How Can the Informal Institutions Regulate Interpersonal Relationship in Small-scale Societies: Observations from Chinese Rural Areas

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Abstract. As a result of China's "rural revitalization" strategy, the study of and response to the informal system in rural China has become an area of practical significance. In the process of policy formulation and implementation, the government's macro-level decisions have encountered some obstacles from the informal system in the countryside when they are implemented at the grassroots level. The research question of this paper is how the informal system in rural China regulates interpersonal relationships in small-scale societies. This question is not only related to the study of social structure within Chinese villages, but also a precursor to rational policy making. This paper adopts a case study research methodology, using existing literature and survey reports as research materials, and qualitatively analyzes rural cases from various parts of China, in an attempt to discover the place and role of informal institutions in the field of rural interpersonal relations. This paper analyzes several modes of operation of informal systems that exist in rural areas of China, and focuses on the favor exchange mode among them. The favor exchange model has a strong vitality in traditional societies, and it regulates interpersonal relations in the society by an informal means of moral supervision. But it also carries the risk of becoming corrosive, a risk that can slowly deprive societies of their creativity and possibilities for progress.

Keywords: Informal institution, Chinese rural areas, interpersonal relationship.

1. Introduction

The study of informal systems in rural China has been the focus of many Chinese scholars and policymakers. As a result of China's "rural revitalization" strategy, the study of and response to the informal system in rural China has become an area of practical significance. Because of certain interventions related to the content of informal systems, the implementation of macro-level government decisions at the grassroots level has encountered some obstacles. On the one hand, this has forced policy makers to think about solutions for integrating informal systems into the formal institutional framework. On the other hand, the informal system inherent in the Chinese countryside may have some value beyond its effectiveness, which cannot be ignored in the process of social development and rural modernization. Informal systems can be regarded as the traditional system of social operation in the countryside, often unwritten social habits, and often in serious conflict with the formal system. Informality is becoming one of the obstacles to the popularization of the hierarchical system at the grassroots level, where the influence of the central government is limited.

The research question of this paper is how informal institutions in rural China regulate interpersonal relations in small-scale societies. This question is not only relevant to the study of social structure within the Chinese countryside, but also a precursor to sound policy making.

In past village surveys and studies, there has been much summary material on village informal systems, some of which focuses on specific villages, and some of which attempts to discover homogeneity across villages. In general, in many specific villages, informal systems do not present themselves in some systematic form. Instead, some informal systems simply serve as a social habit that lacks a source basis to organize and regulate the specific logic of individual behavior in the villages. For those informal systems that are more influential, such as the Chinese Spring Festival and the Mid-Autumn Festival, they have become official holidays in China. In other words, these informal institutions have completed a kind of formalization. However, different villages in different parts of

China have a wide range of folk customs with great differences, which are difficult to be incorporated into the scope of formal institutions by a normative means. Existing studies have attempted to explain the socio-economic effects of informal systems more from the perspective of policy making. Therefore, this paper focuses on the area of rural interpersonal relations, which has received little attention in the past, and analyzes its possible secondary effects on other areas.

The following definition can be applied to the informal system discussed in this paper: informal institution refers to a spontaneously formed system of operational rules emerges based on the genuine needs of a specific locality within a particular societal context. This system serves to maintain social order, allocate social resources, and safeguard the interests of its members. This definition must adhere to four fundamental criteria:

(1) It does not necessitate formal organization but is capable of guiding and adjusting the local interests, as well as directing and sustaining the work and lives of its members.

(2) It inherently normatively influences individual behavior and produces explicit outcomes upon implementation.

(3) It does not strongly conflict with formal systems.

(4) Its application is bound within certain limits, meaning that this informal system remains ineffective in other localities [1].

2. Informal Institutions and Rural Interpersonal Relationship

2.1. Typical Mechanisms of Informal Institutions in Chinese Rural Areas

In China's rapid process of modernization over the past few decades, many modern institutional systems have been introduced to construct a hierarchical system, resulting in an inevitable mild conflict with China's inherent traditional concepts and systems. Such a convergence and collision of formal and informal systems simultaneously occur in both urban and rural areas of China. In urban areas, there has been a certain degree of reconciliation between formal and informal systems, ultimately achieving a balanced coexistence. In contrast, in rural areas of China, due to the lack of systematic development of formal institutions, many informal systems imbued with traditional Chinese cultural characteristics have been well-preserved and continue to play roles in various aspects of socio-economics. Indeed, it can be stated that informal institutions constitute the foundational systems that sustain the functioning of rural communities. These systems are deeply rooted in China's traditional agricultural economy and planned economy, and in turn, they have shaped the collective character of villagers [1].

From a macroscopic perspective of the nation, solely pursuing the refinement of formal systems is both unrealistic and unfeasible [2]. The foundational role of informal institutions cannot be ignored. In some Chinese rural villages, informal institutions effectively fulfill the responsibilities of village affairs management. For instance, in Village T in Fujian Province, a rotating informal system assigns each household the responsibility to voluntarily contribute funds for public services. In the local context, villagers also spontaneously gather to assist in road repairs in the village's public spaces during the annual August 15th festival [3].

Similarly, observations in Village D in Shandong Province reveal that gift exchange, as a symbolic ritual, often signifies the continuity of interpersonal relationships. If the exchange of gifts ceases between two parties, their interpersonal relationship is at risk of terminating [4]. These simple informal agreements successfully maintain the village environment and foster stronger bonds among individuals. In another example, villagers in rural areas of Henan Province use kinship ties to exchange gifts during weddings and funerals, building interpersonal relationships [5]. This form of emotional exchange serves as an expression of feelings between farmers, yet it also showcases their economic status. By displaying their economic status, they have the opportunity to gain broader recognition within the social group while accumulating resources within the network of interpersonal exchanges. Generally, this forms a positive cycle of accumulation. However, in reverse, under this informal system, there is a significant risk of widening wealth disparity.

The following are operational mechanisms of several common informal systems in Chinese rural areas.

2.1.1 Value Preference of Collective Orientation

China's traditional family-centered and holistic system compels individuals to relinquish their individuality in various aspects of social life, retaining only their value as part of a collective entity. Individual value is completely subordinate to the collective, and individual value can only be realized within the collective [6].

Such a value system also leads individuals to be inclined towards obedience to authority. The authority figures within the collective, whether they be family elders or political leaders, are seen as leaders. The basis of authority stems from various sources such as experience, age, contributions, or inheritance from previous leaders. People voluntarily submit to leaders within the collective, upholding their authority to ensure the realization of their own value within the group. This tendency to obey authority in traditional society limits opportunities for conceptual innovation and hinders cultural reform.

Simultaneously, such a monolithic society exhibits strong exclusivity. Individual positions within a group are constructed based on familial relationships, and social relationships are extensions of these familial connections. Outsiders find it difficult to integrate into existing social groups due to their lack of familial ties.

2.1.2 Value Preference for Revering Morality

As mentioned earlier, individual value finds realization only within the collective. The yardstick for measuring individual value and determining social status is morality. Confucianism emphasizes ethics over utilitarianism in individual behavior. Unrestrained pursuit of self-interest is believed by Confucianists to harm the collective's overall interests; thus, they advocate moral education. Moral judgment serves as the criterion for social status. Even if a person possesses strong competitiveness but lacks moral integrity, they won't garner societal recognition or undertake significant responsibilities within the collective.

In essence, revering morality requires individuals to sacrifice their personal interests for the collective's benefit. In the Confucian moral framework, selflessness is considered virtuous behavior. Therefore, the advocacy of revering morality functions as a mechanism to suppress and discipline individuals within the collective society.

2.1.3 Value Preference for Egalitarianism

In traditional Chinese group dynamics, egalitarianism is essential for maintaining social stability. Eliminating differences and mitigating wealth disparities have always been typical values in traditional Chinese society. The pursuit of equality is a significant factor in the continuity of a collective society. Without the guiding principle of egalitarianism, the moral value of individuals within society would diminish, and a morality-driven societal model would fail to be realized.

2.2. Specific Impact of Informal Institutions in Regulating Interpersonal Relationships

The aforementioned informal institutions construct a distinctive mode of interpersonal exchange in traditional Chinese society, or “renqing” society in Chinese. Traditional Chinese society does not emphasize the dominance of rationality or irrationality; instead, it seeks a harmony between the two. Through the empathetic sympathy of "treating others as oneself," a sense of universality is imbued in interpersonal relationships. The expectation is to exchange one's private emotions for the sympathy of others. In this system, individuals do not solely pursue the maximization of material gain; many indirect factors are considered. Indirect and tactful approaches might lead to greater practical and emotional gains, and these are more easily accepted by the public, thereby garnering a form of non-institutional social support. Within the collective society, material exchange is accompanied by emotional exchange.

Interpersonal relationships within the group to some extent depend on this unique form of material exchange. This type of exchange often occurs during significant events such as weddings, funerals, and birthdays. Guided by established local norms, this form of exchange serves to regulate social relationships. Strengthening emotional ties is achieved through the exchange of gifts. In such gift exchanges, individuals receive emotional support beyond material goods.

In this system of interpersonal exchange, interactions are limited to specific ranges, but this scope possesses certain flexibility. Material exchanges typically occur between close acquaintances, yet for specific purposes or other reasons, exchanges can extend to other individuals. For instance, the formation of marital relationships leads to closer ties between two families.

Furthermore, these ceremonial gift-giving behaviors, along with the ceremonies themselves, not only reflect a sense of moral goodwill but also have specific social effects [5]. The scale and quality of ceremonies become criteria by which villagers judge the hosts and their families. If a ceremony is grandly held, the host is often perceived as an influential figure. The primary factors determining the success of a ceremony are the host's economic strength and social relationships. Thus, even though the system of interpersonal exchanges vehemently denies the influence of material factors, its manifestations still cannot conceal its underlying essence.

Moreover, such exchanges are generally reciprocal [7]. The principle of reciprocity is central to these exchanges, rather than unidirectional giving. However, it is worth noting that these exchanges do not demand absolute value parity. Because traditional values oppose the extreme pursuit of material gain, precise interest-based exchanges are not approved [8]. Chinese farmers are not necessarily typical rational agents from an economic perspective, but rather they embody a certain type of social and moral individuals. They live within a close-knit community where various norms, unspoken understandings, commitments, and concerns prevalent in such a community shape their behaviors [9]. It is precisely this slight asymmetry that allows these exchanges to endure, as emotional exchanges are intertwined with material exchanges.

2.3. Limitations of Informal Institutions in Regulating Interpersonal Relationships

Nonetheless, in certain scenarios, these informal institutions fail to effectively regulate interpersonal relationships. At times, when conflicts arise between formal and informal systems, the latter yields to the former. Ambiguities in handling interpersonal relationships are not recognized within the strict requirements of formal systems. Informal institutions, when regulating interpersonal relationships, can only fill in areas that formal systems struggle to address.

Additionally, the effectiveness of informal institutions in regulation heavily relies on the authority of group leaders. If leaders lack sufficient influence, the maintenance of moral standards in society becomes challenging, and interpersonal exchanges lose effectiveness, ultimately devolving into exact interest-based exchanges. Emotional elements are excluded from material exchanges in such cases.

3. Discussion

3.1. Reasons of Interpersonal Exchange Mode Lasting for Long

In the preceding discussion, the research delved into the concept of a "renqing" society as a typical social organizational form in rural China, and how it influences the ideological and lifestyle aspects of rural villagers. However, what remains perplexing is why this traditional order, in the face of the challenges posed by the new order represented by market economy and bureaucratic systems, manages to endure over the long term and exert a significant hindering effect.

Firstly, the renqing exchange pattern has a strong and enduring transmission method. In rural areas of China, traditional notions of authority and belief hold a deep-seated and irresistible influence [1]. This traditional social concept, which has existed for centuries, carries a paternalistic authority and naturally garners support from vested interest groups. Typically, it is continuously transmitted throughout the entire societal collective in the form of family education. For preschool children or

other incoming migrants, the only way to integrate into existing social relationships is to accept and join this system, which indeed holds a form of coercion on a macroscopic level.

Secondly, the renqing exchange pattern possesses a robust moral supervision mechanism. As an informal system, it doesn't rely on absolute authority or violent enforcement to maintain its functioning. Instead, it depends on a strong form of public opinion surveillance within the societal collective [1]. This ensures that every member's intangible social resource, namely the resource of interpersonal connections, gains widespread recognition throughout society. If a member of society refuses to adhere to this norm, their social status can be ethically invalidated by collective public opinion. Over time, individuals who reject the renqing exchange pattern not only face collective exclusion in terms of interests but also lose value recognition within public opinion.

Thirdly, the renqing exchange pattern serves as a flexible social security system. Chinese scholar Fan Fei discovered that gift-giving behaviors between friends and relatives are widespread in China. Moreover, the larger the proportion of wealth attributed to such renqing exchanges within a household's income, the less likely the household is to purchase formal insurance [10]. This implies that renqing exchanges, to a certain extent, replace the role of formal insurance. Simultaneously, this type of informal insurance is more readily accepted emotionally by traditional-minded Chinese individuals.

3.2. Negative Impacts of Interpersonal Exchange Mode

Despite the relatively stable social foundation of the renqing exchange pattern in rural China, this informal institution does indeed carry risks of negative impacts. Firstly, in a society built on the foundation of renqing exchange, due to the ambiguity and transcendence of interpersonal factors, societal fairness based on formal systems cannot be guaranteed. Under such circumstances, individuals have the capability to convert interpersonal resources into wealth, general employment positions, or government administrative roles. In such a context, an equitable recruitment and selection system becomes difficult to establish within a renqing-based society. Furthermore, all explicitly stated rules and regulations struggle to maintain their absolute authority. In extreme cases, due to the excessive prevalence of renqing exchange, the local judicial system can become dysfunctional. Because the law does not equally apply to all individuals within the society, the seriousness of the law and the spirit of a rule of law society can be undermined [11]. Therefore, a renqing society inherently opposes formal systems.

Secondly, the ritualistic operational mode of a renqing society can lead to resource wastage and administrative inefficiency. Since the operation of a renqing society often relies on various ritual activities, these activities inherently consume substantial material resources and time. While this might be acceptable in regions with abundant resources, if such resource consumption affects the overall quality of life within society, renqing exchange could lead to unnecessary waste, subsequently affecting the overall efficiency of the society. Such a high-cost order cannot sustain itself and carries the risk of rapid disintegration [12].

3.3. Limitations of the Research

This study primarily relies on general observations within rural areas of China and the analysis of specific exemplary rural cases to derive a universally applicable model of informal institutions. However, it's important to note that due to the diverse and complex nature of rural areas across China, the findings of this study may not be universally applicable to all specific cases. Despite the focus on rural areas in China, there are significant cultural customs and social organizational variations between northern and southern Chinese rural communities. Different social dynamics can also be observed between large and small villages. Additionally, the economic composition of a village can influence interpersonal relationships and traditional beliefs to a certain extent.

4. Conclusion

This paper's research primarily relies on observations within rural areas of China to illustrate the significant role of informal institutions in these regions. Following this, the paper summarizes several relatively typical operational mechanisms of informal institutions, including the Value Preference of Collective Orientation, Value Preference for Revering Morality, and Value Preference for Egalitarianism. After emphasizing the role of these mechanisms, particularly the renqing exchange pattern, in regulating interpersonal relationships, the paper also points out the limitations of these mechanisms in practical operation. In the Discussion section, the paper addresses why informal institutions like the renqing exchange pattern possess such strong vitality that they have persisted for centuries, or even longer, in rural China. Lastly, the paper analyzes the negative impacts that such renqing exchange patterns might bring about and the potential sustained social crises they could cause.

The focus of this paper is on the development of informal institutions in rural areas and their influence on interpersonal relationships. However, the interaction between informal and formal institutions remains to be studied. For instance, how informal institutions can effectively and reasonably coexist with formal institutions is a classic research topic. When introducing certain formal institutions in rural China, the informal institutions and the interpersonal relationships they shape could potentially conflict with written formal systems. In some cases, informal institutions might hinder the complete integration of formal institutions, forcing the latter to build upon the existing framework of informal institutions. Consequently, the efficiency and effectiveness of formal institutions might be compromised. Conversely, introducing formal institutions in some regions might not necessarily be a good approach. Enhancing the healthy and positive operation of existing renqing societies might be a better decision.

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