

Beyond the Patron-Client Relationship:

Private Entrepreneur's Political Entitlement and Elastic Informal Capitalism in Post-socialist China

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The existing literature widely grounds the market success of private entrepreneur on the political connection to bureaucratic authority in post-socialist transition – especially through the dominant form of individual relationship between the merchant and official. However, such prevalent argument largely ventures to neglect how the economic actor might build the diverse connection to political power beyond the patron-client relationship, and employ these different types of connective resource in the strategic ways for market advancement. By addressing China's distinctive experience among the transitional economies, this paper illustrates the private entrepreneurs' formal entitlement in political institution – including People's Congress (PC) and People's Political Consultative Conference (PPCC), and discusses their strategic actions through the policymaking process for commercial benefit. Focusing on how the entrepreneurial actor is incentivized to explore and experiment the different sources of relational opportunity for the business ends, given a highly volatile and precarious market institution through large-scale and foundational progress of socioeconomic change, this investigation thus leads to an original theoretical proposal of "elastic informal capitalism", which aspires to explicate the nature and characteristic of capitalist institution emerging in the post-socialist experience. The mix-method analysis, including the quantitative investigation of Chinese Private Enterprise Survey (CPES) 1995/2010 rounds, and the case-specific examination of entrepreneurial practice in relation to the institutional engagement in China, is presented for preliminary yet seminal pieces of evidence (continue updating).

Introduction: “Crony Capitalism” in Post-socialist China

Virtually undeniable, ever since the dissolution of ex-communist bloc and dismantling of planning economy – especially marked by the eventual collapse of Soviet Russia, the different socialist regimes have embarked on a broad spectrum of transforming trajectories of both the political development and economic growth. Taking China as the analytical focus, the transition from state socialism from the late 1970’s on, creates an astounding “developmental miracle” in the country’s growth to world’s second largest economy, which sharply defies both the scholarly prediction and popular expectation at the time (Brandt & Rawski, 2008; Goodman, 2016; Haggard & Huang, 2008; Huang, 2008; Hung, 2009; Krug, 2004; Krug & Pádos, 2004; Lardy, 2014; Lin, 2015; Naughton, 2007, 2015; Nee & Opper, 2012; So, 2013; Svejnar, 2008; Tsui, Bian, & Cheng, 2006; Walder, 2006; Yang, 2007). More intriguingly and importantly, in generating the surprising prosperity of this transitional regime, one of the foremost contributors, features exactly an unexpectedly burgeoning private sector. According to the *Chinese Private Economy Yearbook* (中国私营经济年鉴), the private economy in China obtains a startling success beginning from its take-off during the 1990’s to the heyday through the 2000’s, with not only an impressive increase in all of primary indexes for the industrial statistics, but also its substantive expansion to the many subnational regions and market sectors. Take the Investment in the Fixed Assets (IFA) as one of the major indicators of economic vigor for example: the non-state sector has contributed a rising 9,349 billion (and climbed to nearly half) of the total IFA in China till 2009, whereas the public sector has merely recorded a stalled 8,654 billion. Moreover, in certain highly developed areas (the metropolitan clusters in Southeastern China – Yangtze River Delta, e.g.), the private segment’s fueling of career opportunity, welfare provision, and payment level, has almost turned the offering of public sector into pale, leaving its significance and attraction to the younger generation of labor force as a story of past. While admittedly, the unexpected financial flow and trading turbulence through the late 2000’s have imposed a quite critical strike to private economy, eliciting many of the general observations and scholarly conclusions on fatigue and recession of the non-state sector, it still plays an indisputably vanguard role in stimulating market dynamic and nurturing economic development, in China’s post-socialist transition.

However, only several decades ago, when Mao just passed away in 1976, leaving the country politically polarized and economically devastated, few might believe that a capitalist component, should even be passionately accepted by a Communist Party in its uninterrupted reign. At the very beginning, The Third Plenum of The Eleventh Chinese Communist Party’s (CCP) Central Committee (中国共产党第十一届中央委员会第三次全体会议) held in 1978 – though received by many as the milestone sociopolitical event that marks the beginning of a large-scale market reform and foundational economic restructuring, the conference actually serves no more than to terminate the political activism and economic blockade through entire Cultural Revolution (文化大革命, 1966-1976), and farewell to Mao’s charismatic authority and autocratic rule by his passing-away. Nevertheless, till The Fifteenth and Sixteenth CCP National Congress (中国共产党第十五、十六次全国代表大会) convened in 1997 and 2002, the Party-state has already been conceived and prepared, to declare its official acknowledgement and legitimation of the private entrepreneurship, whereby the non-state economy obtains formal recognition from the ruling elite for the first time in republic’s history, in immense contrast to its historical stigma as the “antithesis” of socialism in the Maoist days.¹ Among the most defining documents, *The Sixteenth CCP National Congress Report* (中国共产党第十六次全国代表大会报告) published in 2002, for example, announces an unwavering stance of Party-state to support the growing private economy, as well as identifies its market status and economic contribution being equivalent to that of the public sector. In the subsequent couple of years following the “main melody”, plenty of substantive legislative amendments and policy revisions immediately take place. As a consequence, student of China’s political governance and economic development today, would definitely find the hybrid qualities of this transitional economy in all senses much more distinctive and simulating in comparison with other post-socialist regimes, which especially challenges the long-standing preconception of irresolvable dichotomies in a great number of intellectual orthodoxies and theoretical canons – between state and market, political means and economic ends, public ownership and

¹ It takes quite an extended and struggling process for the public opinion and dominant value to accept the legitimacy and contribution of private economy, in China’s reform experience. One of the most well-known examples is, when the first generation of the private entrepreneurs burgeon in rural marketplace during the 1980’s, frequently regarded with the “dubious” political background and employment record, many of them have to confront and tolerate the very harsh critique and skepticism from the public on their commercial enterprise, which are claimed not only to violate the legislative postulation, but also to deviate from the “moral” creed (accuse of “sin” (原罪)). Another informative example could be, for those successful township and village enterprises (TVEs) that are actually controlled by the individual cadre/manager (namely the de facto private enterprise), there is an informal yet widespread entrepreneurial strategy to wear the enterprise a “red hat” (红帽子, which means the enterprise disguises itself by registering as the collective ownership), to shield any political charge and public protest at the time. See Bian & Zhang, 2002; Naughton, 1994, 2007; Walder, 2006, 2011; Walder & Oi, 1999; Zhou, 2000.

private property, for instance.

Focusing on such a vigorous and accomplished private economy, in the broader background of China's post-socialist transition and development performance, two inherently connected questions of the most stimulating intellectual implication and significant empirical sense that capture the existing scholarly attention, of course, are *how the private entrepreneur attains its market success in this large-scale and foundational transition from state socialism – and further, what the nature and characteristic of the capitalist institution emerging and growing in post-socialist experience are on earth to be*. According to the conventional wisdom, the rise of private economy, is founded on a systematic process of institutional building to accommodate and facilitate the new manner of social exchange and market competition, such as the legislative procedure and law enforcement for protection of the property rights and creation of the effective incentive (North, 1990). However, in a socialist state without existing institutional condition that favors the non-state commerce even though at a minimum level, the promise of private economy is apparently impossible, unless to foreground the pioneering role of private entrepreneur on the threshold of foundational changes at the first. Indisputably, therefore, the emergence and growth of business elite, and especially its entrepreneurial practice in relation to the bureaucratic power, takes an undoubtedly commanding height in past scholarship on China's economic achievement in specific – as well as post-socialist capitalist transformation in broad.² One theoretical approach that widely informs the studies of economic sociology is, to emphasize and demonstrate the bottom-up dynamic of market activity in sustaining the institutional building and promoting the economic restructuring, whereby the peasant entrepreneur rising from rural sectors plays a revolutionary role in shaking the industrial dominance of planning economy and eroding the economic foundation of state socialism (Lyons & Nee, 1994; Nee, 1989a, 1989b; Nee & Opper, 2012; Nee & Sijin, 1990). In a series of the most representative and renowned works of Nee and his colleagues, the peasant entrepreneur is contended as both “creator” and “carrier” of the new rules and norms that base nascent economic institution, since it pursues the market opportunity and organizes the commercial activity under explicit expectation of both the reward and discipline induced in grassroots business network (DellaPosta, Nee, & Opper, 2017; Nee, 1998, 2002, 2005; Nee & Ingram, 2002; Nee & Opper, 2012). Accordingly, the bottom-up peasant entrepreneurship constitutes a core component of destabilizing the institutional basis of socialist regime, and therefore acquires a presiding significance in conceiving the “endogenous institutional change” (Nee & Opper, 2012) in way to a larger capitalist transformation. *In summary, this theoretical approach argues, the market success of private entrepreneur in China's transitional economy is widely premised on the decoupling from bureaucratic authority, which presents a “capitalism from below” model to characterize the emerging capitalist institution in post-socialist experience.*³

However, despite the convincing point that the private entrepreneur undertakes an important character of economic leadership in China's post-socialist transition, equally true is the fundamental fact that the economic development and institutional change in this transitional case, have never been completely unfettered from the Party-state regulation and bureaucratic intervention. This defining feature, powerfully questions the causal inference of private entrepreneur's business success in the exclusive attribution to growing market institution and its nurturing material incentive, since it ignores the impactful role that the political actor has evidently figured in fueling the entrepreneurial prosperity and capitalist transformation. Accordingly, another literature stream primarily growing out of the field of political economy, contends that the private entrepreneur's market success still heavily relies on the political connection between business and politics, especially in those segments where the economic activity meets harsh restriction and regulation (Bian, 2002; Chen, 2002; Chen, 2016; Chen & Dickson, 2010; Dickson, 2003, 2008; Feng, Johansson, & Zhang, 2015; Gold, Guthrie, & Wank, 2002; Goodman, 2008, 2014, 2016; Gore, 1998, 2011; Guo, Jiang, Kim, & Xu, 2014; Guthrie, 1999; Haggard & Huang, 2008; Haveman, Jia, Shi, & Wang, 2016; Jacobs, Belschak, & Krug, 2004; Kang & Ma, 2018; Kennedy, 2005; Lin, 2002; Lu & Tang, 1997; Pearson, 1997, 1998; So, 2013; Solinger, 1992; Sorenson, 2017; Truex, 2014; Tsui et al., 2006; Wang, 2016; Wank, 1999; Wright, 2010; Yang, 2007). Among the different theoretical claims, the mostly shared argument is, as the command of economic policy and control over market resource are basically decentralized to the bureaucratic agent of

² By maintaining such analytical focus, this paper accordingly excludes other two primary theoretical approaches to discuss the concerned question of capitalist transformation in the post-socialist experience. One is the “nomenklatura capitalism” that addresses how the ex-communist official and cadre transfer their political privilege into market advantage (Chen, 2002; Gore, 1998, 2011), and the other is the “state capitalism” that underscores the Party-state's strategy and practice in restructuring the ownership and advancing the industry (Chu & So, 2010; Lin, 1997; Tsai & Naughton, 2015). In addition, see Fligstein and Zhang's agenda-setting work on China's capitalist transformation and its scholarly implication (2011).

³ The emergence of bottom-up business and its influence on the economic liberalization, parallel some particular pieces of Eastern European's transitional experience (Böröcz & Róna-Tas, 1995; Szelényi, 1988; Winięcki, Benacek, & Laki, 2004).

Party-state polity⁴, it then provides the particular support to emergence and preservation of the instrumental relationship between political and economic actors, through which the office authority and business interest might frequently transact with each other, eventually for the policy outcome and resource access significant to development and success of the private entrepreneurship.⁵ *Therefore, this literature streams actually holds, the market success of private entrepreneur in China's post-socialist transition largely depends on the connection to office incumbent – namely the presiding form of “patron-client” relationship⁶ between individual merchant and official, which suggests the growing capitalist institution in transitional context to be a kind of “crony capitalism”.*

Certainly, taking the development imbalance and local diversity of China's post-socialist transition into account, it is of no surprise that the different theoretical approaches on their polemic positions might produce such contentious propositions and even paradoxical conclusions. Actually, both of the scholarly evaluations, have successfully captured and explained the distinctive segments of entrepreneurial experience and capitalist transformation, in response to the core questions on post-socialist transition and economic development in the case of China. *Nevertheless, even though given such inclusive and substantive understanding of the existing literature, it is equivalently important to emphasize, that beyond the academic disputes over specific evidence or particular argument involved, to certain extent, the political reliance of business elite for the commercial benefit, and the enduring significance of patron-client connection for the market advancement, have already evolved into one of the most predominant and widely-accepted proposition, with respect to the broader knowledge of entrepreneurial practice in China's market restructuring and development course, which also resonates with the transitional experience of other Eastern and Central European economies in a larger picture of post-socialist destiny.* In fact, one of the very central reasons that the once popular neoliberalism prescription of “shock therapy” has failed in achieving the previsioned capitalist model, releasing the expected growth potential, and further causing a series of negative consequences (such as the economic recession as well as even the return of illiberal rule), lies exactly in its partial interpretation and untenable prediction of the private entrepreneur's business strategy in quest for market advancement. As Schwartz has addressed in his fairly insightful and prudential work on the transitional economy, “The Politics of Greed” (2006), when presented with both the rapid disintegration of power structure and immediate emaciation of law enforcement – especially following the liberalization and privatization progresses whereby the political leadership soon withdraws from market regulation and social contract, the rising private entrepreneur proves much more likely to be interested in stealing the public property and exploiting the labor output, than rationally improving the investment efficiency and restructuring the corporate governance for commercial benefit. In the very extreme but demonstrated occasions, the economic actor even attempts to deepen the substantive control over political agent and extend the existing influence to state institution, to manipulate policy outcome and predate market benefit. As a consequence, these entrepreneurial strategies and practices, naturally foreshadow the potential crisis not only of economic growth, but also of political transformation for the transitional economy, both of which have been increasingly corroborated in the recent years.⁷ Therefore, in return to the discussion on China's post-socialist transition and economic development, there is no wonder on why the entrepreneur's market advancement and the emerging capitalist institution, are widely perceived to be hardly irrelevant to the connectional factor and political influence, especially given the surviving authoritarian rule in China's reforming course. In fact, even though in Nee's model of “capitalism from below”, which represents the other intellectual extreme on evaluating and theorizing the entrepreneurial experience and capitalist transformation in post-socialist context, it is still undoubtedly demonstrated that the political connection to office incumbent remains significant, in determining the resource availability and therefore business outcome to private actor, though its importance is contended to evaporate with the progresses of marketization and liberalization along the continuing reform (Nee & Oppen, 2012).

Admittedly, the existing literature on private entrepreneur's political connection in contribution to its market success,

⁴ See Ang, 2016; Bulman, 2016; Chung, 2001; Heilmann, 2016; Landry, 2008; Malesky & London, 2014; Naughton, 1995; Shirk, 1993; So, 2003; Xu & Yang, 2015; Yang, 2001; Zhou, 2017.

⁵ However, no complete intellectual agreement has been achieved. The most essential theoretical disputes frequently include the extent of interdependence between the bureaucratic agent and business elite in broad, or the typology as well as effect of connection in securing the market advantage in narrow. Equally important is, however, the academic debates so far have posed not so much as the paradigmatic divergence as the argument distinctions.

⁶ That is partly why the different term specifications in existing literature, such as “entrepreneurial social capital”, “government tie”, “link to office”, etc., are considered a matter of rather conceptual entitlement than substantive reference (and therefore omit the excessive discussion).

⁷ The cross-national variation in different comparative dimensions (national income, social welfare, civil right, etc.) among the post-socialist economies is still emphasized (see Bunce, McFaul, & Stoner-Weiss, 2010; Ekiert & Hanson, 2003; Kitschelt, Lange, Marks, & Stephens, 1999; Lane, 2002, 2007; McFaul & Stoner-Weiss, 2004; Roland, 2000).

therefore deems the substantial appreciation and respect, for not only installing the theoretical parameters of studying the entrepreneurial success in China's transitional economy in narrow, but also stimulating the intellectual debates over understanding the nature and characteristic of post-socialist capitalism in broad. Almost no academic argument on the concerned puzzles, would simply disregard such scholarly wisdom on the relational dynamic and sociopolitical foundation of private entrepreneurship and capitalist transformation, through the large-scale and fundamental socioeconomic progress. *Nevertheless, even though allowing for these intellectual merits and contributions, the existing argument is still defected in a series of both empirical grounds and theoretical logics, which are quite significant and impactful but nonetheless marginalized by the past scholarship. While the current proposition almost unanimously interprets the political connection as patron-client relationship between the merchant and official, what if the private entrepreneur actually builds the diverse connection with political power – especially attains part of the policymaking authority beyond such patron-client relationship? Also, further beyond, what if the private entrepreneur forwards strategic choices over employing these political connections in the different ways – especially wielding the institutional power to generate market outcome?*

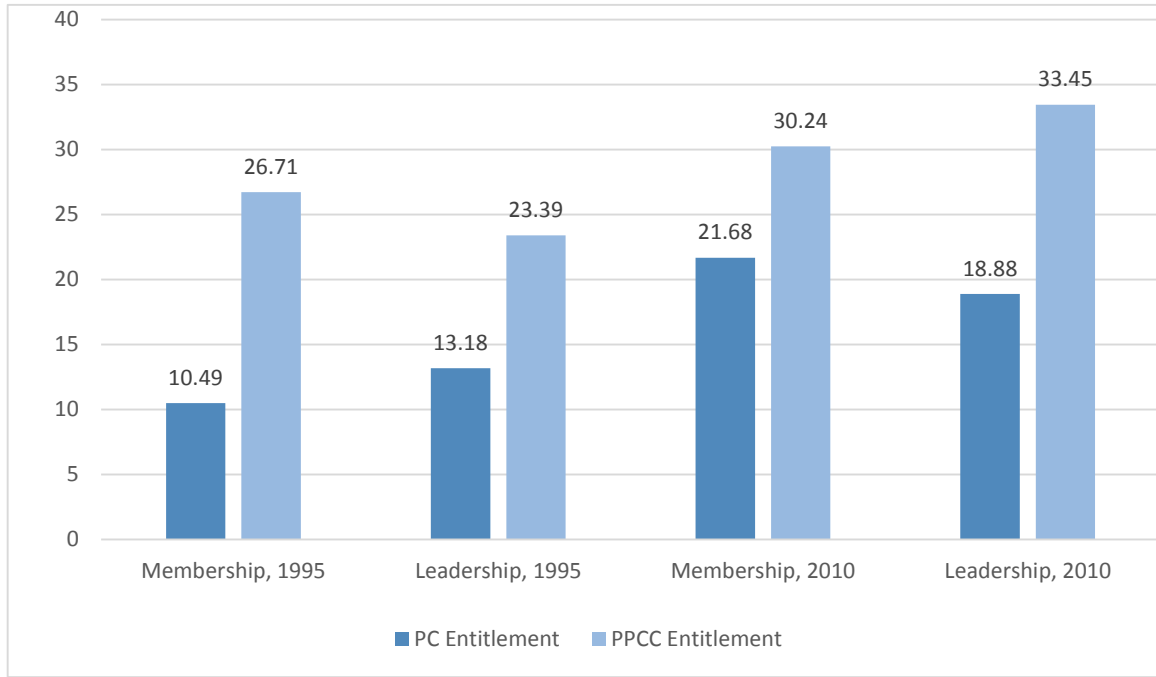
Over the past decades of China's post-socialist reform, a remarkable fraction of emerging private entrepreneurs, begins to engage in the political domain by Party-state's official entitlement, namely joining the institutional membership or assuming the leadership position in the "House" of People's Republic of China – including the People's Congress (PC, 人民代表大会) and the People's Political Consultative Conference (PPCC, 人民政治协商会议).⁸ According to the 1995 and 2010 rounds of Chinese Private Enterprise Survey (CPES), it is explicitly manifested that the private entrepreneur has performed highly proactive in holding the duty positions in PC and PPCC – take PC entitlement for example, till the year of 1995, 10.49% of the entrepreneur respondents are currently bearing a PC membership service, and 13.18% of these merchant PC members are even already taking a leadership position of PC (including the president, vice-president, or standing committee member). In addition, the number and proportion of private entrepreneur's formal entitlement in PC continue to increase, resulting in 21.68% and 18.88% respectively in the round of 2010. Switching from the sample figure to empirical estimate, it is convincingly arguable, that the business elite's political participation in formal institution, might have already been much more universal and pervasive in the local Party-state polity ever since the early 1990's, and that is the time when the market reform just reaches urban industry as heart zone of the planning economy. Though frequently dismissed as the "rubber-stamp parliament" in authoritarian regime, far less than an autonomous fulfillment of both legislation and deliberation duties, PC and PPCC are still widely considered the most foundational political institutions in China's power system – for instance, the PC member, is formally vested with the institutional authority over drafting, revising, and enacting a series of policies and laws (Chen, 2015; Dickson, 2008; Dreyer, 2010; He, 2013; Heilmann, 2016; Lieberthal, 2004; Lin, 2014; Manion, 2014, 2015; O'Brien, 1988, 1990, 1994, 2009; O'Brien & Luehrmann, 1998; Saich, 2004, 2013; Shi, 2014; Truex, 2016; Wright, 2015; Yan, 2011; Yu, 2014).⁹ Since the existing law strictly bans the businessman's appointment in government duty, the institutional entitlement in both PC and PPCC, therefore indicates the private entrepreneur's most substantive participation and influence in China's transitional economy (Chen, 2015, 2016; Chen & Dickson, 2010; Dickson, 2008; Lü, 2013; Tsai, 2006, 2007, 2011; Yang, 2013).¹⁰

⁸ The two institutions are much frequently presented as "NPC" (National People's Congress, 全国人民代表大会) and "CPPCC" (Chinese People's Political Consultative Conference, 中国人民政治协商会议) in existing literature, as the discussion usually focuses on institutional matters of the highest organizational level.

⁹ In addition, with the increasing emphasis on political representation during the institutional reform, PC and PPCC members are much more expected to respond to the public concern and address the grassroots interest than ever before, whereby the two institutions have gradually evolved into the presiding focus of local political development and social governance (Dickson, 2008; He, 2013; Lin, 2014; O'Brien, 1988, 1990, 2009; Saich, 2013; Shi, 2014; Wright, 2015).

¹⁰ Another piece of historical evidence worthy of particular mentions is, the ruling elites (especially at Party-state central) have been actually quite contended and polarized on the formal admission of private entrepreneur into the political institution, situated in a larger dispute and broader conflict over a large-scale and foundation-shaking market reform that implies the capitalist transformation by embracing private economy. A widely informed example is, even though before the convention of The Fifteenth CCP National Congress, there still erupts a serious protest organized primarily by the intra-Party conservatives (including senior cadre as well as ordinary worker), which advocates against the Party-state's ideological and practical shifts to incorporate capitalist element, shamefully "betraying" the creed and belief of socialism – known as "Ten Thousand Words Event" in 1997 (万言书事件, which means that people collectively compose and publish a remarkably lengthened letter of complaint, formally and solemnly requesting the response of government).

Table 1. Political Entitlement of Private Entrepreneur in PC and PPCC (%)



Source: Chinese Private Enterprise Survey, 1995 and 2010 Datasets.

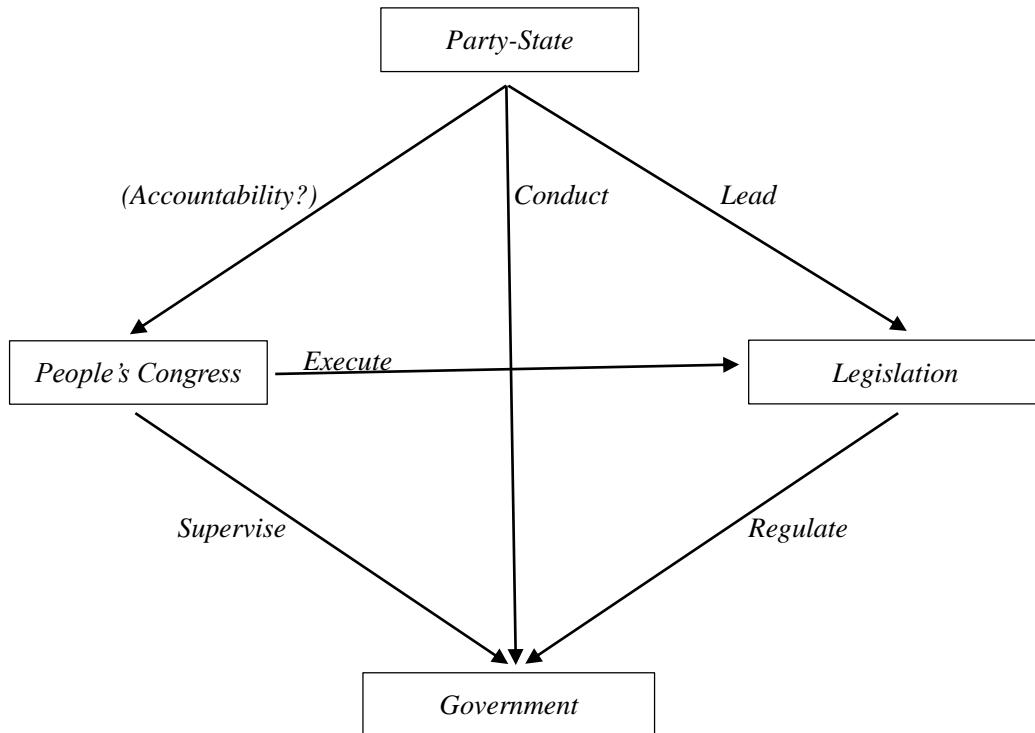


Figure 1. Legislative Relationships among Institutional Actors in China's Polity, e.g.

Nevertheless, ironically, while the institutional engagement of private entrepreneur in the formal political sphere has persisted for about 30 years in post-socialist China, as preliminarily illustrated above, the scholarly wisdom only begins to pay attention to the very puzzling as well as intriguing phenomenon in the recent years.¹¹ More surprisingly would be, the business elite's political entitlement in formal institution, is still interpreted by the existing literature as an additional and

¹¹ See Chen, 2015a, 2015b, 2016; Chen & Dickson, 2010; Dickson, 2008; Feng et al., 2015; Hendrischke, 2013; Lü, 2013; Saich, 2013; Sun, Zhu, & Wu, 2014; Truex, 2014, 2016; Tsai, 2006, 2007, 2011; Yang, 2013; Zhang, 2017.

secondary form of patron-client relationship between the individual official and merchant, which manifests no more than the already told story on bilateral interests in exploiting the bureaucratic power and predated the market benefit, reflecting the affiliated status of private entrepreneur in relation to the political elite (Chen & Dickson, 2010; Dickson, 2008; Feng et al., 2015; Goodman, 2008, 2016; Sun et al., 2014; Yang, 2013; Zhang, 2017).¹² Nevertheless, is this predominant narrative really adequate and convincing, on explaining the political entitlement of private entrepreneur as another form of patron-client relationship in a quite *a priori* and reductive manner? Would not it assume too much about the rationale and working of such institutional engagement of the business elite, which belies the substantive process and thus theoretical implication? What if the private entrepreneur attempts to grasp the policymaking authority through institutional participation, and utilize such institutional power to intervene in market regulation, as well as produce commercial benefit?

Apparently, the further interrogation of these analytical deficiencies, prompts the scholarly reflection in parallel on whether the existing argument on patron-client relationship between the business elite and office incumbent, has sufficiently inquired into how the private entrepreneur gets economically advanced in market transition, as well as the nature and characteristic of emerging capitalist institution in relevance to such entrepreneurial practice. ***Accordingly, by focusing on China's transitional and development experience, as well as addressing the private entrepreneur's political entitlement in formal institution and substantive influence through policymaking process in particular, this paper aspires to illustrate on how the economic actor might establish the diverse connection to political power, and thus induce the further strategic choice over applying these power connections, for its market aspiration – which critically responds to the two core inquiries of entrepreneurial success and capitalist transformation in the post-socialist experience.*** Grounded on these entrepreneurial practice in relation to institutional authority, I argue that the capitalist institution rising in post-socialist transition, should be considered neither a “bottom-up capitalism” nor a “crony capitalism”, but an “elastic informal capitalism”. “Informality” lies the conceptual basis in agreement with existing literature that the informal factor plays an important role in connecting the business interest and producing the market outcome for post-socialist entrepreneurs (network, e.g.), whereas the “elasticity” proposes the analytical emphasis in departure from scholarly convention that the private entrepreneur is fundamentally incentivized to explore and experiment the different types and hybrids of relational opportunity for the economic achievement. This incentive, is rather inherent in the entrepreneurship nature of building strategic connection and maximizing prospective benefit, in tackling the pressure and challenge of a highly precarious and volatile market institution in foundational transition from socialism to capitalism, than externally caused by the regime type and ruling feature. Thus, the hybrid of two defining characters as the tilting of “elastic informal capitalism”, could adequately explain why the private entrepreneur might venture a stake in political institution and employ these political resources quite resiliently in China's case, whereas it could be evolved or degraded into other forms and means of constructing and mobilizing the power relationships in other cases, provided the specific institutional contexts determined by different transitional experiences.

Beyond the scholarly concern on dominant argument of the patron-client relationship in explaining the entrepreneurial success and capitalist transformation in post-socialism as delineated above, the investigation on private entrepreneur's political entitlement and institutional engagement, is much profoundly related to a series of broader and deeper theoretical implications for the intellectual agendas in three major academic fields. First, for the transitional studies, while the literature streams have presented as diverse as informative approaches of the “institutional analysis” to post-socialist development differentials – especially in the discussion of China's distinctive experience (social network, property rights, class relation, e.g.), the existing scholarship has nevertheless paradoxically exhibited a little interest in entrepreneur's political strategy and evolving state-business relation, which might however constitute a fundamental intellectual alternative to restore the institutional research agenda and thus contribute to the comparative post-socialist studies. Second, for the authoritarian research, despite the conventional wisdom largely considers the political entitlement of private entrepreneur into the formal institution as a consequence of authoritarian governance strategy and practice, which attempts to contain and manage the

¹² The existing literature usually holds, by political entitlement in the formal institution, the private entrepreneur takes advantage of the organizational platform to establish the personal connection to office incumbent, which could be further mobilized for the market advancement. This scholarly interpretation, for many, is further grounded on the property of organizational/personnel systems under the Party-state structure in China, whereby in wielding the absolute authority over cadre administration, CCP might appoint the local Party committee's leader (secretary, or deputy, e.g.) to parallel chief duties in the PC or PPCC (president, vice-president, e.g.; see Heilmann, 2016; Lieberthal, 2004; Saich, 2004; Wright, 2015), thus the private entrepreneur should anticipate to build the relationship with political official through the institutional engagement.

emerging threat of pro-democratic actor in thus exclusive relevance to the regime resilience (“co-optation”, e.g.), such presiding argument might substantially ignore how the organizational admission of non-ruling elite might bring about the substantive and challenging political concerns for Party-state (and therefore suggest the belied but significant theoretical issues on strength and weakness of the illiberal rule), should the business elite is demonstrated with the interests and capacities in intervening in market regulation and producing distributional outcome, through the policymaking process. Last but not least, for the development literature, though the established account has been much inspiring and achieved in modeling the strategic experience and excavating the impactful implication of certain astoundingly successful developing economies (connecting the bureaucratic actor to economic elite in the East Asian developmental state, e.g.), these repeated studies fairly stagnate, however, faced with the increasing hardship of effectively explaining the economic recession, wealth disparity, and distributional conflict that have been emerging and plaguing the traditionally regarded preeminent cases of late development. One of the very immediate and important causes, might be exactly the ignorance and depreciation of how the economic actor might inordinately participate in the public institution and resourcefully capture the private benefit, whereby the existing literature is prompted to think over the institutional foundation and measure, for a conducive and sustainable balance between private interest and public governance – at the cost of neither stifling the dynamic and contribution of entrepreneurial initiative, nor undermining the state capacity to regulate and discipline.

Review: Towards Private Entrepreneur’s Political Entitlement Evolving Interest in Political Connection

The significance of political connection, especially its profound influence on the market advancement of emerging business elite in the transitional economy, receives the theoretical emphasis in disparate literature streams of economic sociology and political economy. For economic sociology studies, as part of the paradigmatic revolution towards traditional stratification research with a hierarchical scheme of resource and opportunity distribution, the “network” framework is contended as a fundamental alternative to rebuild the imagination and explanation of economic action, inequality pattern, as well as social structure. Twelve years after Granovetter publishes “the strength of weak tie” in 1973, the defining thesis of “social embeddedness” is formally proposed in 1985, which has then been widely acknowledged as the milestone declaration towards birth of “new economic sociology” and its further academic agenda – especially on the network analysis (Granovetter & Swedberg, 2011; Smelser & Swedberg, 2005). At the same time of the prosperity of network approach in application to a series of sociological subfields, including the organization analysis, entrepreneurship studies, and social stratification based on advanced economies, the scholarship also pioneers the effort to examine relevant issues concerning on China’s transitional economy from the early 1990’s on, whereby the network approach soon rises and pervades into a broad array of specific research questions on the socioeconomic wellbeing and disparity, especially in reforming urban China.¹³ For example, Bian’s work, in collaboration with many, illuminates in particular how the social capital, especially one that “bridges” the social actors across state institution and market segment through the personal network, might exhibit the significant and enduring influence on economic benefit for the urban Chinese in market transition (Bian, 1997, 2002a, 2002b; Bian et al., 2006).¹⁴

Despite the scholarly contributions forwarded by vanguard exploration above, nevertheless, the network analysis and economic sociology studies, actually pay the very modest attention to issue of political connection in relation to the business success in transitional China, let alone its larger relevance to the capitalist transformation of socialist economy. In fact, in the existing literature of economic sociology, much of the analytical priority is dedicated to investigate how the personal connection might dispersedly work in the fragmented process (job search, earning attainment, etc.), which basically shuffles

¹³ Many academic works would even feature the much more fundamental role of social network in adaptively sustaining the market coordination and economic reconstruction in response to post-socialist transformation. See Grabher & Stark, 1997; Milor, 1994; Smith & Pickles, 1998; Smith & Swain, 1998; Stark, 1996; Stark & Bruszt, 1998.

¹⁴ There is a tremendous volume of literature on the relevant issues (See Bian, 1994a, 1994b, 1997, 2002a, 2002b, 2004, 2009; Bian, Breiger, Davis, & Galaskiewicz, 2005; Bian & Huang, 2015a, 2015b; Bian & Wang, 2016; Bian & Zhang, 2001; Bian, Huang, & Zhang, 2015; Bian, Zhang, Wang, & Cheng, 2015; Lin, 2001; Lin & Bian, 1991). However, many of the leading works would argue that the rationale and working of the social network are essentially different in Chinese society. As Lin and Bian have insightfully pointed out in the early writings (Bian, 1997; Lin, 1999, 2001; Lin & Bian, 1991; Lin, Ensel, & Vaughn, 1981), the measure of strength (and thus effect) of the social connection, is by essence determined by the sociopolitical framework and its cultural foundation; in China’s case, accordingly, the unevenness of significance and influence of the different social connections, mostly originates from its unique power structure in the post-socialist context. Also, the scholarly attention on other transitional economies, would suggest the remarkable variability of relational characteristic and instrumental relevance of the social connection (see Gerber & Mightorova, 2010).

the broader puzzles and inquiries on how the social network might reshape the resource distribution and produce the market outcome, in much more fundamental and presiding ways – especially when focusing on the interaction between “power” and “wealth” in post-socialist setting. Thus, while there are a series of renowned as well as eminent studies that follow the effect of rising entrepreneur’s political connection on the business activity as well as commercial outcome (Bian, 2002; Gold et al., 2002; Guthrie, 1999; Wank, 1999), the mainstream scholarship of economic sociology examines fairly limited on how the political connection might impact on the business prosperity of emerging entrepreneur, as well as the intellectual implication this impact further nurtures for interpreting the capitalist transformation in post-socialist experience.

In a comparative sense, the scholarship of political economy on China’s economic development and political change, advances an enormous volume of works that offer a larger and deeper insight into political connection between business and politics. One of the most principal and threshold concerns for many, is whether the private entrepreneur might constitute an independent sociopolitical force, sustained by its economic foundation, to contend against the authoritarian rule, which then hits the very central thesis on the potential relationship between large-scale economic reform and fundamental political transformation (Chen, 2002; Chen & Dickson, 2010; Dickson, 2003, 2008; Pearson, 1997, 1998; Solinger, 1992, 2008; Tsai, 2005, 2007, 2011, 2013; Unger, 2008; Wright, 2010). In addition to participate in the discussion revolving around the eventful transition of socialist regime, moreover, such scholarly investigation of the political dimension of private entrepreneurship, carries a broader response to the classical, landmarked intellectual inquiries posed by earlier generation of both political scientists and historical sociologists – among which the most representative includes the “modernization” puzzle following Seymour Martin Lipset (1960), and the “bourgeoisie” question ensuing Barrington Moore Jr. (1967) – which usually touches on the causal link between capitalist economic development and emergence of liberal democracy. However, as introduced before, the academic findings frequently suggest that, the authoritarian regime and its subnational agent, supported by a political system characterized with power dominance, are keeping to be strongly capable of exploiting the office authority and intervening in the market activity, which accordingly gives rise to the political connection for economic actor’s market aspiration. Though proven significant to the commercial performance, however, as the theoretical arguments of “clientelism” or “corporatism” shows, the political connection’s effect, thus primarily conveys the political inadequacy and vulnerability of private entrepreneur, in a dual presence of both Party-state dominance and instable marketplace, which casts virtually no credible prospect of the immediate regime change (Chen & Dickson, 2010; Dickson, 2003, 2008; Goodman, 2008, 2016; Pearson, 1997, 1998; Sun et al., 2014; Tsai, 2005, 2007; Unger, 2008a, 2008b; Wang, 2016; Wright, 2010; Zhang, 2017). In fact, some scholars might move further pessimistic, to conclude that the “new rich”, appear more likely to be the supporter (and even ally) of authoritarian ruler on the shared basis of power and interest, rather than the agent of democratic alternative.¹⁵

Certainly, in comparison, economic sociology generally maintains its foremost analytical concern to investigate the different types of relational behavior (collaboration, negotiation, exchange, etc.) in specific, preceding other broad terminologies and the induced puzzles (“market institution”, “state capacity”, e.g.) that define the scholarly interest of political economy. Take “market economy” as example, the sociological network analysis more often emphasizes to examine how it is socially grounded and situated – as said to be a “social construction” (Granovetter, 1992, 2005; Granovetter & Swedberg, 2011; Swedberg, 2005) – while political economy studies frequently sheds the highlight on macro controversies over how it generally originates, evolves, and transforms immediately. However, even though to take into consideration such general distinction that guards the disciplinary boundary, judging from a synthetic perspective, there is virtually no denying, that the patron-client relationship between office and business, has constituted the most primary foundation of academic explanation of the political connection, in relevance to entrepreneurial success and capitalist transformation in post-socialism.

Existing Explanation to “Businessman in House”

The scholarship addressed so far has been assuredly stimulating and productive, to figure out the theoretical significance of private entrepreneur’s political connection in China’s business prosperity and economic development. Nevertheless, as illustrated in the abundant details through introduction section, for the emerging business elite’s formal participation in political institution, the existing literature follows a conventional perspective to explain it as an indicator of substantive

¹⁵ Bellin’s work (2002) also provides an excellent example for authoritarian studies regarding the emerging economic elite and its further political implication.

relationship between the political patron (official) and business client (entrepreneur) (Chen & Dickson, 2010; Dickson, 2008; Goodman, 2008, 2016; Zhang, 2017). The empirical ground for this approach is, since the institutional entitlement provides a participatory channel in formal political domain, the private entrepreneur would simply take advantage of the delegation opportunity in legislation and deliberation activities, to build the personal connection with individual official (usually who is co-appointed on the leadership positions in Party-state bureaucracy), thus to serve its own business interest and purpose by reliance on the instrumental tie. As a consequence, to the scholarly attention, the private entrepreneur's political entitlement, generally informs no more than the existing argument of patron-client relationship in contribution to entrepreneurial success, which renders the phenomenon of "Businessman in House" almost denied to any intellectual relevance in explicating the business prosperity and understanding the capitalist transformation in post-socialist China.

However, while the current approach remains largely supported and persuasive on demystifying the private entrepreneur's political entitlement, such dominant explication might attest to be much less grounded and thus unconvincing, as it actually ignores the substantive engagement of business elite through the policymaking process. The admission of private entrepreneur into the formal political domain, though could be arguably contended as an additional form of connecting the business actor to bureaucratic incumbent for economic advancement, the equally important is, the political entitlement itself, however provides a primary institutional terrain that authorizes the entrepreneur's participation in legislation and deliberation duties, which are both strongly pertinent to the policy process and market outcome. Therefore, by focusing on whether the private entrepreneur could take advantage of the institutional authority, and organize the strategic action through policymaking process, the existing literature could be certainly questioned and even subverted, in terms of its deterministic perspective and reductive interpretation. Nevertheless, before moving to the evidence section, in the following, the paper would firstly address such foundational flaws of the prevailing approach based on an informative and exhaustive theoretical discussion, which offers an elaborated as well as solid intellectual foundation for empirical investigation and thus induced further scholarly argument.

The first foundational flaw of existing literature, is the presiding assumption on bureaucratic monopoly of the policymaking authority, whereby the economic actor could not build the independent connection to such authority through the institutional engagement. For virtually all of the theoretical arguments concerning on political connection between the office and businessman in China's transitional case, one of the most universal and fundamental logical underpinnings, is the enduring occupation and absolute exclusion of political power against non-ruling elite. Exactly by the very scarcity and significance of such political power in potentially determining the policy and market outcomes, that the patron-client relationship between politics and business is legitimated and sustained, for the economic actor to search for the influence over market regulation and therefore the capture of economic benefit. Putting it in another way, once the emerging private entrepreneur establishes the independent connection to bureaucratic authority, becoming capable of setting the policymaking agenda and generating the distributional consequence, the patron-client relationship would then be at least instable and devalued – or at most groundless and uncritical for the commercial ends of entrepreneurial agent.

Certainly, to be fair, it would be quite a hasty conclusion, to simply consider the admission of private entrepreneur into the formal institution be equal to the complete release of institutional authority to the economic elite, as long as the Party-state's entrenched claim of political power has never been challenged, in almost every corner of the formal bureaucracy. However, even though to take into account this political background, the entry of private entrepreneur into PC and PPCC still endows the unprecedented and incomparable access to policymaking power with the business elite, whereby the connection definitely erodes the validity and integrity of presented premise on the authority monopoly of political elite. Take Dickson's remarkable contributions in relevance to the private entrepreneur's political entitlement (2008; also see Chen & Dickson, 2010) for example – it is much clearly demonstrated that the Party-state's adaptive strategy of "co-optation" has actually generated a mixed consequence for post-socialist authoritarianism: on the one hand, the communist ruling elite consolidates its rule at large by rebuilding an elite alliance in corporation of economic elite; on the other hand, however, the Party-state regime is broadly introduced with more risks and uncertainties, too, by approving the private interest into institutional process. Though the works are still stick to the mainstream argument of patron-client relationship in evaluation of the private entrepreneur's political entitlement, it has revealed however, that the acceptance and legitimation of entrepreneurial engagement in the formal institution, inevitably induces the private interest's increasing exposure and connection to bureaucratic authority of the policy making and market regulation, whereby a determined and invariable power relationship between political and economic actors has actually already evaporated. Therefore, the existing

literature is in a particular theoretical partiality, to disregard plenty of revealing experiences of how the private entrepreneur's obtainment of institutional authority would figure a significant role in policymaking process, which puts into question the dominance and relevance of patron-client relationship in interpreting the economic actor's political connection.

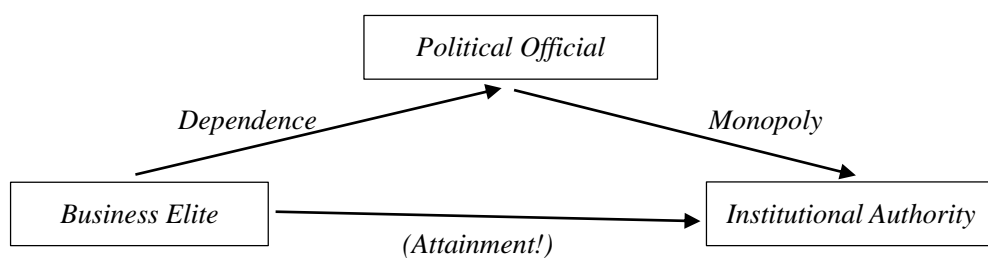


Figure 2. Entrepreneurial Connection to Political Power beyond Patron-Client Relationship

In fact, the critical dissent with presiding argument on the patron-client relationship for private entrepreneur's political entitlement, has already taken a position in the scholarly insights of political economy, whereby a much more pragmatic and flexible approach is proposed to assess the entrepreneurial agent's institutional participation, especially with the emphasis on investigating how the businessman's appeal is addressed, as well as interest is pursued on a quite proactive and contingent basis. As a consequence, the intellectual challenge to power monopoly assumption underlying the existing argument, is naturally implied and aroused, which nevertheless constitutes part of the larger reflection towards authoritarian studies with regard to the state-business relationship and capitalist development. Take Tsai's creative as well as stimulating propositions (2006, 2007, 2011) on the "adaptive informal institution" and "capitalist without class" for instance – by borrowing the conceptual tools from comparative historical institutional analysis (Thelen, 2004; Mahoney & Thelen, 2010, 2015), she argues the absence (or at least insufficiency) of exclusion from the formal institution – evidenced by the political entitlement (and other institutional forms) – actually constitutes a key condition of emerging private entrepreneur's affiliation to the authoritarian rule. However, distinctive from the prevalent account on private entrepreneur's political entitlement as a secondary form of patron-client relationship, Tsai rather experiments and advocates an alternative approach, to evaluate the economic actor's institutional engagement as an evolving informal strategy and practice, which work for the effective adaption to existing state-market relation, and thus reserves the latitude for business elite's continuing quest for the institutional change.¹⁶ Not surprisingly, this leading investigation has thus touched one of the foremost theses in identifying the nature and characteristic of private entrepreneur's political entitlement – the undermined monopoly of bureaucratic authority, whereby casts its challenging insight into the theoretical foundation and explanatory power of patron-client relationship argument.

The second foundational flaw of existing literature, is therefore the induced issue of economic actor's strategic action in mobilizing and employing the diverse connection to policymaking authority beyond the patron-client relationship. The mainstream literature that draws a substantial focus on patron-client relationship as the dominant form of business-served political connection, shall implicitly impose a conditional constraint for its argument, by postulating a point-to-point pattern of instrumental relationship between the merchant and official. This is generally because, the patron-client relationship, as conventionally conceived, is the particular connection between two sides of social actors on the individual level – and even though the identical patron could be connected to the multiple clients, it has actually been taken for granted that the clients remain largely disassociated with each other, in their quest for the policy influence and market benefit. However, while such theoretical ground holds true in the very threshold sense, especially given a illiberal context of Party-state regime in the post-socialist China, it might prove largely negotiable in predicting and explicating how the economic actor could take advantage of the different political connections, as well as organize the strategic actions for market advancement, through its entrepreneurial practice in relation to the policymaking process. Putting it more specifically, given the possibility and fact that the private entrepreneur has moved into the formal institution and obtains part of the bureaucratic authority, how might

¹⁶ Following a similar rationale, an increasing literature stream even begins to attempt to switch the paradigm-based stereotype of authoritarian studies, to more substantively and adequately examine why (as well as how) the private entrepreneur might pursue the institutional participation in political sphere (see Ang & Jia, 2014; Chen, 2015, 2016; Yang, 2013; Jacobs et al., 2004). Nonetheless, the empirical studies in this literature stream remain still a very modest portion of scholarly wisdom.

the business elite mobilize and employ such different power relationship, whereby the economic actor could generate the choice and action of strategically connecting with each other – or not?

Accordingly, the discussion and contention based on such inherent defect of the patron-client relationship argument, would inevitably invite a much broader reflection, in particular on whether the existing literature ignores the potential empirical ground and theoretical issue of private entrepreneur's collective action through the policymaking process for commercial benefit. Beyond a point-to-point model of exchange and cooperation between the official and merchant, the private entrepreneurs founded on their multiple connections to bureaucratic authority both inside and outside the institutional domain, might be reasonably incentivized to establish the social network strategically, and utilize the office power resiliently for business interest, whereby its theoretical foundations built on both the literature streams of economic sociology and political sociology are requesting the specific attention as well as discourse. On the one hand, marked by Granovetter's motivating thesis of "embeddedness" (1985), the economic sociology studies produce a rapidly growing literature on network analysis in the different dimensions of market activity (Granovetter, 2005; Smith-Doerr & Powell, 2005; Smelser & Swedberg, 2005), which further extends to and prospers on the entrepreneurship and business researches, with a series of markedly leading pieces on the inter-firm relationship and organizational connection (Burt, 1983, 1992; Granovetter, 2005; Keister, 2000; Mizruchi, 1982, 1991, 1992; Mizruchi & Schwartz, 1987; Uzzi, 1997). Though among the intellectual contributions, not much scholarly interest has been shown in the evolution and transformation of entrepreneurial agent's social network at the individual level¹⁷, the very central and revealing tenet that the subfield persists, is exactly to conceive and investigate how the economic actor might build the network strategically and launch the action connectedly¹⁸, which provides the very intellectual ground for conceptualizing and examining the business elite's collective action through policymaking process – even though it is particularly under a political institutional setting.¹⁹ On the other hand, the political sociology cases, though not presenting a literature stream as coherent and elaborate as the economic sociology does, also fuel the fairly important contribution that carries the profound implication for explaining the strategic action of social actor, in especially occupying the opportunity, restricting the access, and excluding the outsider by a series of tactical mechanisms. Mostly represented by Tilly's stimulating work on "durable inequality" (1998; also see Tilly, 2005), which aims to provide a fundamental intellectual approach to the formation and persistence of broadly considered socioeconomic inequalities through the long term, it is particularly contended and demonstrated that the social actor is inherently motivated to employ the different forms and channels to build the strategic alliance for common stake, and keep the potential challenger in insulation from potential benefit – whereby several primary mechanisms ("opportunity hoarding", e.g.) come into being in accounts for the making as well as endurance of various sorts of social inequalities.²⁰ Though the theoretical proposition largely aspires for a generalized explanation of the concerned inequality issue, and therefore abstracts itself from any particular phenomenon or case as the necessary empirical basis, such scholarly wisdom definitely offers an equally convincing and informative alternative (especially from the angle of collective action studies) to consider, whether the shared interest or similar goal would otherwise pave the way for private entrepreneur's collective action in the policymaking process, in which the business elites shall strategically organize for the presiding but disguised market ambition, which is exactly the seldom explored yet extremely important dimension of entrepreneurial practice in relevance to the political power and bureaucratic landscape.

¹⁷ For the exemplar contributions see Davis & Greve, 1997; Davis, Yoo, & Baker, 2003; Mizruchi, 2013.

¹⁸ Among a bunch of theoretical critiques, as Stuart and Sorenson (2007) point out most trenchantly, in the origin and evolution of business activity, the entrepreneur's decision and action shall be conceived fundamentally strategic and goal-oriented, towards building and employing the networking resource for market advancement. The similar scholarly advocacy is also demonstrated in other representative works (see Aldrich, 2005, e.g.).

¹⁹ Also, there is a remarkable literature stream with the analytical focus on and theoretical contribution to the private actor's participation in and influence through policymaking process (some on the corporate elite, others on the business organization). See Dobbin's distinguished introduction (2004).

²⁰ There are many seminal works that share the similar intellectual insight, grounded on different empirical focuses and cases across the social movement and comparative historical studies, however omitted a particular discussion due to the paragraph limit hereby.

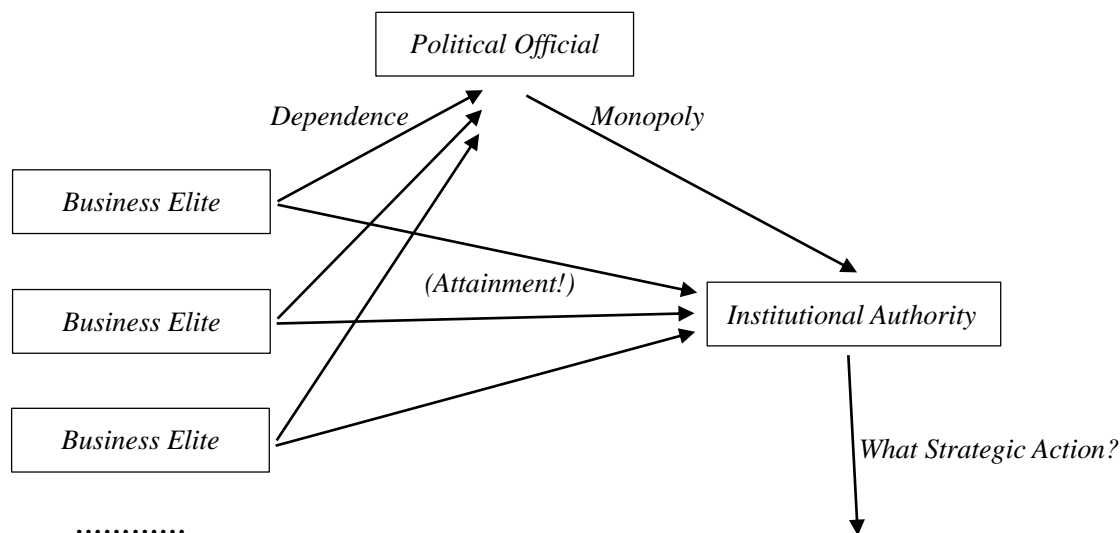


Figure 3. Multiple Connections to Institutional Authority towards Business-served Strategic Action

So far, this paper has clearly articulated and evaluated the inherent deficiencies of scholarly account on the private entrepreneur’s political entitlement in formal institution. While the existing literature on conventional thesis of the patron-client relationship could be hardly denied the intellectual contribution in effectively explaining how the economic elite’s holding of House “ticket” might influence on its market advancement, the problem inevitably arouses with its substantial neglect of the private entrepreneur’s substantive capture of institutional authority and strategic application to policymaking process – whereby a series of business-served political actions might be accordingly formulated and implemented. The analytical flaws as demonstrated, therefore would generate not only the partial causation of entrepreneurial success in the transitional economy, but also the distorted understanding of capitalist institution emerging in the post-socialist setting.

Table 2. Available Strategy for Entrepreneurial Agent, by Status of Authority and Organization

		Whether Private Entrepreneur Attains Authority	
		Yes (Regime Insider)	No (Regime Outsider)
Whether Private Entrepreneur Acts in Organized	Yes (Connected Actor)	Policymaking Collective Action	Solicitation and Persuasion
	No (Atomic Actor)	Individual-based Policy Advocacy	Patron-Client Relationship

Design: Analytical Strategy and Data Source

With the analytical focus on how the economic actor might build the diverse connection to political power and further conceive strategic choices over using these political ties, this paper generates a mixed-method design for a preliminary yet in-depth investigation into private entrepreneur’s grasp of the institutional authority and action through policymaking process by its political entitlement. On the one hand, the quantitative section, in a thorough and advanced analysis of China Private Entrepreneur Survey (CPES) 1995/2010 rounds²¹, provides the evidence on structural distribution and admission

²¹ This paper chooses CPES 1995/2010 rounds as the major source of quantitative dataset, due to both intellectual causes and practical concerns. On the one hand, since the rise of private business in China’s transitional economy experiences a remarkably dynamical and unbalanced process, an adequately representative and systematic survey dataset on private entrepreneurship is hardly available. CPES, though imperfect and improvable in many professional aspects, is still featured as the best dataset candidate for relevant research intention, given its official quality and scholarly commitment. On the other hand, since CPES is fundamentally organized rather in a cross-sectional manner than a longitudinal design, which renders the advanced modeling basically inapplicable (fixed-effect, event history, e.g.), to address the survey datasets at different points of time, would definitely offer a secondary but still excellent opportunity to observe and discuss the key changes emerging through reforming course.

chance of institutional entitlement to the private entrepreneur over China's reforming course, whereby the business elite's enduring and increasing participation in formal political domain through the post-socialist experience, is extensively illustrated. On the other hand, the qualitative part, by selecting, integrating, and organizing a series of media records and interview materials of the very rarity and credibility, presents a case-based examination of entrepreneurial practice through the PC's policymaking activities that works on the market advancement (but also borders commercial malfeasance), whereby the private interest's collective action founded on institutional authority, is basically demonstrated.²²

***Evidence: Into Political Institution and through Policymaking Process
Private Entrepreneur into Institutional Authority***

Table 3. Political Entitlement of Private Entrepreneur in PC and PPCC, by Administrative Level (%)

			1995 CPES	2010 CPES
		Total	10.49	21.68
People's Congress (PC)	Membership	Provincial & National	11.11	10.80
		County-level ²³ & Below	88.89	89.20
		Total	13.18	18.88
	Leadership	Provincial & National	19.51	11.17
		County-level & Below	80.49	88.83
		Total	26.71	30.24
People's Political Consultative Conference (PPCC)	Membership	Provincial & National	7.52	6.02
		County-level & Below	92.48	93.98
		Total	23.39	33.45
	Leadership	Provincial & National	10.49	7.54
		County-level & Below	89.50	92.46

Source: Chinese Private Enterprise Survey, 1995 and 2010 Datasets.

Note: Percentage Calculation is Organized as Following (PC Entitlement in 1995 Round, e.g.):

%Membership Total=Entrepreneur Member/All Entrepreneur Respondent

%Membership on Provincial & National Level= Entrepreneur Member on Provincial & National Level/All Entrepreneur Member

%Membership on County-level & Below= Entrepreneur Member on County-level & Below/All Entrepreneur Member

%Leadership Total= Entrepreneur Leader/All Entrepreneur Member

%Leadership on Provincial & National Level= Entrepreneur Leader on Provincial & National Level/All Entrepreneur Leader

%Leadership on County-level & Below= Entrepreneur Leader on County-level & Below/All Entrepreneur Leader

Beginning with the Chinese Private Enterprise Survey (CPES) 1995 and 2010 rounds, the most basic distribution pattern of private entrepreneur's political entitlement in both People's Congress (PC) and People's Political Consultative Conference (PPCC) is demonstrated in great details, as the first descriptive table presents above. From the mid 1990's on, when the dynamical market reform reaches urban industry towards dismantling of the planning economy and challenge of state-ownership dominance across China, as well as the survived Party-state has just unfolded its strategic shift to the regime goal of economic growth and therefore unleashed the political banning over private business, perhaps surprising to many, in fact, the emerging economic elite has already advanced its transcending role in the political institution and

²² This paper does not employ a traditional approach as frequently did in the existing literature, to quantitatively examine the predicted benefit of private entrepreneur's political entitlement. This is because, this conventional design could never convincingly demonstrate how the economic actor's command of institutional authority does literally contribute (or not) to its business profit. For example, if the private entrepreneur's political entitlement proves significantly impactful, the quantitative approach could not distinguish whether the attested effect is based on the patron-client relationship or the policymaking action; if the private entrepreneur's political entitlement proves otherwise insignificant, the quantitative approach still could not disqualify the above two alternative mechanisms with quite the distinction. In fact, this key technical concern, reflects exactly why this paper considers it necessary and pressing to explore the business elite's substantive engagement and influence through policymaking process in the political institution, whereby the qualitative in-depth research is actually the methodological emphasis to provide such scholarly insights.

²³ Also includes the municipal at same level.

influence in the bureaucratic process further beyond marketplace. Take CPES 1995 for example, as partly revealed in the introduction part, 10.49% of the surveyed entrepreneurs have joined the PC membership, whereby 13.18% of these “politicized” business elites are even more proactive in assuming the PC leadership. In parallel, the portions of private entrepreneur in both PPCC membership and leadership are also remarkable, profiling the usually neglected character of economic elite in another institutional domain. Of course, by disaggregation of the administrative level, an invariable pattern of entitlement distribution, regardless of the organization and duty types, is that the rising entrepreneurial class’ entry into formal institution and grasp of bureaucratic authority, seem to be considerably limited on the local and regional levels, whereby the upper administrative layers always show a lower portion of entrepreneur participation. However, even though to take these buffering factors into consideration, it is still firmly grounded that the private entrepreneur in China’s transitional economy figures a fairly engaged yet largely unknown role, in command of the institutional authority by political entitlement.

Table 4. Private Entrepreneur’s Entry into PC and PPCC Membership, by Sociopolitical Attribute (%)

	Gender		Education		CCP Member		FIC Member ²⁴		Strategic Industry ²⁵	
	Male	Female	College & Above	Below College	Yes	No	Yes	No	Yes	No
People’s Congress (PC) Member	10.58	9.40	10.62	12.86	18.28	8.90	12.41	4.56	12.03	10.39
People’s Political Consultative Conference (PPCC) Member	27.09	23.15	25.17	22.82	22.38	27.59	33.23	6.56	27.85	26.64

Source: Chinese Private Enterprise Survey, 1995 Dataset.

Note: Percentage Calculation is Organized as Following (PC Entry for Gender, e.g.):

%Male Membership=Male Entrepreneur Member/All Male Entrepreneur

%Female Membership=Female Entrepreneur Member/All Female Entrepreneur

For a much more rigorous and insightful review, of course, the above descriptive summary of basic distribution of the private entrepreneur’s political entitlement, could hardly replace an inferential modeling on admission chance of the institutional duty to these business elites. Nevertheless, before jumping to the regression results that provide the complete picture, we first continue to draw a percentage calculation of PC and PPCC membership entitlement, by a series of key sociopolitical attributes of the surveyed entrepreneurs in 1995 round, which serves as a brief yet informative piece for analytical preview. Observing from the statistics as given, it is basically evident that while some attributes play a more significant role in producing the entry chance differential for private entrepreneur, others might not. For example, the affiliation to either CCP or FIC, creates a plausibly advantage for private entrepreneur in competing for the PC membership, whereas the factors of gender, education, as well as industry do seemingly show no much magnificence in comparison. While this inference still awaits to be further examined in the formal regression estimates, it basically reaches an agreement with existing literature that the political status within Party-state regime or corporatist organization, would strongly contribute to the private entrepreneur’s admission chance into formal political institution (Dickson, 2008; Goodman, 2008; Lü, 2013).²⁶

²⁴ FIC refers to the All-China Federation of Industry and Commerce, which is a nationwide corporatist organization built and supported by Party-state, to claim its political representation of industrial and commercial sectors. See Dickson, 2008; Goodman, 2008; Lü, 2013; Pearson, 1997; Tsai, 2007; Unger, 2008; Yang, 2007.

²⁵ Strategic industry refers to the market sectors on which Party-state has imposed a strategic emphasis for their economic potential (so as the foundation of political stability) and therefore advanced especially the dominant influence of public ownership, such as energy, transportation, finance, etc. See Brandt et al., 2008; Chu & So, 2010; Naughton, 1995, 2007, 2015; Oi, 2011; Pearson, 2011, 2015; Tsai & Naughton, 2015.

²⁶ Whereas the effects of these factors are not always homogenous on PC and PPCC membership entry, such as the CCP membership’s impact on PPCC admission (to be addressed in the following section).

Table 5. Private Entrepreneur's Entry into PC and PPCC Membership, by Enterprise Characteristic²⁷

		Asset (Billion)		Longevity (Year)		Size (Count)		Charity (Million)	
		Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
People's Congress	Yes	0.33	1.75	8.60	4.96	194	454	0.32	1.07
(PC) Member	No	0.23	1.48	6.07	4.28	82	194	0.10	0.43
People's Political	Yes	0.26	1.55	8.08	4.26	147	344	0.23	0.62
Consultative Conference	No	0.23	1.50	5.70	4.32	75	181	0.08	0.50
(PPCC) Member									

Source: Chinese Private Enterprise Survey, 1995 Dataset.

In addition to the sociopolitical factors that have been displayed above, more importantly, it is also necessary to select a series of critical enterprise characteristics into the test variable, and observe their potential impacts on the private entrepreneur's PC and PPCC membership entitlement (still take 1995 round for instance).²⁸ By comparing especially the mean differential of firm-level features between the member entrepreneur and ordinary entrepreneur, including the asset amount, market endurance, organizational size, as well as charitable devotion of their owned enterprises, the presented figures largely show the possibility that enterprise attributes are extremely critical in influencing on whether the business elite shall be accepted by the political institution, regardless of PC or PPCC membership. Of course, this fundamental distinction of enterprise characteristics, is also holding up in conclusion pending the regression results, while it demonstrates a series of substantive impacts of the firm-level features that are much neglected in the past scholarship.

Table 6. Private Entrepreneur's Entry into PC and PPCC Membership, by Previous Employment (%)

		State Sector	Collective Sector	Non-state Sector	Total
		People's Congress	Cadre	6.28	27.59
(PC) Member	Manager	4.92	12.90	6.25	9.09
	Professional	8.79	14.14	5.41	9.97
	Worker & Peasant, etc.	6.84	12.63	9.67	10.78
	Total	7.08	13.20	9.51	
People's Political	Cadre	25.11	37.93	27.78	25.34
Consultative	Manager	21.31	27.96	15.63	23.53
Conference	Professional	29.67	30.30	29.73	29.91
(PPCC) Member	Worker & Peasant, etc.	22.11	26.17	27.05	25.99
	Total	24.41	26.84	27.13	

Source: Chinese Private Enterprise Survey, 1995 Dataset.

Note: Percentage Calculation is Organized as Following (PC Entry for Previous Cadre & State Sector/Cadre Total/State Sector Total, e.g.):

%Membership from Previous Cadre in State Sector=Entrepreneur Member from Previous Cadre in State Sector/All Entrepreneur from Previous Cadre in State Sector

%Membership from Previous Cadre in Total=Entrepreneur Member from Previous Cadre/All Entrepreneur from Previous Cadre

%Membership from Previous State Sector in Total=Entrepreneur Member from Previous State Sector/All Entrepreneur from Previous State Sector

Last but not least, in addition to the first two descriptive tables that address the concerned impacts of relevant sociopolitical and enterprise attributes, there provides an additional table of PC and PPCC membership entry percentage, rather cross-tabulated by the sector and occupation of private entrepreneur's previous employment.²⁹ Based on the

²⁷ See Appendix C for detailed reference of variable definition, measure, etc.

²⁸ The specific reason of this selection and presentation would be addressed in the regression estimates.

²⁹ This investigation is grounded on another important empirical concern, that the private entrepreneurs emerging in China's post-socialist transition have experienced a substantial occupational mobility from their original employment positions to new business opportunities, partly as

information offered, the different occupational backgrounds have seemingly fueled the structural advantage differentials (or not) for private entrepreneur to be admitted into PC and PPCC. First, while the private entrepreneur flowing out of collective sector is more preferably recruited than those from non-state sector, such general distinction does not apply to the state sector – it is exactly the weakest source of emerging business elite into the formal political institution. Second, the elite professions including cadre, manager, and professional, plausibly enjoy no more obvious privilege in winning a House ticket over the ordinary occupations, despite the fact that the cadre status possibly advantages more in both the collective and non-state sectors. Assuredly, however, these comparative observations still provide only the preliminary information on institutional entry differential of the private entrepreneur by mobility concerns.

Table 7. Private Entrepreneur's Entry Chance into PC and PPCC Membership and Leadership

	1995 CPES				2010 CPES			
	People's Congress (PC)		People's Political Consultative Conference (PPCC)		People's Congress (PC)		People's Political Consultative Conference (PPCC)	
	Model 1.1	Model 1.2	Model 1.3	Model 1.4	Model 2.1	Model 2.2	Model 2.3	Model 2.4
	Membership	Leadership	Membership	Leadership	Membership	Leadership	Membership	Leadership
	Entry	Entry	Entry	Entry	Entry	Entry	Entry	Entry
Control								
Sociopolitical								
Factor								
Male	.752 (.184)	-.251 (.243)	.798 (.142)	-.203 (.174)	1.022 (.178)	-.039 (.172)	1.345 (.210)	.265 (.152)
Age	1.021* (.009)	.019* (.008)	1.023*** (.006)	.027*** (.006)	1.011 (.007)	.010 (.007)	.997 (.006)	.002 (.006)
School	1.015 (.026)	.013 (.026)	1.076*** (.021)	.069*** (.019)	1.008 (.023)	.014 (.023)	1.024 (.021)	.018 (.020)
CCP Member	2.270*** (.359)	.753*** (.156)	.643** (.090)	-.516*** (.137)	1.863*** (.207)	.611*** (.110)	.718*** (.074)	-.371*** (.099)
FIC Member	1.693* (.371)	.578** (.218)	4.336** (.782)	1.434*** (.177)	1.732*** (.259)	.512*** (.148)	5.590*** (.827)	1.674*** (.176)
Strategic Industry	1.288 (.0358)	.236 (.274)	1.036 (.224)	.052 (.210)	1.050 (.176)	.060 (.164)	1.208 (.181)	.238 (.142)
Test								
Enterprise								
Factor								
Asset	1.108** (.041)	.086* (.037)	1.048 (.031)	.053 (.029)	1.261** (.114)	.278** (.088)	1.044 (.087)	.101 (.082)
Longevity	1.089*** (.017)	.080*** (.015)	1.067*** (.013)	.067*** (.012)	1.030* (.013)	.032** (.012)	1.050*** (.012)	.044*** (.011)
Size	1.132 (.074)	.130* (.065)	1.071 (.053)	.099* (.049)	1.437*** (.070)	.354*** (.047)	.984 (.042)	.007 (.042)
Charity	1.107** (.036)	.100** (.032)	1.224*** (.032)	.205*** (.026)	1.078*** (.024)	.078*** (.022)	1.147*** (.024)	.150*** (.021)
Mobility								
Factor								
<i>Sector</i>								
<i>(Non-state=0)</i>								
State	.660* (.140)	-.385 (.210)	.722* (.106)	-.300* (.142)	1.042 (.150)	.014 (.141)	1.311* (.167)	.186 (.122)
Collective	1.049 (.169)	.051 (.158)	.804 (.096)	-.197 (.117)	1.109 (.188)	.153 (.166)	.867 (.134)	-.211 (.151)
<i>Occupation</i>								
<i>(Worker & Peasant, etc.=0)</i>								
Cadre	.968 (.252)	-.020 (.254)	.853 (.163)	-.182 (.187)	1.002 (.202)	.057 (.198)	.883 (.161)	-.035 (.175)
Manager	.918 (.270)	-.131 (.292)	.975 (.205)	.018 (.206)	.926 (.132)	-.061 (.140)	1.139 (.142)	.162 (.120)

Professional	.996 (.242)	-.033 (.241)	1.293 (.219)	.196 (.163)	.921 (.197)	-.049 (.210)	.881 (.166)	-.069 (.181)
Intercept	.001*** (.001)	-	.001*** (.001)	-	.000*** (.000)	-	.007*** (.010)	-
N			2412				2535	
Prob > Chi2	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
Pseudo R ²	.1193	.1012	.1644	.1411	.1629	.1421	.1687	.1357

Note: Membership Entry Employs Binary Logistic Estimate, whereas Leadership Entry Uses Ordinal Logistic Estimate (for Maximum of Sample Size). Number in Parenthesis is Standard Error. For Significance: ***p<.001, ** p<.01, *p<.05.

Source: Chinese Private Enterprise Survey, 1995 and 2010 Datasets.

Table 7 offers the regression model estimates at a final stage, for impacts of the different interested groups of factors on the institutional entry chance of both PC and PPCC for emerging private entrepreneur. One important technical concern that merits special mention is, while the model is built on the sociopolitical attributes (incorporating the necessary demographics), enterprise characteristics, and mobility factors of private entrepreneur as displayed before, however, these basically personal factors (mostly sociopolitical attributes) are placed as the control rather than independent variable. This is because, grounded on the findings and insights of existing literature, these sociopolitical attributes are expected to be less likely of the theoretical inquiry to investigation, and thus deserve a modest treatment in modeling practice (CCP member's effect on PC membership entry, e.g., as aforementioned). Thus based on the regression results, the investigation then departs from the preliminary observation to advanced discussion, in ascertaining the role and significance of different sets of factors on the private entrepreneur's entry chance of formal political institution.

In control variables, the most key finding remains that the CCP membership promotes the admission likelihood of PC membership and leadership – nonetheless discourages that of PPCC's, which confirms the scholarly discovery in existing literature.³⁰ Certainly, the fluctuation over time is not much sensitive but still exists – for example, the positive influence of CCP membership on obtaining PC membership and leadership, appears much weaker in the 2010 estimate than in the 1995 one, which possibly manifests a progressive reform towards representational diversity in PC. Besides, the FIC registration, also secures some significant advance in the participatory competition into political institution, whereby the effect tests to be much more powerful in PPCC than in PC, in general accordance with the past scholarship, too (Dickson, 2008; Lü, 2013). Leaving these two key sociopolitical attributes behind, other considered characteristics do prove indeed no much more enduring and explainable effect on the institutional entry chance.

However, switching to the explanatory variables, the most imperative discovery should firstly feature the examined significant effects of all selected enterprise attributes. One of the very contradictory findings in comparison to existing literature is, the firm-level factors including asset, longevity, and size of the business, have all proven significant in determining the private entrepreneur's entry chance into formal institution. The longevity – the survival of enterprise, for example, exhibits an amazingly enduring significance in boosting the institutional entry chance, whereby 1 more year increases 8.90% and 8.00% of the odds for private entrepreneur to secure PC and PPCC membership in 1995. Though the conventional wisdom frequently generates a kind of general impression, that it is the richest entrepreneurs who succeed the most in market competition and contribute the most to local government (evidenced by firm profit, tax amount, e.g.) would then be significantly privileged in attaining a House ticket, the modeling results largely defy such prevalent speculation of the “millionaire club” on political institution for the entrepreneur participation, and instead argues for the importance of other enterprise features in generating the business representative of bureaucratic domain – like the longevity as just mentioned, which should however signal the market endurance and (and thus political reliability) of private entrepreneurship, whose higher record is interpreted as making it through the long-term financial instability and market fluctuation.³¹ Similarly, both the asset amount and organizational size demonstrate much significant impacts on the PC and

³⁰ This very distinction of CCP member's effects, as the past studies highlight, might be because PPCC is much more committed to recruiting and uniting the sociopolitical elites outside Party-state system, which actually projects the authoritarian resourcefulness to identify potential challenger and build ruling alliance.

³¹ This paper has actually developed a series of nested modeling to examine whether these unconventional factors indeed play a more significant role than the traditional ones on private entrepreneur's entry chance of PC and PPCC duties (yes, they do), and that work accounts for why those

PPCC admission chance for private entrepreneur, whereby it suggests the neglected influences of structural factors like market status, social contribution (to employment, e.g.) that are perhaps much more central and fundamental to the Party-state and electorate's concerns in generating their political deputy in the formal institution.³² Last but not least, the charitable contribution proves a positive effect on entry chance of PC and PPCC, almost constantly stable across the different rounds of survey, which also connects to the existing scholarship with empirical emphasis on the reforming socialist state's dependence on private actor's support in the social development and community wellbeing, whereby the rising business-based philanthropic practice generates good reputation and image for the merchant to be elected on political office (Ma & Parish, 2006).

Still, paying attention to the mobility factors, there are also a series of equally paradoxical findings that contradict the preliminary observation based on descriptive analysis. While it is found plausible at the beginning, that the political entitlement especially in PC prefers entrepreneur candidate's service record in the state/collective sectors, the modeling result hardly offers support for such a systematic advantage associated with ownership boundary. Take the estimates of 1995 for instance, the state-sector employment would actually decrease 34.00% and 27.80% for the likelihood of attaining PC and PPCC membership, which advises a counterintuitive disadvantage with previous experience in the public segments.³³ Similarly, despite the different impacts of collective sector employment generated on the PC and PPCC admission chance, the persisting statistical insignificance still alerts any hasty conclusion of its substantive influence on the concerned outcomes. Moreover, as the estimates widely illustrate, basically no elite occupation in the previous employment shall possess an enduring and significant impact on PC and PPCC admission chance for the private entrepreneur – in fact, much of the influences are inconsistent and even conflicting. From 1995 to 2010, for example, the cadre position's disadvantage of PC entitlement, experiences a complete overturn in parallel to that of the state sector's effect as addressed above, whereas the negative impact of manager and professional positions on PPCC entitlement, demonstrates the immediate shift but basically in reverse direction. Also, despite how the examined effects of different occupations maintain or change, there still occurs no any statistical significance to any of the relevant estimates. Therefore, judging from all of these results, in sharp contrast to the inspiring and informative discoveries on enterprise attributes, the sector and occupation affiliation of the private entrepreneur's previous employment, generally predicts no significant distinction in varying the entry chance of formal political institution.

In summary, by the modeling presentation and discussion above, it leads to a general profile of the private entrepreneur admitted into formal political institution during China's post-socialist transition. Dominantly participating at the local level, the entrepreneur member of PC and PPCC, mostly originate from these business elites with the reliable political background at individual level, as well as the not necessarily successful but well-imaged economic features at enterprise level (market durability, social contribution, etc.). In the past 30 years of transformation and development, Chinese private entrepreneur is such a particular group of economic actor that undertakes a political character beyond the marketplace, and actually, many of them are even assuming the leadership role and position in the country's bureaucratic regime. However, even though having drawn an explicit preview of private entrepreneur's occupation of the institutional authority in PC and PPCC, the quantitative analysis still could hardly offer any information on how the business elite might actually generate the strategic action through policymaking process based on the commanded office power. In the next section, this investigation moves forwards to a case-specific study to demonstrate this central issue, whereby it fuels some preliminary yet decisive evidence on the private interest's collective action in taking advantage of the institutional authority for inordinate market benefit.

*Strategic Action towards Policymaking Process (Ongoing Case-based Study)*³⁴

traditional factors are not incorporated in both the descriptive and modeling sections hereby, especially given the paragraph limit.

³² It is noted that there are several patterned variations of the factors' impacts on PC and PPCC admission chance, such as the asset amount plays a more important role in promoting the entrepreneur's entry to PC than PPCC, and the organizational size's influence over entrepreneur's entry into PC significantly increases in 2010 than in 1995.

³³ Though the effect turns to be positive in 2010, it remains however statistically insignificant.

³⁴ This case-specific examination provides a most complete and credible investigation over one established case of the private entrepreneur's policymaking collective action in wielding the institutional authority of National People's Congress (NPC), whereas it is also in the working progress together with other major pieces of the investigation (as this is a research stream rather than an application-only writing). In addition, given the paragraph limit hereby, the examination would be intensively focused on presenting fundamental facts and discussing theoretical implications, whereby it could hardly follow the conventional manner to detail a thorough introduction of survey background and material support at first – besides the selected sources cited in Appendix E for brief reference, the readership is welcome to contact the author directly for further information should be interested in.

Background of Case: Fall of Pharmaceutical Titan

On July 15th, 2018, the National Medical Products Administration (NMPA) of China publishes an official announcement, which solemnly charges the Changchun Changsheng Biotechnology Limited Liability Company (hereinafter as “CSB”) with suspect of the fraudulent behavior in producing and marketing its rabies vaccine, which has violated the Good Manufacturing Practice (GMP) legitimated by World Health Organization (WHO) and accepted by Chinese government, as evidenced during an unannounced inspection conducted by NMPA. In addition to revoke the GMP certificate and suspend the vaccine production, CSB has to undergo an organized investigation by Task Force of NMPA Jilin Provincial Branch in terms of its accused fraudulent behavior on vaccine production and circulation. One week later, on July 22nd, NMPA updates its official announcement with an explicit conclusion, that CSB has been proven violated GMP during the special investigation, whereby the fraudulent behavior includes but not limited to fabricating the vaccine production and inspection records, modifying the relevant process parameter and equipment. The confirmation on these entrepreneurial misconducts, thus leads to an administrative order that immediately suspends CSB’s production and marketing activities, confiscates all the “problem vaccines” in storage as well as recalls the ones already distributed. Through this turbulent and unsettling week, the parent company of CSB, Changchun Changsheng Biotechnology Stock Corporation (hereinafter as “CSB”), encounters a most vehement strike ever since its embarking on the stock market and turning into a listed firm, whereby the firm’s value evaporates nearly \$10,000,000,000 only during a couple days; moreover, on July 23rd, the China Securities Regulatory Commission (CSRS) issues a special investigation towards CSB’, which signals the pressing reality of a forced withdraw from stock market, should CSB’ be proven guilty involved in the vaccine event anyway. Two days later, on July 25th, the senior managerial and administrative personnel of CSB’, including the Chairman of the Board JunFang Gao, are announced by the local police department to be formally detained with the criminal charge; at the same time, the primary bank accounts and funding storages of CSB’, are all suffering a freezing operation as ordered accordingly.

At a first glance, the event depicted above, might seem only an ordinary story of private business’ fall in parallel to many of the similar examples through China’s economic development over the reforming course. However, in largely sharp contrast to such crude impression, in fact, this “fake vaccine” accident, is one of the most impactful and significant events of private business’ commercial malfeasance for the entire Chinese society over last 20 years – especially given the distinctive quality and popular relevance of vaccine product, as such beyond the economic concern of pharmaceutical industry, eventually resulting in an unprecedented public outrage and official critique among different all over China. CSB’, established in 2006, is not a small non-state corporation focusing on medical business, but rather one of the largest private companies occupying the largest market shares in China’s emerging biotechnological pharmaceutical industry, whereby it is particularly specialized in the vaccine research and production. Take its business performance during 2017 for example, CSB’ is featured at the top of medicine-based private business in China, with an asset amount of \$45,000,000,000 and gross income of \$15,000,000,000 on estimate; the various vaccine products it manufactures and sells, including the ones that deals with rabies/chicken pox/influenza/ hepatitis A, have achieved a historical record of issuance to 3,550,000/3,600,000/2,570,000/2,720,000 Chinese citizens to undertake. In fact, except for Tibet, Hong Kong, and Macao, CSB’s marketing network expands and covers virtually every major province of the mainland China, among which the most populated regions, including Anhui, Guangdong, Hebei, and Zhejiang, are always on the list of regular customer; furthermore, CSB’ even successfully markets its vaccine products to a series of South(eastern) Asian, African, and Eastern European countries, such as India, Cambodia, Nigeria, Egypt, and Belarus. However, it is such an extraordinary leading enterprise in pharmaceutical industry, is demonstrated to be involved in the fabrication and circulation of ineffective (and even detrimental) vaccine products, which certainly stirs and dominates the public opinion soon during a short period of days. In fact, when NMPA just publishes the official announcement on July 15th, the suspect accuse of business misconduct of CSB, does not triggered much of the mainstream reaction yet, whereby only a series of sporadic discussions bubble and disappear on the very small media platforms. Nevertheless, the situation quickly shifts than everyone would anticipate, as the Premier of State, also one CCP Politburo Standing Committee member, KeQiang Li, issues an official order that requires a “thorough investigation” of vaccine accident, immediately in the next day on July 16th, which soon brings CSB’s vaccine fraudulence and entrepreneurial malfeasance to the very center of nationwide attention and discussion, leading to a tremendous stream of grievance and condemnation among the public. Similarly, after NMPA confirms its investigation findings at July 22nd, the President of State, also the CCP general secretary, JinPing Xi, announces a primary instruction, which requests the government offices and state agencies at different administrative levels and segments to collaborate on

the investigation of event (at any cost) – “identify the responsibility”, “forward judicial measure”, with a timely submission of relevant progress to the society and public, which eventually turns a marginalizing commercial accident to a foremost sociopolitical event to majority of Chinese citizens. Easily expected, such business malfeasance of a flagship enterprise in medicine sector, with its serious and enduring consequences in both the economic and social dimensions, would generate what kind of magnificent and substantive impacts to both the politics and industry. After plenty of intensive actions, roughly one month later, on Aug. 16th, both bureaucratic lines of the Party-state (CCP: CCP Politburo Standing Committee – CCP Jilin Provincial Committee – CCP Changchun Municipal Committee; State: State Administration of Market Regulation (SAMR) – NMPA – NMPA Local Branch) convene a series of parallel conferences to summarize the investigation findings and deliberate the disciplinary decisions, which finally results in the formal dismissal of nearly 100 officials, cadres, and technicians on a broad spectrum of bureaucratic positions – ranging from the Vice President of Jilin Provincial Government, to the rank-and-file employee of NMPA local branch. Two months later, on Oct. 16th, after reaching the investigation conclusion and completing the judicial progress, at last, NMPA and its Jilin Provincial Branch also produce a final decision of disciplinary fine imposed to CSB’, which basically gives birth to a highest amount of official penalty over China’s private business in the past decades – \$9,100,000,000 in total.

Table 8. Primary Timeline of CSB’s “Fake Vaccine” Accident, by Major Progress Reported

Local Investigation & Result	Timeline	Political Attention & Decision
NMPA’s Statement of CSB’s Malfeasance Suspect (Stock Market Strike)	July 15 th , 2018	
	July 16 th , 2018	State Premier’s Instruction on CSB’s Accident Investigation
NMPA’s Statement of CSB’s Malfeasance Confirmation	July 22 nd , 2018	
Stock Market Suspension	July 23 rd , 2018	State President’s Instruction on CSB’s Accident Investigation
Police Department’s Detainment of Firm Leaders	July 25 th , 2018	
	Aug. 16 th , 2018	Party-state’s Announcement on Official Discipline
NMPA’s Statement of CSB’s Malfeasance Discipline	Oct. 16 th , 2018	

While the official investigation towards CSB’s participation in counterfeiting and marketing the vaccine products has embraced its curtain-falling, the particular intriguing and valuable question left to the scholarly attention, is certainly on how the pharmaceutical enterprises in medicine sector like CSB’, could have successfully generated such commercial misconduct, and also captured an inordinate business benefit accordingly – isn’t there any rigorous and effective regulatory system of NMPA or other state agencies, especially to monitor the production and circulation of important medical products, by which the unlawful conducts (including but not limited to fabrication) become basically impossible? By an in-depth and tough investigation based on both material sources and media reports, it is however surprisingly revealed by this paper that, actually as early as in 2015, China Food and Drug Administration (CFDA, the former parent organization of NMPA) has already paid great endeavor to design and execute an electronic monitoring system that aims exactly at an effective bureaucratic supervision of medicine commodity – however, quite astoundingly, it soon “dies”, before could prevent the business malfeasance such as CSB’s vaccine fraudulence. The origin of all stories, then, lies in a series of collective actions of private entrepreneur through the policymaking process from 2015 to 2016, whereby the business elites from medicine and health-care sectors have taken advantage of National People’s Congress’ (NPC) institutional authority, to interfere with the state regulation over production and circulation of the medical products.

Key of Conflict: Regulation Battle towards Medicine Circulation

At the beginning of 2015, CFDA publishes its first official document of the year, *The Announcement on Implementation of the Electronic Monitoring over Medical Products for the Pharmaceutical Enterprise* (关于药品生产经营企业全面实施药品电子监管有关事宜的公告), which requests all of the business entities and activities in pharmaceutical industry to be participating in an in-building electronic monitoring program over medical products. This is an earliest conception as well as experiment of establishing a comprehensive regulatory system over medicine commodity, by application of the advanced electronic technology – however, it might be much simple and straightforward than anyone might expect – that to generate a Quick-Response (QR) Code for each produced piece of medical products, namely, an electronic ID of the medicine. Via registering such a Medicine Electronic Monitoring Code (MEMC), whether for the regulatory agency to track the product distribution, or for the general consumer to verify the manufacturing process, it provides basically a most convenient and intelligent way to guarantee a first-class quality control and risk management over such medical goods – since one would only need to scan the attached code, and then be informed about its entire trajectory from the enterprise’s laboratory to the customer’s table. Therefore, with the intention to build an effective monitoring system over production and circulation of the medical products, the proposal and its progress soon capture the very attention and acclaim of public opinion, especially lots of Chinese citizens with the tremendous health-care demands and medicine-taking concerns.

Nevertheless, quite eccentrically, such a creative technical application and beneficial regulatory reform, immediately dies in no more than one year, which then provides space to many of the illegal entrepreneurial conducts of fabricating and marketing the problem medicines in pharmaceutical industry, in which CSB’ remains only a most notorious and serious example. During mid Feb. 2016, rather than a substantive completion and operation of electronic monitoring system, CFDA publishes another official document, *The Announcement on Suspension of the Implementation of Electronic Monitoring over the Medical Products, in reference to 1st announcement of 2015* (关于暂停执行 2015 年 1 号公告药品电子监管有关规定的公告), which terminates the ongoing electronic monitoring project built on MEMC technique. As shortly but solemnly stated in this document, one of the foremost reasons for CFDA to suspend its monitoring program and regulatory reform, is that CFDA has to be obliged to follow the guideline of another policy document from the highest government, *The Instruction on Promoting Tracking System Building of the Primary Products* (国务院办公厅关于加快推进重要产品追溯体系建设的意见), published by the General Office of the State Council days ago in Jan. 2016. In this official document issued by the State Council, while it certainly reiterates an emphasis of collecting and recording the product information across every stage of manufacturing and circulation (whereby especially to promote the electronic monitoring system building towards medical products), the instruction strangely assigns the “primary responsibility” of devising and instituting such tracking system to the individual enterprise – rather than government agency. Therefore, having lost the policy foundation, CFDA could not continue to organize the electronic monitoring system building, and maintain its regulatory status over the pharmaceutical enterprises anymore. After one more year later, finally, in Jan. 2017, CFDA and its technical supporter, CITIC 21CN Company Limited (one medicine-based technical firm under CITIC Group), could only announce to cease any policy or action update, regarding the electronic monitoring system over medical products.

Faced with such weird contradiction between the origin and consequence of electronic monitoring system building by CFDA, the question naturally arouses, on how a state-led regulatory reform project could suddenly abort, during an also paradoxical policy conflict between different government layers. The official document released by the State Council explicitly suggests that bureaucratic manner be marginalized in monitoring the production and circulation of medical products, nonetheless only one year before, it is still the CFDA that clearly announces a structural and composite reform of existing regulatory framework over the medical products, by initiating a new government-dominated system. In fact, however, the question is not difficult to answer. As even a general glimpse could tell, the establishment and application of such an electronic monitoring system that relies on the hardly cheatable tracking technology, would definitely foster an enormous pressure to business interest into any of the production and circulation phases of medical goods – especially on the illegal basis, simply as the CSB’s vaccine fraudulence showcases. Once identified with the problem during production and circulation processes of the specific medicine, the monitoring system could quickly analyze and distinguish where the issue is most possibly given the rise (thus lock on the entrepreneurial actor responsible for the issue), which therefore entails an unprecedented challenge to both potential and existing commercial misconducts in the field. As a consequence, it appears no more reasonable, that especially the private interest of medicine sector and pharmaceutical industry, is strongly motivated to preclude the building and operation of such electronic monitoring system over medical commodity, should

they wish to predate the commercial benefit from manufacturing and marketing activities – particularly on an unlawful basis.

Here comes exactly the point of the very empirical impact and theoretical implication. Through a preliminary but convincing research, it is astonishingly found by the investigation, that rather than merely to depend on the office patron to realize its business interest as the conventional wisdom might consider, the private entrepreneurs in pharmaceutical industry have mobilized their institutional authority to intervene in the bureaucratic policy of medical regulation. In the early Mar. 2015, right after the announcement of CFDA on building an electronic monitoring system over medical products, a group of entrepreneur members of National People’s Congress express their opposition against the design and application of MEMC technique as a central pillar of CFDA’s regulatory system reform, when this is exactly the time that both of PC and PPCC are convening their national congresses – two of the most important and renowned Chinese political institutions, in Beijing. Based on the institutional authority endowed by PC entitlement, these business elites conduct a series of duty activities both inside and outside the congress sessions, including but not limited to bill deliberation within PC, policy proposal to government, and also public talk to both official and civil media, to request the suspension of electronic monitoring system grounded on the use of QR Code technology. More interestingly, the ways in which the private entrepreneurs achieve their strategic intention of deterring an advanced regulatory system over medicine business, are quite disguised and implicit than one might anticipate – for example, an entrepreneur member might advocate to “repeal the excessive regulation” and “unleash the unnecessary shackle”, which is seemingly discussing about to promote the market reform in medicine sector, but actually targets the essential goal of abolishing electronic monitoring system, in sharing the interests and intentions with other participated entrepreneur members, in PC duty activities. Though the business elites do not forward a policy outcome that directly inherits from their collective action within the institutional process, however, the continuing strategic action and voice against CFDA’s regulatory system reform, has indeed generated an enduring influence and substantial pressure over decision-making segments on the higher bureaucratic levels, which finally evolves a foremost reason that government office admits the contradictory policy shift after one year in Jan. 2016, all the way to the death of electronic monitoring project of CFDA. In the absence of an effective regulatory machine that is capacitated to supervise the production and circulation of medical products, it is no longer of any wonder that how the private business in pharmaceutical industry as CSB’, could generate such surprising commercial misconduct, and attain the inordinate market benefit that it does not deserve.

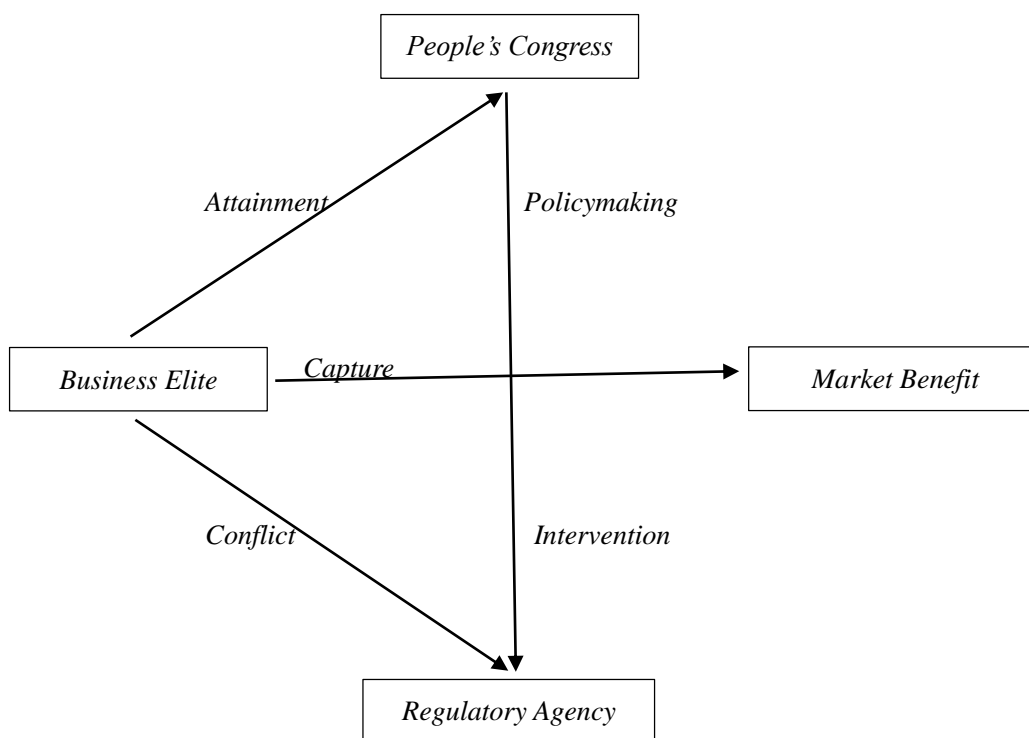


Figure 4. Private Entrepreneur’s Strategic Use of Institutional Authority for Market Benefit (Vaccine Accident, e.g.)

However, while this case-specific examination demonstrates how the private entrepreneur might strategically exploit the institutional authority and conceive the collective action for market benefit, it is still worthy of some further discussions in particular over the twofold implications for concerned theoretical questions and empirical grounds. On the one hand, the mobilization and employment of policymaking authority, does not simply equal to the exclusion of patron's role and influence – in fact, as this paper suggests before by arguing the significance and implication of researching business elite's diverse connection and different use, the exploitation of institutional power, is not a substitute for patron-client relationship – but the emphasis is, it is illustrated that the entrepreneurial agents might forward the additional relationship with bureaucratic authority beyond the individual connection, and breed the collective action based on institutional power beyond the invariable reliance on political patron. It is this very resilience and flexibility of strategically connecting the business interests and wielding the bureaucratic authority, that determine the significance and implication of inquiring into the private entrepreneur's substantive participation and influence in the formal institution towards market regulation and commercial outcome. On the other hand, while the case itself, as a specific example, seems more or less incompatible with the research findings of quantitative analysis – especially in that the data examination provides a picture of merchant PC member with the market status, social contribution, as well as public reputation at a dominant local level (seemingly unlikely to intervene in the policymaking process for predatory benefit), I rather contend that such qualitative study actually serves critically to reflect on where the survey dataset could hardly reach and consider, especially on the business elite's grasp of institutional authority and entitlement in political domain. Despite the existing possibility that these entrepreneurial actors' particular stakes in the medicine industry (whereby there is the extremely rare concentration of common business interest, the incomparable magnitude of policymaking's potential returning, e.g.) might render it an exceptional and even "outlier" case of economic actor's political strategy in relation to the institutional authority, exactly in reverse, this case might be much more likely a "tip of the iceberg", actually revealing to us how much deeper and broader we might still be ignorant, of the private interest's penetration into policymaking process and influence over market outcome – especially when expanding to the local level, given the fundamental facts that business elite has played an institutional role more than 30 years through post-socialist reform. Where there the entrepreneurial practice and state-business relation are much less transparent and susceptible to both the intra-bureaucratic regulation and public opinion, how these strategic uses of institutional authority might be formulated and executed, in influencing on the market regulation and thus business benefit – in fact, the quantitative data could hardly inform us of the central inquiry, and even the case-specific study is only starting to reflect on the very important yet unexamined mystery. Therefore, though a preliminary qualitative analysis, it has still effectively revealed many empirical bases as well as intellectual implications, about the entrepreneurial success and post-socialist capitalism in relation to this paper's focused core inquiries.

Conclusion: Private Entrepreneurship and Capitalist Transformation

Private business is a foundational piece of human's socioeconomic experience for thousands of years. Nonetheless, around a quarter of humanity has actually accessed to it, only in recent decades over the past half of century. For the socialist regime, the notion of "market economy" not only represents a scholarly jargon for characterizing and evaluating the immediate change of sociopolitical order, but also implies the substantive experience in a fundamental transformation of economic institution, footnoted with the emerging commercial opportunity as well as dynamical institutional change. As the past scholarship argues, the great transformation following dismantling of the planning economy, as well as towards revival of the capitalist institution, shall be acknowledged and foregrounded as one of the most significant and influential events that endows the sociological studies with distinctive opportunity to transcend its academic convention and forward the seminal contribution, in parallel to the discipline's early period of both the very vulnerability but highly originality across the eighteenth and nineteenth centuries ("neoclassical sociology"; see Eyal, Szelenyi, & Townsley, 1998). Similarly, the rise of the first several generations of private entrepreneur in China, in the broader background of its market transition and development achievement, attracts an extensive as well as vigorous scholarly attention over the past decades, in pursuit of a better knowledge and understanding of both the empirical grounds and theoretical implications of private entrepreneurship and post-socialist capitalism.

With such intellectual thesis, this paper investigates two of the most presiding and defining nested questions, respectively on *how the private entrepreneur attains its market success in transitional economy, and what the nature and character of the capitalist institution emerging and growing in post-socialist context are to be*. While the existing literature on private

entrepreneur's political connection in contribution to its market advancement admittedly holds true in many senses and cases, it is contended in this paper that such prevalent argument with a premium on patron-client relationship largely neglects how the economic actor might build the diverse connection to political power and employ the different connections in strategic ways, eventually serving its primary interest in capturing economic benefit. Grounded on the analytical perspectives and findings of political economy, economic sociology, and political sociology, this paper addresses the private entrepreneur's political entitlement in formal institution as the focus of its entrepreneurial practice in relation to the Party-state rule, and especially highlights how the business elite might therefore take advantage of the bureaucratic authority to influence on the policymaking process and produce the market outcome. In addition to unveil the extremely critical yet completely untold story on business prosperity in China's economic development, this investigation also generates the essential scholarly insight into private entrepreneurship along with the country's post-socialist transition.

In the following, in circumvention of a redundant review of the facts and models that have been examined in great details above, this paper switches to discourse on how the particular investigation of private entrepreneur's political connection and strategic application – especially in grasping and wielding the institutional authority for commercial ends – might further contribute to a series of academic debates and intellectual conversations among the most relevant fields, including post-socialist literature, authoritarian studies, and development research. These discussions, might not only provide the analytical insight into the individual puzzle unresolved or depreciated for studying institutional change and development differential among the transitional economies, but also to nurture the theoretical vision into foremost inquiry upon the emergence and transformation of capitalist institution across the abundant and diverse sociopolitical settings. ***However, before the dialogue moves on, this paper shall firstly argue its most primary theoretical proposal that aims to offer an alternative approach to the nature and characteristic of the emerging capitalist institution in post-socialist transition, whereby I would explain why the existing theory either as “capitalism from below” or as “crony capitalism” is inherently inadequate and inaccurate.***

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Explicating the Post-socialist Transformation: “Elastic Informal Capitalism”

Beginning with the defining question of entrepreneurial success as one of the foremost driving factors of China's economic achievement, the past scholarship debates intensively around the intellectual theme on whether the post-socialist private entrepreneur in making of business prosperity, actually relies on the political connection to bureaucratic authority for the market outcome. The observation and analysis built on the very different empirical grounds as well as theoretical resources, have therefore produced a series of quite dissimilar and even conflicting arguments on the nature and characteristic of the capitalist institution emerging and growing in post-socialist transformation – “capitalism from below”, “crony capitalism”, as elaborated before. Certainly, to identify and compare these different arguments, plays a particularly significant role in exposing the logical deficiency and analytical flaw of existing scholarship, founded on which this paper could further examine how the private entrepreneur might build the diverse connection and forward the strategic use for commercial ends “beyond the patron-client relationship”. However, bearing such apparent disagreement of two primary approaches with regard to the role and significance of political connection, it might equally give rise to an intellectual illusion, that the two literature streams, have attempted and thus espoused the completely opposite perspectives and conclusions, on the nature and character of capitalist transformation occurred to the post-socialist regime, which actually belies the much broader and larger theoretical assumption that the seemingly contradictory arguments might establish their common grounds.

In fact, taking a closer scrutiny, the intellectual cleavage of two relevant explanations, essentially originates from a similar theoretical premise that ***the state-market boundary is supposed to be constructed in an explicit separation of the institutional fields, whereby the bureaucratic intervention in economic activity is inherently unreasonable and unjustifiable, which nonetheless gives rise to the business-served political connection ultimately.*** Only conditioned on these intellectual prescriptions, accordingly, that whether the bureaucratic authority preserves a role in determining the market outcome – and further, whether the rising economic actor depends on connection to the political power for business benefit, would become the questionable and important inquiry to investigate. Given this shared premise, the disparate threads of scholarly discussion, even though with the very contradictory argument and evidence, are actually much as

representing an identical response to the puzzle of post-socialist entrepreneurial success and capitalist transformation – that the private entrepreneur’s political connection, if making a difference on business performance, is inherently induced by the Party-state regime with an unequal power distribution, grounded on China’s particular transitional experience.

Undeniably, such underlying assumption appears to be coherent and persuasive, especially in evaluating the general capitalist model based on development experience of the advanced economy. *However, the logical attribution of existence and significance of the business-served political connection to authoritarian rule, is actually negotiable due to its implicit yet critical confusion of the two analytically related but essentially distinctive questions: one, is whether the economic actor relies on the political connection to contend market benefit; and the other, is how the economic actor generates the strategy and implements in practice to contend market benefit.* The first question naturally bears the illustrated issue of business strategy in the very straightforward relevance to political system and its power structure, whereby the authoritarian rule is more likely to elicit the political connection and thus produce a dependent entrepreneurship. Nevertheless, similar but different, the second question actually poses the more challenging and profound inquiries to entrepreneurial agent regardless of the political foundation, whereby the economic actor has to conceive how to successfully tackle and manage the highly dynamical and transformative institutional environment through foundational socioeconomic change, for its market advancement. This very distinction from the first question, then exactly accounts for, why given the option and effectiveness of patron-client relationship, the private entrepreneur might still be motivated to pursue to build the alternative connection to political power and introduce the strategic choices over using them in the different ways – even when it requires to undertake the political entitlement, capture the institutional authority, and organize the collective action in policymaking process. As elaborated above, while the patron-client relationship still remains significant largely, the very critical point that such fact and knowledge of the business elite’s substantive engagement and influence through policymaking process reminds us, would be the economic actor is demanding and searching for more autonomy and resilience by holding and employing the different business-served connections, whereby it is much more accurately and appropriately to be conceived as being associated with the inherent quality and attribute of entrepreneurial agent in general, instead of the external constraint and coercion logically imposed by authoritarian rule in particular.

Based on the critical assessment of existing approach, this paper contends accordingly, that the capitalism emerging and evolving in post-socialist transition, should be theorized as neither a “bottom-up capitalism” nor a “crony capitalism”. These two representative theoretical arguments, are basically flawed by postulating a causal relationship between the sociopolitical structure and entrepreneurial strategy for transitional economy, particularly in the case of reforming China. Despite the scholarly wisdoms has been much far-reaching and insightful in envisioning and demonstrating the immediate cause of private entrepreneur’s political connection as with the particular contour of regime governance and power allocation, it seriously disregards the very defining and informative fact that it is the economic actor to build the strategic connection and maximize the prospective benefit in contesting for market advancement, which remains a most fundamental and invariable component of the post-socialist private entrepreneurship, as incentivized by the highly volatile and precarious market institution through large-scale and rapid socioeconomic transformation. *Therefore, in the discrete and in-depth appreciation of entrepreneurial strategy and practice in contribution to its economic success, this paper argues the post-socialist transition has actually nurtured an “elastic informal capitalism”.* “Informality” lies the conceptual basis in agreement with existing literature that the informal factor plays an important role in connecting the business interest and producing the market outcome for post-socialist entrepreneurs (network, e.g.), whereas the “elasticity” proposes the analytical emphasis in departure from scholarly convention that the private entrepreneur is fundamentally incentivized to explore and experiment the different types and hybrids of relational opportunity for the economic achievement.³⁵ Thus, the hybrid of two defining characters as the tilting of “elastic informal capitalism”, could adequately explain why the private entrepreneur might venture a stake in political institution and employ these political resources quite resiliently in China’s case, whereas it could be evolved or degraded into other forms and means of constructing and mobilizing the power relationships, provided the specific institutional contexts determined by different transitional experiences.

³⁵ This theoretical proposal is mostly in parallel to Stark’s argument that the preexisting institutional foundation would ground the post-socialist transforming pathway (“path dependence”; see Stark, 1994, 1996; Stark & Grabher, 1997; Stark & Bruszt, 1998), whereby the business network might play a foremost role through large-scale socioeconomic reconstruction.

Table 9. Primary Difference between Theoretical Arguments Regarding Post-socialist Capitalism

	Bottom-up Capitalism/Crony Capitalism	Elastic Informal Capitalism
Intellectual Assumption for State-Business Relation	Explicit and Formal Boundary between Political and Economic Actors	Economic Actor's Initiative and Agency over Institutional Division
Theoretical Causality on Political Connection	Authoritarian Rule Determines Entrepreneur Dependence	Entrepreneurial Nature Induces Business Strategy
Empirical Ground of Entrepreneurial Practice	Private Entrepreneur's Dominant Connection (or not) to Political Official for Market Success	Private Entrepreneur's Diverse Connection to and Strategic Use over Political Power for Market Success
Research Implication from Established Insight	Whether Private Entrepreneur's Political Connection Works?	Why, When, and How Private Entrepreneur Builds and Acts by Different Political Connections?

Of course, in arguing so, this paper considers it equally important to maintain two underpinning points of the investigation and reflection. One is, to what extent, and in which sense the entrepreneurial agent aspires to build the different connections and forward the strategic uses for economic wellbeing – including but never restricted to a primary role in the political institution and policymaking process – are broadly depended on the institutional context which offers the specific opportunity and constraint to entrepreneurial agent in conceiving the business-served strategy and executing it in political practice. The other would be, in addition, the entrepreneurial agent is supposed to utilize the relational resource and organize the strategic action, rather in a socially connected and culturally oriented way, which then allows a broad spectrum of business-served political actions in the entrepreneurial practice. These two supporting points, for a renovated understanding of the nature as well as characteristic of post-socialist capitalism, therefore possess their theoretical foundations in the existing literature of both economic sociology and political sociology – as analyzed before, including the institutional incentive perspective, social network approach, and collective action studies.

With such a more open-minded and discrete approach aligned with the elastic informal capitalism thesis, the scholarly investigation is firmly grounded for further exploration into the private entrepreneur's political engagement for market advancement in the post-socialist transition, whereby a remarkable as well as stimulating research agenda accordingly emerges and shapes. Still take China as a focal case of transitional economy, now that the private entrepreneur is preliminarily evidenced to be capacitated and resourceful to cross the state-market boundary and capture the institutional authority, how would these rising business elites negotiate the individual preference and generate the strategic decision over choice and action based on different political connections, to contest the commercial benefit? Putting it more interestingly and specifically, for instance, when would the private entrepreneur in participation of the policymaking process, act completely independent of the patron-client relationship with office incumbent, or when to especially employ the combined connectional resources of both self-attained authority and patron's power? Further, are the connection building and differential usage towards economic ambition much more influenced by the preexisting socioeconomic factors (shareholding status, industrial concentration, e.g.), or the contingent on-occasion situations through formal institutional process? Last but not least, to what extent, and in which sense does the private entrepreneur contend its autonomy and independence through building the diverse connection and organizing the different action, in the enduring presence of Party-state dominance? The exploration of and response to these series of inquiries, would then definitely continue to broaden our understanding of the private entrepreneurship, deepen our interpretation of the capitalist transformation in post-socialist experience, with an extensive spectrum of the analytical aims ranging from general nature of the entrepreneurial practice to specific cause of the business strategy.

While to simply retrieve a “transition analysis” is not a primary intellectual thesis by the investigation of this paper, it however implies a series of key elements for a potential alternative to compare and analyze the socioeconomic transformation of transitional economy. Since the disintegration of ex-communist bloc during the late 1980’s, the scholarly discussion quickly embraces an awesome enthusiasm in identifying and explicating the institutional change occurred in these nascent capitalist economies. A general contention that the political, economic, and social institutions, in different mixtures and hybrids, might result in the significant differential in post-socialist reconstruction and development, has become virtually a universal consensus of academic works over the past decades. Both for China’s particular case and further beyond it, the existing literature – especially in sociology – has proposed and demonstrated a series of major theoretical approaches to the institutional change through transitional epoch, whereby the most widely-known and deeply-examined exemplars experiment their quite distinctive highlights on social network and incentive (Grabher & Stark, 1997; Nee, 1992, 1998, 2005a, 2005b; Nee & Ingram, 2002; Nee & Opper, 2012; Stark, 1996; Stark & Bruszt, 1998), property rights (Stark, 1994, 1996; Stark & Bruszt, 1998; Walder, 1992, 1995, 1996, 1997, 2003, 2006, 2011a, 2011b; Walder & Oi, 1999), class relation (King & Szelényi, 2005; Konrád & Szelényi, 1979; Eyal et al., 1998; Szelényi, 1988).³⁶ Despite the fact that the scholarly contributions have assuredly provided an amazing abundance of original and trenchant insights into China’s unique pathway of marketization, privatization, and liberalization, most of the analyses however sink into an intellectual reticence through the recent decade, and fuel almost no more seminal investigation and substantive grasp of the post-socialist transition and development. In fact, this intellectual chilliness, has evolved into one of the foremost causes in potential contribution to inadequacy and stagnation of today’s scholarly attention spanning from the post-socialist experience in narrow to the China studies at large. One of most compelling pieces of evidence, is exactly the increasing difficulty of explaining the rising social inequality and especially class-based wealth disparity that rapidly emerge in China’s transitional economy, which requires more or less its analytical foundation on a rigorous yet creative institutional theory towards the fundamental socioeconomic change.³⁷

In this paper, it is therefore strongly evidenced and suggested, that the institutional analysis of transitional economy, leading to scholarly insights into the post-socialist development differential, might find its solution in forwarding a first step onto the growing variety of state-business relation and economic actor’s political strategy, which lies at the center of the investigation on private entrepreneurship and capitalist transformation of socialist regime. The supporting reasons for this alternative proposal are twofold in general. On the one hand, since the market transition has basically (though not equally) restructured the most primary institutional foundations of socialist economy (property rights, e.g.), then to explain the many cross-national variations and comparative features among different transitional cases – especially on the long-term economic performance and political transformation, might accordingly call the scholarly attention to move beyond the traditional institutional element that frequently produces a capitalism-socialism binary, to the much dynamical yet unexplored dimension in entrepreneur’s political connection and government-business relation.³⁸ On the other hand, as the theoretical argument on elastic informal capitalism suggests, if the premised state-market boundary and conceived economic actor’s passiveness are actually untenable and incomplete, in the presence of entrepreneurial agent’s highly political resourcefulness and policymaking interest, then there naturally evolves a series of important and pressing research agendas on how the business elite might build the strategic connections and use the institutional opportunities to contest for the market benefit, which plays an undoubtedly central role in recasting the intellectual edifice of post-socialist institutional analysis, by turning the spotlight on the game rules and norms concerning on both state and market actors.

This specific proposal to ground the post-socialist institutional analysis on foundation of the state-business relation and

³⁶ Take Walder’s original contributions (1995, 1997, 2006, 2011) for example, for China’s post-socialist transition, in contrast to Kornai’s prediction of the “partial” reform’s destined failure founded on inherent inefficiency of the public ownership (“soft budget constraint”, 1992, e.g.), the management practice based on strategic separation of the property rights, attests to be actually effective on adapting the state-owned assets to market restructuring and economic development. As he later comments, such institutional analysis of market transition, requires the theoretical connections among political property, social structure, and their enduring consequences on the economic institution in broad (2011).

³⁷ The economic advancement among different occupational groups especially in urban China, has once been an intensely controversial scholarly topic in the past literature. This extended list of academic debate, includes the early concentration on income distribution at the individual level (political/human capital returning, e.g.; see Bian & Logan, 1996; Bian & Zhang, 2002; Nee, 1996; Nee & Cao, 1999; Nee & Matthews, 1996; Xie & Hannum, 1996; Zhou, 2000), the later emphasis of structural determinant on the earning inequality (sector/industry/organization factors, e.g.; see Wang, 2008; Wang & Wang, 2005; Wang & Cui, 2010; Wu, 2002, 2013; Xie & Wu, 2008; Xie & Zhou, 2014), and the most recent perspective that examines the nuanced influence of other institutional factors in the wealth attainment (property rights, e.g.; see Walder, 2011; Walder, Luo, & Wang, 2013; Zhao & Zhou, 2017).

³⁸ However, this paper intends no arbitrary statement on the absolute significance of different institutional factors.

entrepreneur's political strategy, also resonates with the general discussion on "varieties of capitalism" (VOC) that has permeates from the field of political economy to comparative historical analysis with an increasing volume of brilliant scholarly ideas – though basically founded on the insofar experience of advanced economy (Campbell, 2004; Crouch & Streeck, 1997; Hall & Soskice, 2001; Hancke, 2009; Hollingsworth & Boyer, 1997; Mahoney & Thelen, 2010, 2015; Streeck & Thelen, 2005). Take the exemplar thesis such as "institutional complementarity" by Hall and Soskice's defining contribution for instance (2001) – it illuminates not only the important variation of state-market relation within the conceived unified "capitalism" model, but also the plural sociopolitical connections as well as participations that play a foremost role in engendering the different modes of authority distribution, resource mobilization, etc., which constitute the institutional foundation of these primary variations.³⁹ In especially a connection to VOC-based approach to reveal the development differentials and analyze the institutional underpinnings among post-socialist capitalisms, however the particular analytical focus or broad theoretical concern mutates, the core component of this intellectual alternative largely remains, to be cautiously and adequately appreciating the agency and initiative of different social actors, whereby their changing interests and realigning pursuits might give rise to the brand new definitions and practices of a series of presiding relationships between politics and economy, state and market, government and business, state and market, which breeds many more intriguing puzzles and revealing truths to transitional research agenda through the long run.⁴⁰

Inquiring into State-Business Relationship under Authoritarian Rule

By featuring an extensive and enduring state intervention in market activity, the current political economy literature has successfully illustrated the substantial influence of political connection on the economic elite's pursuit of business benefit, particularly in the market segments where the restriction and regulation long remains. However, as analyzed above, the scholarly discussion actually concerns much more, rather on what the business-politics relationship presents and implies about the ruling strategy and practice with respect to regime dynamic under the authoritarian governance, than on the rationale and working of such instrumental tie between economic actor and political patron in leading to the market preeminence. For many of the intellectual works involved, the private entrepreneur's search for the networking resource in access to the political authority for market advancement, bears itself the causality on democratization's dilemma in the post-socialist China, whereby the authoritarian strategy and practice of co-opting the business elite into political institution – if taking as an analytical focus – have been quite accomplished in nurturing the compliance from pro-democratic actor though building an inclusive elite alliance, and therefore contributing to the regime adaption and illiberal resilience by keeping the political threat from potential challenger preemptory (Chen, 2002; Chen & Dickson, 2010; Dickson, 2003, 2008; Goodman, 2008, 2014; Pearson, 1997, 1998; Solinger, 1992, 2008; Wright, 2010). Admittedly, such a literature stream, has offered the first-class and indisputable theoretical insights, into the specific questions as well as general debates on both state-business relation and political governance under the authoritarian settings.

However, provided the conventional wisdom of authoritarian studies, equally arguable is the immediate and challenging issue, that given the examined facts of economic actor's resourcefulness of taking advantage of the institutional authority as well as capacity in producing the policymaking outcome for market benefit, the dominant interpretation of private entrepreneur's political entitlement into the formal domain, as sketched above, might become no longer adequate and convincing in explicating the existing ruling strategy and practice in making of the regime adaption and authoritarian resilience. Though the investigation of this paper primarily lies in exactly reflecting on the overreaching proposition of patron-client relationship in response to concerned puzzles, whereby the private entrepreneur's substantive engagement and influence through policymaking process would definitely dissolve the foundational premises of existing argument (exclusive power distribution, submissive client pattern, e.g.), the more relevant point would be, it therefore demonstrates to us how the private entrepreneur's institutional participation might not produce solely the beneficial and positive implication for authoritarian ruler – particularly when the economic elites collude and interfere for the particular kinds of predatory profit through policymaking process, bordering the commercial misconduct and even malfeasance. In other words, rather than the speculative dichotomy of either the "contentious bourgeoisie" or the "subservient merchant", when the institutional

³⁹ Bates' seminal studies on the developing economies do also suggest the similar theoretical concern, on supplementing the political participation elements to existing institutional analysis (1989, 2008).

⁴⁰ In fact, the similar intellectual thesis of post-socialist VOC has ever been argued in the existing literature, see Lane & Myant, 2007; Lane & Wood, 2012.

integration of private entrepreneur might in fact generate much unanticipated and unpredictable consequences to the authoritarian co-optation strategy and self-preserving purpose, the confidence and validity of existing literature on emphasizing the exclusive benefit of admitting the economic elite into political institution in contribution to the authoritarian governance, are obviously prompted into the serious doubt to a large extent. As a result, for example, the current explanation as mentioned, might have already misidentified the interaction mechanism through which regime adaption and illiberal resilience are actually generated and sustained, in addition to the reductive interpretation of co-optation strategy that entails an over-determined understanding of authoritarian rule.

Switching to this analytical perspective, the more intriguing and stimulating intellectual puzzles regarding the economic elite's entrepreneurial strategy and its broader sociopolitical consequence, in connection the durability and vulnerability of authoritarian governance whether inherently or rendered, are therefore emerging out for the research agenda. How might the private entrepreneur's collective action through policymaking process debilitate or strengthen the authoritarian rule? How might the formal policymaking domain address and negotiate among the different interests and pursuits of these business elites? How might the evolution and transformation of private interest's informal network influence on the formal duties of public institution? Even though many of the past intellectual efforts have long rejected the irresolvable contradiction between nondemocratic and liberal regimes, usually with the teleological prediction on unsustainability and breakdown of the authoritarian rule, the existing knowledge, being embarked too much on the general "democratization" inquiry (such as why the assumed contentious force has hardly translated its economic autonomy into political claim as the agent of foundational change), is still considerably insufficient and uninformed of the abundant empirical grounds and theoretical challenges brought about by the entrepreneurial experience and state-business relation in illiberal cases. Exactly, this is where the different approaches and techniques of economic and political sociology, might present a profound contribution in complement to the authoritarian studies, by distinguishing the connectional diversity and illuminating the governance practice between politics and business – which literally work to produce the institutional and development outcomes.

Redrawing Boundary between Private Interest and Public Institution

The last piece of scholarly discussion would be focused on a much generalized implication of the investigation by this paper – the economic elite's increasing involvement in policy formation, distributional outcome, and socioeconomic inequality, which figures as not only a quite paradoxical product of post-socialist transition, but also a most pressing issue through development agenda, for a much broader array of the non-advanced economies. Back to the beginning of investigation, one of the most fundamental and perplexing puzzles that greatly motivates the inquiries of entrepreneurial success and capitalist transformation in the transitional regime is, in defiance of both the scholarly anticipation and popular perception, the privatization and marketization as the foundational elements of economic reform, being further away from an expected equalization effect that leverages the enormous inequality produced under redistribution system, have nevertheless surprisingly nurtured and sustained a much more tremendous post-socialist wealth disparity and challenging transitional distributive injustice. Faced with the complicated process of institutional change, one of the foremost sources of inadequacy and partiality of the conventional wisdom, lies exactly in its ignorance of how the business elite might employ the "institutional hole", capture the property opportunity, and further exploit as well as advance in the economic hierarchy, whereby its growing interest in the political participation and deeply-rooted stake through the policymaking process, has become less unfamiliar to the scholarly attention during recent decade. Therefore, to certain degree, the emergence and prosperity of private economy, inevitably bears the contentious issues of post-socialist capitalism, from the very beginning point of transforming progress.

However, that being said, the private entrepreneur's grasp of institutional authority and intervention in market activity, apparently possesses the twofold theoretical implication beyond this first point of reflecting on the post-socialist experience. In addition to reveal how the liberalizing reform might produce a counter-intuitively transitional outcome, in a much more general and essential sense, the analysis demonstrates that the capitalist development in non-advanced economy, in nature includes the logically distinctive threads of production and distribution of the market benefit – besides the returning differential to endowment (labor income, capital income, e.g.), the much more important is the opportunity differential to status, whereby the entrepreneurial class obviously possesses more privilege to connect to the political power for profitable chance and commercial ends. As a consequence, such intellectual revelation evidently fuels the further fundamental and trenchant insights into these development studies concerning on the newly industrializing economies, where the scholarly

attention has always been focused on distinguishing the critical institutional underpinnings of economic backwardness' astonishing achievement, nonetheless encountering an increasing difficulty in predicting and explaining the expanding income inequality, emerging economic deterioration, and accreting poverty record – which are becoming undeniably the primary challenges to these once-regarded successful “late comers”. Putting it in specific, take the scholarly discussion on “developmental states”⁴¹ for example: among the different examined cases, the most successful developmental industrializers especially in East Asia, are typically characterized with an abundant and vigorous volume of connections and interactions between the state and market, whereby the state is committed to building and nurturing the institutional foundation to generate the development-oriented incentive and strategy, and the market devotes to responding to the incentive source and institutional condition, then further grounding and sustaining the entrepreneurship and productivity to realize the economic growth. In this setting, the traditional image of arbitrary intervention associated with the “strong state”, is basically replaced by a more formally normalized and regulated bureaucratic approach to market regulation and industrial policymaking, whereby an amazing wealth of social connections and relationships are instituted among the bureaucratic actors and economic agents.⁴² Nevertheless, while the existing literature seems to be remarkably achieved and inspiring in modeling the experience as well as excavating the implication of “developmental states”, when many of the representative cases such as South Korea and Taiwan have been entangled with the enduring growth stagnation, increasing distributional conflict, as well as rising socioeconomic inequality in their recent decade, such scholarly interpretation becomes suddenly destabilized and challenged, by failing to consider how the multiple connections among institutional actors might not generate the supportive foundations for economic outcome. While China’s authoritarian experience in economic development and political transformation ordains some fundamental distinctions from these series of developmental states, however, the equally important point that the investigation into the economic actor’s institutional engagement and policymaking character might suggest for the existing literature is, to further deliberate and examine whether the prevalent narrative has perhaps substantially overlooked how the private interest might intervene in the public institution and pursue the predatory profit through power process of the political sphere.⁴³ As a consequence, to establish a conducive and enduring institutional foundation for long-term development and progress, the existing literature is now necessitated to reflect on its previous advocacy of simply connecting the bureaucratic agent to market actor, but instead, to conceive how to effectively govern and regulate the potentially abusive and unfettered entrepreneurial interest in penetrating to public authority and falling into a corruptive way of profit-seeking, leading towards a more complete theoretical interpretation and analytical scheme of the development experience.⁴⁴

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In closing this paper, the most valuable point might remain, while the multiple streams of existing literature have admittedly generated the scholarly insight into character and contribution that the emerging private entrepreneur has undertaken and forwarded in underpinning the economic development as well as stimulating the institutional change in post-socialist transition, it might nevertheless only begin for the academic works, to discretely consider and thoroughly examine how the embedded economic actor under diverse sociopolitical structure might induce the different participatory strategy and entrepreneurial behavior for commercial benefit, essentially transcending beyond a conventional narrative of the monolithic triumph of “market capitalism”. The studies of Chinese private entrepreneur’s unique experiences, though a threshold and beginning effort – however as Kennedy strongly advocates to “overcome the middle kingdom complex”

⁴¹ See Aoki, Kim, & Okuno-Fujiwara, 1997; Block & Evans, 2005; Carroll & Jarvis, 2017; Chu, 2016; Deyo, 1987; Evans, 1989, 1995, 1997; Johnson, 1982; Kohli, 2004; Perkins, 2013; So, 2013; Wade, 1990; White, 1988; White & Wade, 1988; Woo-Cumings, 1999.

⁴² Also see Lange & Rueschemeyer (2005), Rueschemeyer & Evans (1985).

⁴³ Actually, this paper considers this theoretical implication possesses its much important intellectual relevance in the broad debates over cause and issue of the prosperity and underdevelopment through social sciences research, whereby the controversial relationship between private interest and public institution requires an extended and in-depth exploration. See Olson’s original as well as disputed works for a fundamental sense (1982, 2000).

⁴⁴ Of course, the series of theoretical critique, shall never be reductively interpreted as a superficial adversity and hostility towards private interest, in whether the post-socialist transition or developmental experience. In fact, even though the scholarly attention has widely noticed that the economic accomplishment and distributional injustice might have turned China from a most egalitarian country to a most unequal society, virtually no intellectual standing would thus come to espouse Mao’s socialism, where the equity is however built on the extreme poverty and underdevelopment. When the Party-state elite is still vacillating between a foundational reform and a continuing practice, it is the entrepreneurial ethos and spirit that contends and prospers from bottom up (the earliest rural business), and eventually transforms the entire communist China, which is undeniably a historical and remarkable contribution to China’s post-socialist change and development.

(2011), should contribute not only to a refreshing knowledge of the entrepreneurial practice in pathway to the wealth and prosperity, but also to a stimulating understanding towards the evolving capitalist institution in reshaping our times and world.

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Appendix A. Defining Lines of Post-socialist China's Authoritarianism

Built on the absolute authority of Chinese Communist Party (CCP) throughout entire course of the market reform, post-socialist China's political system is mostly featured with a widely referred "Party-state" structure. This academic term could be analytically unfolded along three interrelated threads hereby.⁴⁵ First, the revolution legacy. As the Marx-Leninist creed claims, among many pieces of revolution heritage (in many interesting cases they are actually incompatible with each other), the supreme authority of regime governance always resides with the Communist Party leadership – as anyone who lives in urban China for long would be familiar with the popular saying, "Party commands all" (Barnett & Vogel, 1967; Brown, 2013; Heilmann, 2016; Kornai, 1992; Lieberthal, 2004; McCormick, 1990; Walder, 1995). Thus, it is most important of all to remain that, CCP – on the highest status of political rule, shall exert a firm and even harsh control over government administration on a lawful basis in China's power structure (Dreyer, 2010; Harding, 1986, 1987; He, 2013; Larus, 2012; Lieberthal, 2004; McCormick, 1990; Saich, 2004; Walder, 1996; Wright, 2015). This defining characteristic, therefore explains why many of the existing scholarship, places a much more analytical emphasis on political significance of CCP in the academic debates over state governance and social transformation, rather than that of formal institution and organization.

Second, the central-local relation. Since the market reform in post-socialist China employs a "decentralized" approach, in which more of the decision-making power over market regulation and public welfare is allocated to local representative (Ang, 2016; Bulman, 2016; Chung, 2001; Landry, 2008; Naughton, 1995; Shirk, 1993; So, 2003; Solinger, 1993; Xu & Yang, 2015; Yang, 2001; Zhou, 2017), many of these subnational officials, shall take a particular interest and endeavor in motivating the economic growth on their office incumbency, usually driven by the very career incentive of bureaucratic advancement (Ang, 2016; Bulman, 2016; Chen & Dickson, 2010; Dickson, 2003, 2008; Goodman, 2001; Gore, 1998, 2011; Zhou, 2004, 2017). Through the long-term evolution ever since early reforming period, CCP has thus developed a large-scale bureaucratic hierarchy of territory-bound political agent, whereas the Party-state still maintains a cohesive dominance from the top downwards. However, that being said, the political conflict and factional struggle of multiple potential sources, are also figuring an important role in continuing to reshape the central-local relation (Baum & Shevchenko, 1999; Landry, 2008; Larus, 2012; Lieberthal, 1992; McCormick, 1990; Mertha, 2009; Saich, 2004; Shirk, 1993; Wright, 2015; Yang, 2001; Zhou, 2017).

Third, the quasi-democratic institution. Though the authoritarian regime is conventionally considered to disavow any institutional responsibility of the democratic governance, it is somewhat paradoxical that the Party-state in China actually does establish a series of quasi-democratic institutions, including the most typical cases of PC and PPCC as mentioned. While the ultimate goal remains largely ambiguous, one immediate point which becomes much clearer currently is, the political representation and accountability of its citizen on the formal institutional level, have been increasingly signified as a provisional thesis of political development ever since China's market transition, whereby the PC and PPCC could gradually farewell its previous irrelevance, and return to the spotlight of sociopolitical participation in this post-socialist regime (Chen, 2015a, 2015b; Dickson, 2008; Lin, 2014; Lü, 2013; Shi, 2014; Yan, 2011; Yang, 2013; Yu, 2014a, 2014b). Though these two formal institutions are announced to fulfill the legislation and deliberation duties (legislation solely for PC) as state agency, at the grassroots level, however, they might more often serve as the primary stage of emerging representational and accountability politics, in which the elected member shall address popular concerns, as well as especially even deliver public goods to the targeted electorate (Manion, 2008, 2014, 2015, 2017; O'Brien, 2009).⁴⁶ Therefore, the emphasis would then be, no matter how these pro-democratic institutions are still far away from a substantive implication of any advanced democratic component given the enduring Party-state system, these formal entities, are still at

⁴⁵ While there exist other approaches to the discussion for sure, this appendix only focuses on the analytical threads that are most relevant to the concerned issues, theoretical contentions, and their empirical grounds of this paper.

⁴⁶ This phenomenon is given possible, largely because the key procedure of producing PC and PPCC representatives (basically a democratic election for grassroots society) has been formally articulated and legally protected, which is widely interpreted as one of the most important political developments through China's post-socialist transition. For example, in the revisions of *The Election Law of National and Subnational People's Congress of People's Republic of China* (中华人民共和国全国人民代表大会和地方各级人民代表大会选举法), one of the most fundamental bills to normalize and regulate the election procedure of local PC member, stipulates the explicit rules from electorate representation to voting supervision, and delegates a series of relevant rights to the citizens at county, village, as well as township levels. However, that being said, a full conclusion of the representational and accountability politics associated with PC, is apparently unavailable. Studies have figured out that not only the institutional basis of effective accountability and highly responsiveness is still in a building and dynamical process, but also the Party-state itself would maintain a dominant command in certain election phases, such as the priority to nominate official candidate (Manion, 2008, 2015; O'Brien, 1998, 2009).

the very center of power structure and political engagement in post-socialist China.

Appendix B. Social Mobility towards Post-socialist Private Business

The transition from state socialism in China has once widely stimulated the sociological interest, in especially predicting its shifting stratification pattern as the consequence of institutional change. Among the scholarly arguments, some indicate a rather “optimistic” expectation of transitional process, as the emerging market economy would eventually converge into an existing capitalism model, whereby the status of political incumbent and worth of bureaucratic authority would gradually decrease, while the entrepreneurial actor might escalate along the wealth hierarchy sustained by an accreting returning to market activity (Nee, 1989, 1991). However, despite its seminal analysis on the post-socialist stratification, other academic disagreements quickly populate in the field, to counter-argue the complexity and delicateness of income determination and socioeconomic inequality in China’s market transition, with particularly the analytical focus on intermediary mechanism and reality-based variation in such a quite unbalanced large-scale institutional change (Bian & Logan, 1996; Bian & Zhang, 2002; Parish & Michelson, 1996; Róna-Tas, 1994; Walder, 1996; Xie & Hannum, 1996; Zhou, 2000). One of the most representative projects features Bian and Logan’s argument of “power persistence” thesis (1996), which challenges Nee’s theory by asserting the Party-state’s enduring significance in both regime governance and resource distribution through the urban industry, which causes the continuing returning of political capital in the making of income disparity. While most of these studies do neither reach an explicit consensus on evolving post-socialist inequality, the point largely remains that the transitional stratification in China, by the intellectually debating as well as empirically unfolding, is unlikely to simply follow the logical prediction as given by ideally conceived “redistribution” or “market”, which accordingly requires a much more discrete scrutiny, in interpreting the changing sociopolitical structure and evolving market institution to produce distributional outcome (Bian & Zhang, 2002; Fligstein, 1996; Oberschall, 1996; Walder, 1996; Zhou, 2000).

Bearing such intriguing discussion of the post-socialist stratification, it is therefore maintained, that the embrace of capitalism institution, is founded on the fairly uneven pace and rhythm of planning economy’s (计划经济) dissolution, and as a result, the emergence of private business, experiences rather a nonlinear and intersected progress due to such transitional imbalance and incoherence. Thus, the “private entrepreneur” at individual level, despite portrayed universally as the rationalized, risk-taking, and pioneering economic agent in conventional wisdom, however by cautious disaggregation, might actually derive from quite the distinctive occupation backgrounds through dynamical restructuring process and drastic institutional change. As a seminal investigation of income returning in the reforming urban China shows (Wu & Xie, 2003), the market reform in an underdeveloped economy, would not only motivate the formal differentiation and complication of occupational position and social status, but also create the incentive and constraint that engender substantive mobility of the social actor behind these different positions and statuses. Thus, it is necessary to present a brief historiography of employment system under the state socialism, and an accompanied discussion of its extensive transformation in releasing the emerging opportunity – for people to enter private business and become entrepreneurial actor.

Under traditional state socialism, the employment is discretely divided into two niches: one in the rural that the majority of population works in agriculture-based sectors, the other in the urban that the majority of population duties in industrial sectors. In each niche, despite local diversity and regional variation, the Party-state administers its organizational compound, serving not only as the employment director that governs production activity and fulfills distributive function, but also the supervising agency that commands state/collective property and retains grassroots political order. Take the urban working unit (单位) for example, it is the economic organization that employs and pays one’s labor, affords one’s welfare, and at the same the political group that monitors and instructs one’s behavior and conduct (Bian & Logan, 1996; Lü & Perry, 1997; Perkins, 2015; Walder, 1992). Influenced by the systematic quality of “planning” system, as the economic surplus is centralized to state apparatus and then redistributed to its social member, the socioeconomic wellbeing of urban citizens (access to the monetary rewards and material welfares, e.g.), as Walder (1992) demonstrates, is then determined both by the ownership and rank of their working unit (how competitive the employer is in nation-wide resource allocation), and the status of oneself along the occupational ladder within working unit, especially the political authority (how advantaged oneself is in unit-wide rewards distribution). This structure of both employment differentiation and benefit attainment, then sets the very foundation for typically conceived different occupational groups under the state socialism,

whereby a brief scheme in the below presents an idealized taxonomy.

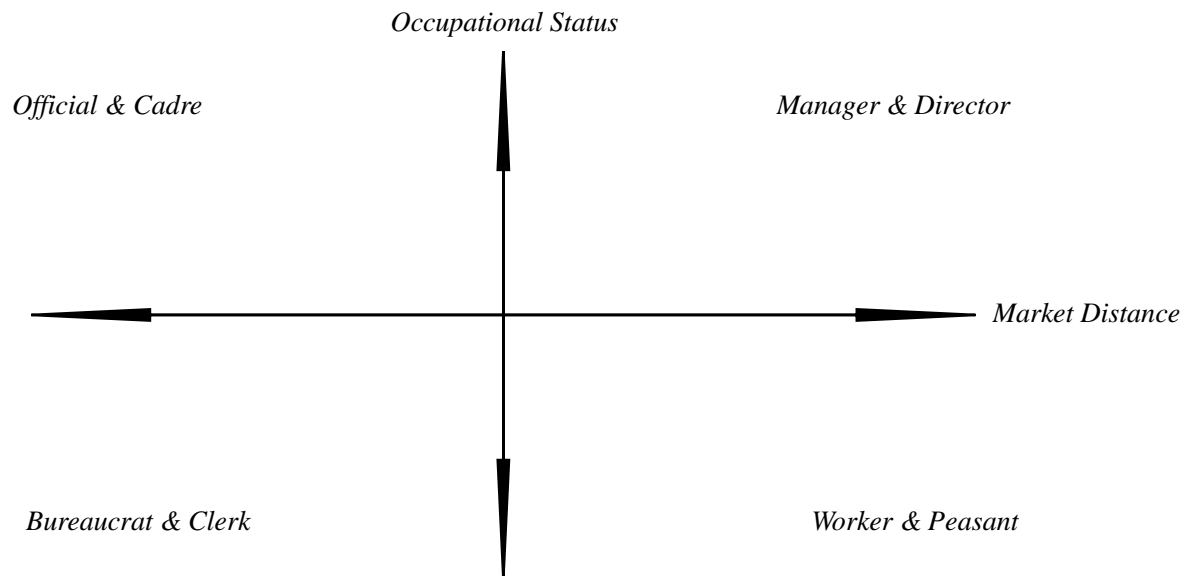


Figure 5. Streamlined Employment Structure under China's State Socialism

The rationale of the scheme is, horizontally, the market distance decreases from left to right. This decrease shall be generally defined by the decrease of state regulation, and the increase of market mechanism. Vertically, the occupational status increases from below to above. This increase shall be generally defined by the increase of possession of the authority, or the increase of command of the property.⁴⁷

The beginning of market reform, as depicted and analyzed in Nee's "Market Transition Theory" (MTD, 1989), introduces a transitional challenge against employment system as delineated above. Not only does the household-based contract reform (家庭联产承包责任制改革) in agricultural sector provides an accelerating incentive to individual peasant for the commercial ends, but also the unleashing regulation on small-scale self-employed business (个体户) begins to stimulate the ice-breaking emergence of private business at local level, whereby the market exchange and competition gradually substitute bureaucratic control as the primary coordination mechanism of resource extraction and allocation (Brandt & Rawski, 2008; Haggard & Huang, 2008; King & Szelényi, 2005; Lai, 2006; Lyons & Nee, 1994; Naughton, 2007; Nee, 1989a, 1989b, 1991, 1996; Nee & Opper, 2012; Nee & Sijin, 1990; Oi, 1991; Parish, 1985; Solinger, 1993; Walder, 2006; Wu & Fan, 2015). Thus, during the 1980's, a minor but landmarked portion of private entrepreneurs, grow out of the peasant or the jobless groups – those being usually impoverished and marginalized in the rural, with the disparaged status and "suspicious" background. In the progress, the institutional change, fuels the additional occupational ladder in expanding economic segment for the labor employment and career advancement, and thus takes a foremost as well as defining step to shake the steep monopoly of gigantic redistributive system under state socialism.

However, the real change, is just at the threshold. One significant stream of dynamics, then erupts out of the rise and fall of Township-Village-Enterprise (TVE, 乡镇企业) in rural during the entire 1980's, which is tuned with the tremendous transformation occurred in indigenous agriculture. These rural industrial titans, earn their fortunes on the specific condition of substantial shift by the rural cadre and wealthy peasant's interest, which aims to adapt to the emerging market economy and business chance from bottom up, resulting in a markedly "corporatist" strategy of local government's involvement in the business activity (Brandt, Rawski, & Sutton, 2008; Oi, 1999; Walder, 1995, 1997; Walder & Oi, 1999). With the progress, the risk-taking business, property rights, technological innovation, and further more foundational conceptual and institutional elements of the market economy, get to increasingly burgeon and penetrate in the local business, which supports the remarkable prosperity of regional development, and thus continues eroding the existing basis of planning economy.⁴⁸ Nevertheless, till the mid and late 1990's, despite the fact that many of TVEs still keep contributing to the

⁴⁷ For broader theoretical reference, see Grusky, 2014.

⁴⁸ However, many original investigations generate the findings on how the seemingly ill-defined property rights might actually lubricate

making of China's economic miracle in its post-socialist transition, the majority of these rural industrial predecessors, has experienced a new wave of the structural transformation, such as to be rebuilt into shareholding company, or simply the selling-out for privatization (Naughton, 1994; Walder, 2006, 2011; Walder & Oi, 1999). It is from the falling curtain of TVEs, that another important group of small and medium size private firms, enter the evolving market sector, whereby most of the business leaders previously serve as rural cadre, general manager and professional, as well as peasant.

The varying yet converged destiny of TVEs, has actually a great deal to do with another stream of dynamics that catches the transitional spotlight since the late 1980's. Upon the focal shift to planning economy that dominates the urban industry, the long-anticipated economic reform towards State-Owned-Enterprise (SOE), which is undoubtedly the very foundation of planning economy, eventually begins its extended journey of exploration and experiment. During The Fourteenth CCP National Congress held in 1992, the regime goal of building a "socialist market economy" is officially announced by CCP General Secretary Zemin Jiang and formally approved by CCP National Congress (represents the political consensus of CCP Central Committee & Politburo with its Standing Committee). In The Third Plenum of The Fourteenth CCP Central Committee, convened in the following 1993, an instructional document is deliberated and approved, entitled *Resolutions on Issues of Building Socialist Market Economy, by Chinese Communist Party Central Committee* (中共中央关于建立社会主义市场经济体制若干问题的决定), which further figures out the fundamental status of market coordination in building a modern economy (使市场对资源配置起基础性作用). In addition, the primary goal of instituting modern enterprise administration and corporate governance (建立现代企业制度) in the SOE reform is determined and announced, with specific calls on "adapted to market economy" (适应市场经济要求), "clearly-defined property rights" (产权清晰), "clearly-specified right & obligation" (权责明确), and "separation of politics and entrepreneurship" (政企分开). The entire 1990's, then witnesses a series of milestone socioeconomic events ensuing these political decisions, which introduces and promotes the foundational reform into urban industry – for example, the legislation and implementation of *Corporate Law of People's Republic of China* (中华人民共和国公司法) from 1993 to 1995, which marks the formal specification and execution of a unified law-based corporate regulation. At this point, the country as a whole, has been eventually embarked on an irrevocable trajectory to dismantle planning economy, which has plagued the market dynamic and industrial growth for nearly half of the century (Brandt & Rawski, 2008; Brandt et al., 2008; Lin, 2015; Naughton, 1995, 2007, 2015; Svejnar, 2008; Wu & Fan, 2015). Nevertheless, dissimilar to other transitional economies where the large-scale spontaneous privatization quickly occurs, the SOE reform in the urban China is very much cautiously conceived and implemented, in sharp contrast to the rapidly expanding market institution from bottom up. This is because, there exist quite complicated yet reality-based political and economic concerns that involved the interests and appeals of major social actors in, which receives the attention and discretion from Party-state rule upon planning and unfolding the reform agenda.⁴⁹ Thus, accompanied with the corporate restructuring progress, is the birth of diverse forms of the nascent commercial entities – ranging from the rebuilt shareholding company, to the completely privatized spin-off – whereby in those privatized, usually still the large firms in key sectors, the main source of entrepreneurial elite remains senior official, Party cadre, or managerial and professional member of the former SOE.⁵⁰ Indebted to this state-dominated approach, also, a series of reformed SOEs

business development and contribute to entrepreneurial success, whereby the social network of local community plays a significant role of mediation and coordination (Nee, 1992; Zhou et al., 2003).

⁴⁹ On the one hand, the socialist state as both reformer of the astonishing quantity of public assets, as well as employer of thousands of millions of urban labor, has to take into account the delicate balance between increasing entrepreneurial efficiency of the state property and dissolving social contract built with the employees (Oi, 2005, 2011; Oi & Han, 2011). The sudden abolishment of lifetime employment and welfare provision, for example, though perhaps effective to resolve the SOE's inefficiency issue as the "burden" is quickly dismantled, it would then definitely pose threatening challenge to the political stability and social order, whereby a tremendous amount of labor force, faced with the shadows of unemployment and poverty, is immediately released to the street and community (one most well-known example is the laid-off workers (下岗工人)). On the other hand, in addition, the political constraint of enterprise reform also originates from the employment relationship and incentive structure inherent in organization, whereby the working class' contention from bottom up – or the "office politics" among administrative layers and decision-making segments – usually distorts the reasonable strategy and practice of SOE reform (Oi, 2005, 2011). Had one step been mistakenly taken, a series of unexpected disastrous consequences might be given rise (massive upheaval by majority, large-scale asset embezzlement by elite, e.g.), which would undoubtedly undermine the economic vigor and social justice, partly similar to what happened already other transitional economies. As a consequence, the SOE reform does not follow a prescribed pathway of privatization (私有化) and liberalization (自由化), but rather as Oi emphasizes, its strategic thesis shall be the "corporate restructuring" (公司改制; see 2011), which highlights a progressive and discrete approach to enterprise reform, especially to separate the different dimensions of command over public property, according to the local economic condition and political context. For broader material reference, see Fernandez & Fernández-Stembridge, 2007; Hannan, 1998; Hassard, Sheehan, Zhou, Terpstra-Tong, & Morris, 2007; Lai, 2006; You, 1998; Yusuf, Nabeshima, & Perkins, 2006.

⁵⁰ Though Walder (2003, 2006) argues that the political elite in China's transitional economy is likely to have less access to the state asset, as the unchallenged Party-state rule entails institutional deterrence from the arbitrary appropriation, it is still reasonable to speculate such a mobility

gradually exhibits the market competitiveness and obtains the economic preeminence in post-socialist China, which further reflects the Party-state influence through building the adaptability of public ownership into the growing market institution and fierce business competition, despite the factors such as shrinking amount of state assets on the surface (Brandt et al., 2008; Chu & So, 2010; Naughton, 2007, 2015; Oi, 2011; Pearson, 2011, 2015; Tsai & Naughton, 2015).

Of course, the introduction above, by depicting shifting employment regime and emerging business chance through the reforming course, simply aspires to present a fundamental sense of occupational diversity of today's entrepreneurial class in post-socialist China. It does not necessarily suggest any determined conclusion, such as on the dominant social source of private entrepreneur in the specific period of time. However, accordingly, it implies the scholarly insight to maintain a structural approach of occupational trajectory and mobility process of the business elite – if the literature streams simply figure out an actually biased profile of emerging entrepreneurial class, with the further induced misrepresentation of their networking resource and commercial interest, the academic attention would definitely encounter the intellectual difficulty in effectively addressing both empirical ground and theoretical revelation, of the business elite's entrepreneurial practice (especially in relation to political power) and its founded capitalist transformation in China's post-socialist experience.⁵¹

Appendix C. Basic Definition, Measure, and Statistics of Modeling Variables (CPES 1995, N=2412, e.g.)⁵²

Variable	Meaning	Measure	Mean/S.D.	Note
Dependent				
PC/PPCC Membership	Whether respondent is PC/PPCC member	Yes=1, no=0	PC: 0.1078/0.3102 PPCC: 0.2745/0.4463	
PC/PPCC Leadership	Whether respondent is PC/PPCC leader, including duties on president, vice-president, or standing committee member	Leader=3, member=2, no=1	PC: 1.1231/0.3657 PPCC: 1.3433/0.5979	Uses an ordinal instead of binary measure to maximize the potential sample for model estimate
Independent				
Gender	Gender of respondent	Male=1, female=0	0.9038/0.2949	
Age	Age of respondent	Direct measure	41.9925/8.9709	
School	Schooling experience of respondent	Transformed measure based on credential level, primary school=6, junior high school=9, senior high school=12, college=16, graduate=18	11.0671/2.9446	Many of the graduate earn master rather than Ph.D. degree so only 2 years are added more than college
CCP Member	Whether respondent is CCP member	Yes=1, no=0	0.1725/0.3779	
ICF Member	Whether respondent	Yes=1, no=0	0.7604/0.4269	

process from Party-state official to entrepreneurial position if taking China's tremendous power layers and varying regional contexts into consideration. Moreover, such relationship could frequently be disguised by some particular strategies – for example, the office incumbent could solicit its family member or job partner to obtain the ownership over asset during the restructuring, and then transfer the substantive control to itself.

⁵¹ See Walder's insightful discussion on the issues (2011).

⁵² The central tendency and degree of dispersion for nominal variable are also presented as mean and s.d. (simply for a sense of being unified), whereby the corresponding count of different values could be easily recalculated.

Industry	Whether respondent's enterprise is in a strategic sector	Yes=1, no=0	0.0560/0.2299	
Asset	Asset amount of respondent's enterprise	Natural logarithm of Asset amount	14.1155/2.0925	
Longevity	Survival length of respondent's enterprise	Direct measure	6.4544/4.4369	
Size	Employment number of respondent's enterprise	Natural logarithm of Employment Number	3.5977/1.3073	
Charity	Charity devotion of respondent's enterprise	Natural Logarithm of charity devotion	8.8571/3.5075	
Sector				Consists of state, collective, and non-state, whereby the non-state sector is the reference category
State	Whether respondent previously worked in state sector	Yes=1, no=0	0.2915/0.4545	
Collective	Whether respondent previously worked in collective sector	Yes=1, no=0	0.4051/0.4910	
Occupation				Consists of cadre, manager, professional, worker & peasant, etc., whereby the worker & peasant is the reference category
Cadre	Whether respondent was previously cadre	Yes=1, no=0	0.1020/0.3027	
Manager	Whether respondent was previously manager	Yes=1, no=0	0.0672/0.2504	
Professional	Whether respondent was previously professional	Yes=1, no=0	0.1082/0.3107	

Appendix D. Research Statement on Data Source

The Chinese Private Enterprises Survey (CPES) is conducted by Privately Owned Enterprises Research Project Team (the member organizations include All-China Federation of Industry and Commerce, State Administration for Industry and Commerce, China Society of Private Economy, and United Front Work Department of CCP). The Research Center for

Private Enterprises at Chinese Academy of Social Sciences (PCPE-CASS) is the authorized organization that manages and issues the survey data. As not affiliated to the official institute, I sincerely appreciate the data source support from above organizations. All errors and omissions are the sole responsibility of mine.

Appendix E. Material Source of Qualitative Analysis (Cross-examined Media Reports, Archival Records, e.g.)

The case-specific study provided in the qualitative section undergoes a long-term and struggling investigation towards different sources and types of relevant material and information. Given the paragraph limit hereby, this appendix assembles and presents several sample pieces among them, preferably the media reports and archival records that endure through cross-examinations from the multiple angles and occasions.

A Fine of \$9,100,000,000: Changchun Changsheng Biotechnology's Fake Vaccine. (Sina News). Retrieved November 11th, 2018, from <https://tech.sina.com.cn/i/2018-10-16/doc-ixeuwws4960556.shtml>.

CCP Politburo Standing Committee Conference, on Reports of Investigation and Discipline in Changchun Changsheng Biotechnology's Fake Vaccine Accident. (Xinhua News). Retrieved October 25th, 2018, from http://www.gov.cn/xinwen/2018-08/16/content_5314441.htm.

Changsheng Bio-tech, the Vaccine Maker behind China's Latest Public Health Scare. (South China Morning Post). Retrieved October 8th, 2018, from <https://www.scmp.com/news/china/money-wealth/article/2156520/changsheng-bio-tech-vaccine-maker-behind-chinas-latest>.

Detainment of Chairman Gao and Other 15 People of Changchun Changsheng Biotechnology. (Phoenix News). Retrieved October 2nd, 2018, from http://news.ifeng.com/a/20180724/59382549_0.shtml.

From China Food and Drug Administration: Changchun Changsheng Biotechnology's Vaccine Fraudulence. (China Business Network). Retrieved August 1st, 2018, from <http://finance.eastmoney.com/news/1354,20180723910918347.html>.

One Night of Five Conferences: Party-state's Disciplinary Decisions after Fake Vaccine Event. (Sina News). Retrieved November 10th, 2018, from <http://news.sina.com.cn/c/2018-08-17/doc-ihhvciw8804349.shtml>.

Suspension of Changchun Changsheng Biotechnology's Rabies Vaccine Production. (China News). Retrieved August 15th, 2018, from <http://www.chinanews.com/sh/2018/07-16/8567613.shtml>.

The Announcement on Implementation of the Electronic Monitoring over Medical Products for the Pharmaceutical Enterprise. (CFDA). Retrieved November 8th, 2018, from <http://samr.cfda.gov.cn/WS01/CL0087/111943.html>.

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The Continuing Fake Vaccine of Changsheng Biotechnology: An Evaporating of \$10,000,000,000 Market Value in Five Days. (China Business Network). Retrieved September 26th, 2018, from <http://finance.eastmoney.com/news/1353,20180722910852694.html>.

The Instruction on Promoting Tracking System Building of the Primary Products. (State Council). Retrieved November 15th, from http://www.gov.cn/zhengce/content/2016-01/12/content_10584.htm.

The Premier's Order on Fake Vaccine Accident: Requesting an Explicit Response for All Chinese Citizens. (China National Radio). Retrieved September 20th, 2018, from http://news.cnr.cn/native/gd/20180723/t20180723_524308431.shtml.

The Primary Instruction of JinPing Xi on Changchun Changsheng Biotechnology's Vaccine Case. (China News). Retrieved October 2nd, 2018, from <http://www.chinanews.com/sh/2018/07-23/8576675.shtml>.

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