-rule organizations and imposed an extra burden on the PSB: police officer Su Rang recalled that around 2000, there was no municipal headquarter to lead Defense Teams in the city. The Defense Team members were assigned to each police station as auxiliaries, who had no right to arrest suspects and were of little help.²⁴² Failing to fulfill its promise of independently guarding everyday socioeconomic security, the Joint Public Security Defense Teams as an institution was abolished in 2008.²⁴³

In addition to problematic subcontractors, cross-departmental efforts to combat economic crimes were further hindered by power fragmentation and internal corruption within law enforcement agencies. In their Targeted Struggles against market crimes such as extortion, the ICB and PSB distrusted each other and pursued conflicting objectives. A former ICB official described the tension between two the organs in the 1990s in a succinct way:

When counting the suspects' proceeds of violation, the PSB tended to increase the amount to the level of criminal cases, while the ICB tended to undercount the proceedings to keep it an administrative punishment. This was especially the case when the suspect had connections within the ICB and was under its protection.²⁴⁴

Compared to the PSB, the ICB enjoyed more discretion in regulating marketplaces. If the suspect's proceedings were confiscated as administrative fines instead of stolen properties, the ICB also had the advantage of keeping the money as revenues.²⁴⁵ This rendered crackdowns on economic crimes more profitable for the ICB. The PSB, in turn, castigated the ICB for covering up for extortionists and other market criminals. In 2003, when Su Rang was

jingjiang minjing ouda zhishang" [Outrageous: The police were beaten by members of Joint Public Security Defense Teams] in *Ma'anshan Ribao* [Ma'anshan Daily], June 21, 1994.

²⁴² Interview with "Su Rang", Interview by Zhengzai Pei, July 5, 2023.

²⁴³ Chen Baifeng, *Xiangcun Jianghu: lianghu pingyuan hunhun yanjiu* [Rural Underworld: A Study of Hooligans in Hunan-Hubei Plateau], (Beijing: Zhongguo zhengfadaxue chubanshe, 2019).

²⁴⁴ Interview with "Yi Bing", Interview by Zhengzai Pei, July 14, 2023.

²⁴⁵ Ibid.

investigating Li Xinghua, the infamous Grocery Lord and archetype of marketplace extortionist, he was warned by his supervisors to not unearth too much on what was behind the scenes. Despite lacking concrete evidence, Su Rang and Jin Xiao were both convinced that Li had rubbed shoulders with the ICB.²⁴⁶

The fragmented agendas, conflicting interests, and corruption altogether made illicit enterprises and organized crime unpoliceable, as Jin Xiao unwillingly admitted. In a golden era of World Drifters, when wielding control on illegal tycoons and cartel kingpins seemed infeasible, the law enforcement agencies opted to “drift” together—they turned to reaching agreements.

2. Paternalism and Co-option

It was now or never. Standing in the latter’s office in Nanhu Hotel, Jin Xiao was close enough to become the first to put steel smuggling tycoon Chen Xuezhong behind bars. This happened in 2001, right after Chen ordered the vandalism of *Rivera Seine*, the city’s famous fine dining restaurant. Jin received orders from Zhu Kaichao, the chief of municipal PSB himself, and was there to officially arrest Chen. What has been puzzling Jin for years, however, was how Chen asked him and the police squad to leave in a composed demeanor and magically ended the operation on the spot:

Chen Xuezhong told me to leave this alone. I said I received orders from Zhu Kaichao. But Chen called Zhu Kaichao at the scene and asked him to dine together. That was why I gave up.²⁴⁷

²⁴⁶ Interview with “Su Rang”, Interview by Zhengzai Pei, July 5, 2023 & Interview with “Jin Xiao”, Interview by Zhengzai Pei, August 1, 2023.

²⁴⁷ Interview with “Jin Xiao”, Interview by Zhengzai Pei, August 1, 2023.

Jin Xiao did not further elaborate on Zhu's motivation behind ordering the arrest and yielding to Chen in a self-contradictory manner. According to Lai Bao, Zhu was on his dying bed and decided to not provoke Ma'anshan law enforcement's arch enemy.²⁴⁸

Notwithstanding Zhu's critical role, the city's most notorious bosses' repetitive escape from justice cannot be adequately explained merely by the opaque personality of individual police chiefs and without reference to the general criteria for law enforcement agencies to arrest, strike, and fight crimes.

The unquestioning obedience to superiors' orders and the selective collaboration with underworld leaders emerged as central principles guiding officers handling organized crime cases. These two cardinal principles were deeply intertwined and mutually reinforcing. In 1996, the municipal PSB intercepted a batch of smuggled cigarettes. The cigarettes were produced by state-owned monopolies but procured by a private company through illegal channels. Under the pressure of Lu Benzhao, the city's future mining kingpin, and a broker in this case, the municipal PSB downgraded the criminal case to a civil case and returned the confiscated cigarettes to the smugglers.²⁴⁹ Lu's influence in the law enforcement sector had since been boosted. In 2003, Lu garnered support and protection from chief of municipal PSB Cheng Liming—successor to the late Zhu Kaichao—in his mining businesses.²⁵⁰ Jin Xiao and Su Rang both mentioned that Lu had evaded multiple felony charges thanks to his connections with Cheng Liming and the PSB.

²⁴⁸ Interview with "Lai Bao", Interview by Zhengzai Pei, July 11, 2023.

²⁴⁹ Jin Xiao, *Jin Xiao's Personal Memoir*, 568-71.

²⁵⁰ *Ibid.*, 1053.

Chen Xuezhong and Lu Benzhao both gained impunity to some extent all-at-once by demonstrating the ability to interfere with police actions, respectively in the 2001 and 1996 cases. This proved that once organized criminals were able to co-opt law enforcement in a single case, they were bestowed an acquiesced immunity—officers tacitly recognized their special status and that the superior authorities had their backs. Sometimes the criminal did possess a strong connection, as Chen probably had in 2001; in other times, the criminal’s ability to interfere could simply be a contingent situation, as in Lu Benzhao’s 1996 case where he was just the broker. In either scenario, co-option, and paternalism overshadowed mid-level law enforcement agents with a profound sense of uncertainty—if one does not know whether the criminal leader has a connection with their superiors, it is safer to assume that such connection does exist.

In addition to the criminals’ influences, paternalism and co-option also evolved along the lines of changing power dynamics embedded in the fragmented nature of law enforcement. In 1990, the municipal government established the Comprehensive Social Management Commission to oversee all the subcontractors and business entities that were bestowed with police powers. As coordinated by the Commission, the administrative units—districts, streets, and residents’ committees—signed protocols with their superior and subsidiary units to distribute responsibility. Each unit, relying on the subcontractors in that area, was responsible for regulating security issues in its own area of control.²⁵¹ Similarly, business entities—companies, factories, and wholesale stores—were on themselves in repelling economic

²⁵¹ “Jinri Ma’anshan” bianweihui [Compilation Team of *Today’s Ma’anshan*], *Jinri Ma’anshan* [Today’s Ma’anshan], 79-80. The volume is a special gazetteer compiled by the municipal administration in 1996 to record the political and socioeconomic achievements of the city.

crimes. The Commission would disqualify units and entities that failed to do so and deprive them of grants and awards given by the municipal government.²⁵² Echoing the national government's policy, the distribution of responsibility would presumably alleviate the pressure on municipal and district level PSBs.

Paradoxical enough, however, the allocated discretion and responsibility contributed to doctrinaire inaction. The very idea of criminality was diluted when administrative units and business entities preferred having administrative penalties on their watch over criminal cases. In terms of organized crime, while all units were preoccupied with "security issues", none was to declare larceny, racketeering, smuggling, or extortion as "crime". Eventually, the PSB would have to cherry-pick the most egregious cases as targets of anti-gang crackdowns, leaving less important ones off the hook. This benefited not only the units and entities but also the PSB itself: With a mixture of reverence and disdain, Su Rang spoke of the former PSB leaders who managed to keep a "petty coffer" (*xiao jinku*) for the department. The "petty coffer" referred to the PSB's extra revenue gained from confiscated money and operational costs paid by whichever organization collaborated with the PSB in carrying out the crackdowns. Before the national police system launched fiscal centralization in 2012, the municipal PSB, district PSBs, and various police stations all had their own "petty coffers".²⁵³ The operational costs constituted a commission for less powerful units and entities, such as the Tobacco Bureau in anti-smuggling campaigns, to hire PSB agents, whereas the more powerful ones, such the ICB, competed with the PSB for revenues in these operations.²⁵⁴ On

²⁵² Ibid., 80-82.

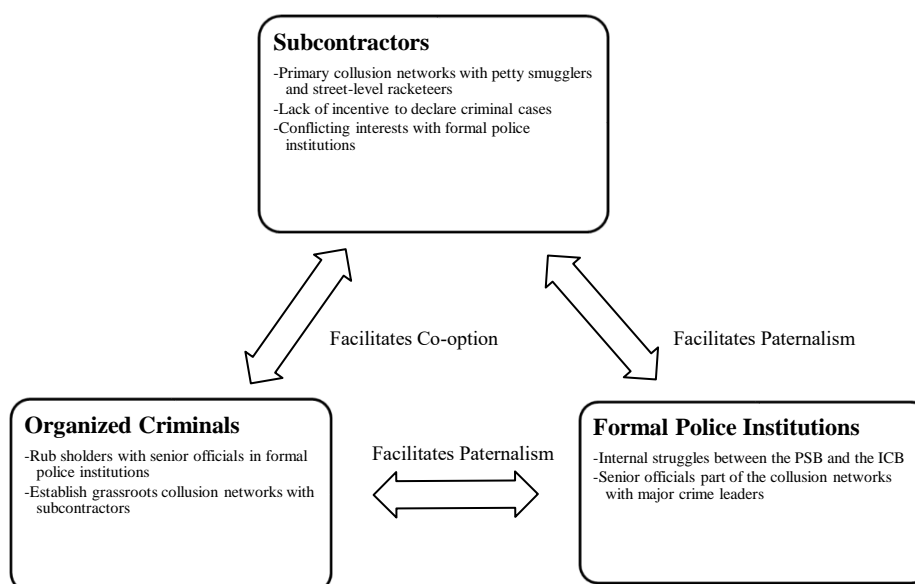
²⁵³ Interview with "Su Rang", Interview by Zhengzai Pei, July 5, 2023.

²⁵⁴ Interview with "Su Rang", Interview by Zhengzai Pei, July 5, 2023.

the practical level, this made it more difficult for PSB officials to stay unconcerned with their collaborator's interests, risks, and potential collusion networks when fighting organized crime.

In the late 1990s and the 2000s, paternalism and co-option weave together the triangular relationships between formal police institutions, subcontractors, and organized criminals. These relationships followed uneven patterns depending on the functions and powers of particular agents and institutions involved. Nevertheless, they shared the common mission to maintain “harmony” on the benchmarks of coercion, tacit interests, and chaotic systems of accountability (see Table 8).

Table 8. *Pax Criminalis*: Incentives and Restraints on Policing Organized Criminals



Chapter Conclusion

When Ma'anshan's law enforcement agencies started their institutional reform in the mid-1980s, the priority was erecting an edifice of social control from ground zero. Two decades later, a Kafkaesque landscape emerged out of these reforms: a municipal police department tremendously successful in quelling cults, serial killers, and narcotics was desperately losing grounds to cigarette smugglers, illegal ironmongers, and mining mobs. While networks of subcontractors and systems of police decentralization were entrusted with responsibilities to guard everyday economic securities in streets and marketplaces, they ended up overburdening formal law enforcement by fragmenting agendas and colluding with illicit actors. Paternalism and co-option lie in the centerpiece of lawlessness in the 1990s and 2000s, as lawkeepers struggled to find better strategies under the systematic pressure when policing organized crime.

Epilogue: The Worlds Are Drifting

Our generation can be seen as a Contradictory Subject (*shuyushi yige maodunti*), sometimes we don't recognize ourselves; there is an emotional side and an evil side Our heads are drifting!²⁵⁵

-- Lai Bao

On January 24, 2018, the Central Committee of the Chinese Communist Party and the State Council published an announcement calling for local governments to enact “Sweeping Gangsters and Eliminating Evil” (*saohei chu'e*) campaigns against corrupted officials and organized criminals. Commanded by President Xi Jinping himself, the campaigns aimed at crime groups, thugs, and the lower-level government officials who offered them protection.²⁵⁶

“Swatting flies” (*pai ying*) was the terminology used in the announcement. For the Xi administration and the central government in Beijing, local organized criminals and their collusion networks— “flies”— were frustrating yet parochial phenomena of limited challenge to state power. However, in Ma'an Shan, the campaigns brought the underworld into Mayhem: from a local perspective, the “flies” were not just a dozen cunning clerks or crooked businessmen— they were brokers, cartels, oligarchs of entire local industries, representatives of business communities, and friends as well as secret keepers of law enforcement agencies. Instead of swatting flies, overthrowing the World Drifters and their kleptocracy was more like hunting giants.

²⁵⁵ Interview with “Lai Bao”, Interview by Zhengzai Pei, July 11, 2023.

²⁵⁶ Xinhua News Agency, “zhonggong Zhongyang, guowuyuan fachu ‘guanyu kaizhan saohai chu’e zhuanxiang douzheng de tongzhi” [The Central Committee of the Communist Party of China and the State Council issued circular on the launching of the Targeted Struggle of Sweeping Gangsters and Eliminating Evil], January 24, 2018. https://www.gov.cn/zhengce/2018-01/24/content_5260130.htm. Accessed on August 5, 2023.

In the city, starting in 2018, the “Sweeping Black and Eliminating Evil” campaigns brought down some of the greatest opportunists, profiteers, and mobsters made by the reform era: shortly after the heyday of his power in the mining business, Zhang Xingshun was targeted by the municipal PSB as a showcase for campaign achievement. His men disbanded, and the trials were held in camera. Allegedly due to the removal of his patron in the provincial government from office during anti-corruption campaigns, Chen Xuezhong slowly lost his influence in Ma’anshan. In 2020, the police caught Chen in Shanghai upon his escape to the United States. Other major crime leaders managed to evade the punishments by legitimizing their businesses or fleeing the city.

Despite bringing down major crime leaders in the 2000s, whether the “Sweeping Black and Eliminating Evil” marked a turning point in policing organized crime remained questionable. The institutional structures that empowered World Drifters in the 1990s linger into the 2020s: Government-business complex prompting cartelization continues to dominate lucrative industries— this time not just iron, but also real estate and land properties. A haven for rent-seeking behaviors on the state side and horizontal monopolies on the business side wait to cultivate more tycoons like Chen Xuezhong in the future. Ambitious yet ill-conceived infrastructure projects carry on fostering locus of profits where effective market oversight is absent. Under the Premiership of Li Keqiang, these infrastructure projects encompass both the physical and the financial. While the police system undergoes fiscal centralization to stamp out corruption from 2012 and on, it is foreseeable that the mounting local government debts will stifle the autonomy of law enforcement agencies to act independently from the influence of subcontractors and nonstate agents.

At the centerpiece of urban institutional reforms in the late 1980s and 1990s were policy inconsistencies. Political and economic exigencies including the 1988 hyperinflation and the 1994 national tax restructuring aborted the municipal administration's reform blueprint before it could be developed and modified. The fact that exigencies contributed to policy fluctuations and the rise of organized criminals adds a new perspective to the central vs. local state problem in reform China: under the supervision of the central state, the local state was too weak to adequately improvise the reform or establish institutions capable of adapting to ground-level socioeconomic conditions, but it was too powerful to be isolated from the encroachment of the society as the national government would expect.

The changing state and societal power landscapes positioned World Drifters as the new subjects of history. As Latour theorized, agency falls onto subjects who possess the capacity to alter a system and deviate it from its original purpose. In Ma'anshan, such agency belongs to hooligans, thugs, thieves, scavengers, and corrupt officials when they managed to usurp the state institutions. For law-abiding citizens, these are bullies and rascals, yet they created a system of political economy and folk culture that operated in its own right. As Lai Bao explained, World Drifters are "Contradictory Subjects (*maodunti*)": they constitute the abominable engines of development veiled by the gilded affluence of Reform and Opening. Ultimately, the history World Drifters shed light on post-Socialist China as "a set of values, a social identity, a way of life".²⁵⁷ This is perhaps best captured by Philosopher Aijaz Ahmad's concept of "Cultures of Cruelty":

²⁵⁷ Kotkin, Stephen, *Magnetic Mountains: Stalinism as a Civilization*, (Oakland: University of California Press, 1995), 23.

when I use the phrase “cultures of cruelty” I mean something more than professional politicians, more than agencies of the state on the ground, more even than organised communalism; I mean a much wider web of social sanctions in which one kind of violence can be tolerated all the more because many other kinds of violence are tolerated anyway. Dowry deaths do facilitate the burning of women out of communal motivations, and, together, these two kinds of violences do contribute to the making of a more generalised culture of cruelty as well as a more generalized ethical numbness toward cruelty as such.²⁵⁸

In 2003, a car accident killed two young men on the highway from Shanghai to Ma’anshan. They were sons of the mining cartel Lu Benzhaio and the municipal PSB chief Cheng Liming. The two were on their way back after successfully applying for student Visas at the American embassy in Shanghai, as Lu promised to pay for the college tuition of Cheng’s son in exchange for the latter’s protection.²⁵⁹

Citizens of the Steel City cheered the accident as an embodiment of karma. In a system where cruelty was the culture, they eschewed normative justice and embraced a brutal inquisition made possible by its very object—arbitrary, excessive, and unpredictable violence. Only in the most callous and evanescent manner could Themis make her appearance, for the Worlds were Drifting, and all that was solid melted into air.

²⁵⁸ Ahmad, Aijaz. “Right-Wing Politics, and the Cultures of Cruelty.” *Social Scientist* 26, no. 9/10 (1998): 15.

²⁵⁹ Jin Xiao, *Jin Xiao’s Personal Memoir*, 1054.

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Da Ning	Pseudonym	June 21, 2021	Organized Criminal
Lu Daojun	Pseudonym	July 4, 2021	Organized Criminal
Da Ning	Pseudonym	July 7, 2021	Organized Criminal
Zou Tao	Pseudonym	July 11, 2021	Organized Criminal
Lin Ming	Pseudonym	July 12, 2021	Organized Criminal
Young Yu	Pseudonym	July 13, 2021	Young Delinquent
Gao Xiao	Pseudonym	July 13, 2021	Young Delinquent
Feng Xing	Pseudonym	July 13, 2021	Young Delinquent
Zhang Bing	Pseudonym	July 14, 2021	Organized Criminal
Lin Ming	Pseudonym	July 15, 2021	Organized Criminal
Zhang Bing	Pseudonym	July 16, 2021	Organized Criminal
Lu Daojun	Pseudonym	July 17, 2021	Organized Criminal
Da Ning	Pseudonym	July 21, 2021	Organized Criminal

Online Interview, May-August 2022

Name	Notes	Date	Occupation
Lu Daojun	Pseudonym	May 26, 2022	Organized Criminal
Da Ning	Pseudonym	July 7, 2022	Organized Criminal
Da Ning	Pseudonym	July 21, 2022	Organized Criminal
Rong Zhu	Pseudonym	July 22, 2022	Organized Criminal
Su Rang	Pseudonym	July 27, 2022	Police Officer
Rong Zhu	Pseudonym	July 27, 2022	Organized Criminal
Zhang Bing	Pseudonym	August 3, 2022	Organized Criminal

Ma'anshan, June-August 2023

Name	Notes	Date	Occupation
Duan Feng	Pseudonym	July 4, 2023	Former Cadre in He County Government's trade company
Su Rang	Pseudonym	July 5, 2023	Police Officer
Lai Bao	Pseudonym	July 11, 2023	Former Organized Criminal
Shang De	Pseudonym	July 12, 2023	Former Organized Criminal
Zhao Yi	Pseudonym	July 12, 2023	Former Organized Criminal
Wang Ji	Pseudonym	July 12, 2023	Freelancer acquainted with Organized Criminals
Lin Ming	Pseudonym	July 13, 2023	Organized Criminal
Yang Sheng	Pseudonym	July 13, 2023	Organized Criminal
Yi Bing	Pseudonym	July 14, 2023	Former Cadre in Industry & Commerce Bureau
Jin Xiao	Pseudonym	July 15, 2023	Police Officer
Lu Daojun	Pseudonym	July 23, 2023	Organized Criminal
Sang Jiu	Pseudonym	July 25, 2023	Organized Criminal
Chai Hua	Pseudonym	July 25, 2023	Organized Criminal
Qiu Ya	Pseudonym	July 25, 2023	Freelancer acquainted with Organized Criminals
Jin Xiao	Pseudonym	August 1, 2023	Police Officer

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