

Elite Status in the People's Republic of China: Its formation and maintenance

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ABSTRACT

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The goal of this dissertation is to determine how elite status in the People's Republic of China (PRC) is formed, maintained, and perpetuated. The role of the Chinese Communist Party (CCP) is studied to see how the CCP confirms elite status. The political, military, and commercial elites form the membership of the national leadership bodies of the CCP and the PRC government, and as such, they hold the most influence. The political elites hold the most status and prestige. Other elites exist, namely in the form of scholarly, artistic, and born elites. It is important to realize the role of the CCP and PRC government in confirming PRC elite status. Political, commercial, and military elites claim elite status by their position in the CCP and government hierarchy. Born elites gain their status from being related via blood or marriage to political, commercial, or military elites. Artistic and scholarly elites derive their status from how closely they are aligned to the CCP and government.

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GLOSSARY

CAS	Chinese Academy of Sciences
CASS	Chinese Academy of Social Sciences
CC	Central Committee
CCIEE	China Center for International Economic Exchanges
CCP or CPC	Chinese Communist Party Or Communist Party of China
CCYL	Chinese Communist Youth League
CDIC	Central Discipline Inspection Commission
CGO	Central General Office
CICIR	China Institute of Contemporary International Relations
CMC	Central Military Commission
COD	Central Organization Department
CPS	Central Party School
GAD	General Armaments Department
IR	International Relations
KMT	Kuomintang (Nationalist Party)
MD	Military District
MPS	Ministry of Public Security
MR	Military Region
MSS	Ministry of State Security
NDMC	National Defense Mobilization Committee
NDU	National Defense University
NPC	National People's Congress
OD	Organization Department
PAP	Chinese People's Armed Police Force
PB	Politburo
PBSC	Politburo Standing Committee
PLA	People's Liberation Army
PRC	People's Republic of China
SASAC	State-owned Assets Supervision and Administration Commission
SOE	State Owned Enterprises
Taizi	Princelings
Tuanpai	Chinese word for Chinese Communist Youth League
UN	United Nations
WTO	World Trade Organization

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Dedicated to my mother:

Ruth Mu-lan Chu Chao, MA

Her life inspires me every day.

To my daughters:

Alexia S. & Penelope B. Hartogensis

With the hope that I inspire them like
my mother inspires me.

INTRODUCTION

Background

It is August 2008; the Beijing Olympics are about to begin. I am in the company of friends who have been invited to attend as official guests of the government. In my chauffeur driven car, I am bombarded with images of modern China. The highway is wide and freshly paved. There are no bicycles, the ubiquitous mode of transportation in the 1980s-90s. The roads are filled with cars, foreign and new. The sky is clear and blue. I then notice the huge billboards surrounding the highway sporting the official Olympic slogan, *One World, One Dream*. Images of the red-figured Olympic logo and multi-colored Olympic rings dominate the scenery as I travel to my hotel from the airport. I am surprised by how quickly and smoothly our car is moving since Beijing traffic is notoriously cumbersome. Traveling twenty miles can take an hour by car. I realize our car has been driving in a specially marked lane. For now, we are the only car in this lane. I ask my driver about this special lane; he replies that this is a special, designated lane for Olympic officials and other assorted VIP's. He points to his car's rear view mirror and directs my attention to the placard hanging from it. It gives the driver the right to drive in these specially marked lanes that are congestion free. Fortunately, through the access provided by my father's business connections and my sibling's diplomatic role, I find myself in this privileged position.

This is the face of modern China, where socialism with Chinese characteristics has created a ruling stratum of elites. My research will illuminate who the PRC (People's Republic of China) elites are and how their elite status is formed and maintained. I am especially interested in the role of the Chinese Communist Party (CCP) in the configuration of PRC elites.

When Laura Nader (1969) wrote “Studying Up” she implored the academic community to study those who held power:

Studying “up” as well as “down” would lead us to ask many “common sense” questions in reverse. Instead of asking why some people are poor, we would ask why other people are so affluent?...How has it come to be, we might ask, that anthropologists are more interested in why peasants don’t change than why the auto industry doesn’t innovate, or why the Pentagon or universities cannot be more organizationally creative? (p. 289)

Charlotte A. Davies (2002) concurred and cited Nader’s research in this following excerpt:

The earliest calls for a refocusing of the subjects of ethnographic study were concerned to turn the enquiry on to the powerful, to study up, and they suggested that such a shift in attention would have fundamental consequences for theoretical development in the field. (p.36)

I have been similarly inspired to conduct “studying up” research by the works and the words of both Nader and Davies. I intend to take the research further by not just “studying up” but by studying actual elites. By exploring the CCP, I hope to shed light on how governmental structures support elite status. Moreover, I hope to provide a deeper understanding of elites by studying such characteristics as educational background, factional affiliation, career path, and other collective characteristics.

In the following paragraphs, I introduce the research questions that guide this study. I then offer a rationale. I also include the theoretical framework which draws upon literature from cultural and political anthropology, sociology, political science, history, and economics. I examine the changing status of elites in the PRC; this is necessary for an understanding of the inter-elite conflicts in modern China. Additionally, I explore how some PRC elites hold a higher status than others.

For the majority of this research, I focus on traditional elites who have anchored their status through ties with the Chinese Communist Party (CCP) and the PRC government. I used the city of Shanghai as my geographical base, launching my work by relying upon informants

from this region. (Please see Appendix A for a map of China and the location of Shanghai within China.) Then, as I was introduced to other elites and made more contacts, I traveled to Beijing and beyond where other of my informants lived or worked.

Research Questions

Through my research, I hope to determine who is considered elite, how elite status is defined, and how elite status is maintained and then perpetuated over time in the PRC. This study also aims to uncover and to examine the relationship between the CCP and elite status. My three research questions are as follows:

1. How is elite status formed in the PRC?
2. How is elite status maintained and perpetuated in the PRC?
3. What is the CCP's role in confirming elite status in the PRC?

The roles of the CCP and of the PRC government are examined for their influence in configuring elite status.

Significance of PRC Elites

As the focus on the PRC and interest in its citizens and their way of life grows, there has been an increase in the output of scholarly literature (Cao, 2004; Dickson 2003, 2008; Li, 2001; McGregor, 2010). In the anthropological literature, a great deal has been written from the point of view of the powerless population, but as Nader (1969) points out, there is a real need for “studying up”. If we are to understand the structures that rule and regulate our society, it is essential to understand which groups control these structures and how they operate. For example, as the United States' largest foreign creditor, China has a huge influence on the economies of the United States and the rest of the world. Victor Shih (2008) highlighted the significance of this influence: “With a dominant presence in the banking sector, the CCP can

intervene in monetary policy at any time to achieve a host of political and policy objectives” (p. 2). This is a very real example of how PRC elites may be influencing the daily lives of non-elites everywhere.

If PRC elites have influence over the entire PRC population, which numbers 1.5 billion, one-fifth of the world’s population, that by itself would justify this study. The need for this study is further magnified if the political and economic policies of the PRC extend beyond its borders. In the pages that follow I will give a detailed account of the various elite groups in the PRC and explain the substance and extent of their influence.

Elite Status in Imperial China and the PRC

What follows here is a very brief historical overview of elite status in China.

Late Qing Elites

The Imperial Era dates from the beginning of a unified China, founded under the Qin Dynasty in 221 BC, and ends with the last dynasty, the Qing Dynasty abolished in 1911. In the Imperial Era, the official-scholar held the highest elite position in Chinese society:

The scholars, the farmers, artisans, and the merchants (*shi, nong, gong, shang*) were the four classifications of pre-modern social groups. Scholars in this sense were those with proper knowledge measure by a good command of Confucian classics, and they formed the stratum from which the officials came. Upon passing imperial civil service examinations at various levels, they became scholar-officials, or gentry a distinct social group in imperial China. Scholar –officials dominated the social and economic affairs, had recognized political, economic, and social privileges and power, and led a special mode of life. (Bodde, 1991, p. 10)

Becoming a scholar-official meant working in the government bureaucracy. It was highly desirable. The position provided status to the scholar’s entire family (Chang, 1955; Ho, 1964).

In order to be considered for this position, a Chinese man had to pass the Imperial examination system, implemented during the Sui Dynasty (581 AD to 607 AD) and consisting of a series of exams given by the government (Ho, 1962; Miyazaki, 1981). It was open to all

Chinese men from the age of seventeen years, regardless of wealth or social status, though it was closed to boat people, musicians, actors, and prostitutes. The scholar-official was the most elite group in Late Qing China (Beattie, 1979; Cohen, 1991; Ebrey & Watson, 1986; Freedman, 1958, 1979; Man-Cheong, 2004; Meskill, 1979; Skinner, 1976, 1985):

Among the more obvious of the other factors behind the spread of and reproduction of Han culture across China was the state's ability to define a national elite through an examination system requiring the mastery of a standard curriculum. These examinations both generated candidates for the bureaucracy and created an even larger class of degree holders whose status gave them positions of influence in their home communities at the same time that it confirmed their social equality with the bureaucrats. (Cohen, 2005, p. 42)

The status earned from a degree extended to the holder and to his family (Pye, 1988).

The examination system allowed for a continual turnover in elite status. Each new class of graduates was able to bring a new collection of families to enjoy scholar-official status. There was a continual renewal of families. The ability to pass the examination system successfully enabled and provided the means for individuals and their families to become socially mobile.

Republican Era Elites (1911-1949)

The Republican era (1911-1949) was plagued by regional warfare and lacked centralized rule. Regional warlords and military leaders competed with each other for power. Chaos reigned throughout a divided China. Siu (1995) wrote: "In the Pearl River delta, a more unorthodox generation of local strongmen rose rapidly to fill the power vacuum... They took over ancestral estates, created new networks of territorial control, and prospered through extortion and smuggling" (p. 188). Because they were landlords, many of these local strongmen were later deposed and executed by the Communists. Unstable elite positioning reflected the turbulence of the time (Fei, 1939, 1992; Coble, 1980; Faure & Siu, 1995; Siu, 1989 & 1990)

Communist Elites (1949-Present)

The Communists established the People’s Republic of China as a “classless” society in 1949. In reality, the society was highly structured. In the early years of the PRC until the 1980s, the type of school your children attended and the car you drove was dependent on your position in the government. In 2012, a Chinese citizen can drive whatever car s/he can afford. However, the country’s decision-makers enjoy the same elite status that they had from the beginning of the Communist era. They are the national leaders, or the political elite. In the PRC, political elites occupy the top tier of the country’s elite.

It is those few that I propose to study first; I define those individuals as those whose decisions affect the greatest number of people in PRC society. These PRC elites have power over the majority of the population. After preparatory research for fieldwork, I decided to study this group, those who hold high-ranking official posts in the PRC government and the CCP. Cheng Li (2001) defined high-ranking officials as those at the level of vice provincial governor or vice minister and higher. Please see below for an organizational chart designed by Scalapino (1972) who delineated the substructure of the CCP and PRC government hierarchy as follows:

Table Intro. 1 CCP Hierarchy

Echelon	National Level	Provincial-Municipal Level
First Echelon	Full and alternate Politburo members; Secretariat members; Control commission secretary	First secretary
Second Echelon	Alternate Secretariat Members, Control commission secretaries; central committee department directors.	Second, third, and fourth secretaries
Third Echelon	Central Committee department deputy directors, Control Commission members	Department directors; lesser secretaries; deputy secretaries
Fourth Echelon	Control Commission	Department deputy directors

	alternate members	
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Government Hierarchy

Echelon	National Level	Provincial-Municipal Level
First Echelon	Premier; vice-premiers; ministers; secretary general	Governor/Mayor
Second Echelon	Vice-ministers; assistant ministers	Vice-governors/vice-mayors; Secretary generals
Third Echelon	Ministry department Directors	Council members
Fourth Echelon	Ministry department Deputy directors	

First and foremost, Scalapino warned against the rigid use and application of the four echelons:

These oversimplified tables could suggest some seemingly easy research topics. For example, could a comparative study be made of first-echelon personnel among two or more hierarchies at the national level? In some cases, probably yes; in others, emphatically no. In some time periods, yes; in others no. In short, comparisons not based upon a knowledge of the institutions and the functional allocation within them, the general political process, and the time periods are bound to yield misleading if not downright foolish results. The point, in any case, is that the tables were *not* devised to indicate tidy comparability, but rather to amplify upon the quality and quantity of information available within each hierarchy, each level and each echelon. (p. 616)

For the purpose of this research, I found Scalapino's table useful because while oversimplifying, it does successfully organize the information with CCP and government hierarchies. Heeding Scalapino's advice about the tables, I agree that it is essential to know the time period and to possess general knowledge about the institution.

When I entered my field, I sought out the complex system of elites that seem to govern and to rule the societal structures in the PRC. I was interested in examining and understanding their relationships to each other and their relationship to the societal order. Through scholarly research, I determined the PRC political elites occupy the highest position in the elite hierarchy.

However, in order to form a truly encompassing picture of PRC elite status, I also included accounts of other elite groupings such as commercial elites, military elites, scholarly elites, born elites, and artistic elites in this research. I sought to unearth the connections among the political elites and commercial, military, scholastic and artistic elites. One chapter is devoted to each type of PRC elite.

Guanxi

No study of the PRC or of PRC elite status would be complete without a discussion of *guanxi*, which can be translated to mean relationships and social connections. While Morton Fried's (1954) work in the Anhui Province in late 1940s China does not actually refer to the word, *guanxi*, he does refer to the very similar concept, *kan-ch'ing*, which using modern day Chinese pinyin language would be written as *ganqing*. Fried (1969) wrote:

The *Tzu Yuan*, a Chinese dictionary, defines *kan-ch'ing* in the following terms: "Because of external influences one is moved emotionally. Now, the resultant sentiment is called *kan-ch'ing*. If [the relationship from which the sentiment stems] is close and affectionate, the *kan-ch'ing* is said to be good. If there is jealousy and avoidance it is said that there is bad *kan-ch'ing*, etc." (p. 103)

Fried studied how families use social gatherings such as banquets to negotiate spheres of authority and how these related to the conferral of *mianzi*, the Asian concept of face. The family's goal is to build *ganqing* and *guanxi*; they accomplish this by imbuing a situation with *mianzhi* or respect and honor. For Fried, *ganqing* was used to describe how close or distant a relationship was; the referred relationships were between non-kin individuals/families where one side bestowed gifts on the other. For example, good *ganqing* between a tenant and landlord resulted in lower rents and favorable renting terms. Good *ganqing* between a merchant and a government official could result in lower taxes (Fried, 1960; Gold, Guthrie & Wang, 2002; Oi, 1989).

Mayfair M. Yang (1994) conducted an in-depth study on the art of social relationships in China. She defined *guanxi* as follows:

The word *guanxi* (pronounced guan-shee) means literally “a relationship” between objects, forces, or persons. When it is used to refer to relationships between people, not only can it be applied to husband-wife, kinship, and friendship relations, it can also have the sense of “social connections,” dyadic relationships that are based implicitly (rather than explicitly) on mutual interest and benefit. Once *guanxi* is established between two people, each can ask a favor of the other with the expectation that the debt incurred will be repaid sometime in the future. (p. 1-2)

Since the reciprocation of favors is implied in a *guanxi* relationship, discussions of *guanxi* figure largely in all types of transactions in China (DeGlopper, 1972, 1995; Dickson, 2003, 2008; Fried, 1960; Guthrie, 1999; Kipnis, 1997; Pei, 2006; Smart, 1993; Wank, 1999).

Guanxi involves the concept of a gift economy, a phrase proposed by Marcel Mauss.

While Mauss (2000) clearly pointed out that he only studied “specific selected areas: Polynesia, Melanesia, the American Northwest, a few great legal systems” (p. 4), *guanxi* does contain the elements of a gift economy (Yang, 1994). Like a gift economy, *guanxi* also employs a strict gift hierarchy in which being able to provide a favor puts one in a superior position to those who are in debt. Mauss (2000) wrote: “To give is to show one’s superiority, to be more, to be higher in rank, magister. To accept without giving in return, or without giving more back, is to become client and servant, to become small, to fall lower (minister)” (p. 74). Moreover, there is an obligation in *guanxi* to give, to receive and to repay; this obligation combines voluntary and coerced generosity. According to Fried (1953), positive *gangqing* or *guanxi* is the desired result of most transactions especially when there involves an honored guest, since the benefits are tangible.

When a non-PRC native does business in China, one of the first things his or her company does is to introduce the concept of *guanxi* and explain how to use and to apply it. As

one informant told me, McKinsey and Co., the world famous consulting company, teaches its consultants that *guanxi* is the basis of all commercial transactions in China. If you want to conduct business successfully, you must understand it. Despite what McKinsey teaches its China-bound employees, there is considerable debate on how deeply engrained *guanxi* is in the Chinese mode of business dealings (Gong, 2006, 2006 March; Yan, 1996a, 1996b).

First, *guanxi* is not a static principle that guides Chinese social interactions. As defined by many of my informants who are Chinese and non-Chinese, *guanxi* can be understood to be personal, including the social networks through which one can gain the ability and opportunity to achieve one's desired goals (Oi, Rozelle, Zhou, 2010).

Mayfair Yang (1994) studied the example of a regular PRC citizen, Mr. Ding Jian, in the late 1980s. Mr. Ding Jian was approached by a doctor who also happens to be a friend. This friend asked Mr. Ding Jian's assistance in procuring some exotic, expensive, and rare medicine. Utilizing and tapping into several connections, Mr. Ding Jiang successfully obtained the elusive medicine which prompted him to crow that the doctor was now in his (Mr. Jian's) debt. When the opportunity presents itself, Mr. Jiang will call in the metaphorical marker for that debt. In a similar fashion, *Guanxi* also exists between PRC elites.

Consider the fieldwork case of Sean Lin. Son of a high-ranking official, Sean was a native born PRC Chinese student. Through his father's connections, he was able to attend a third tier, state university in the western part of the United States. Having achieved mediocre grades, Sean could not find any employment suitable for a college graduate. Relying on his father's *guanxi*, he was offered a position at a premier investment bank in New York City. One of the managing directors of this firm worked on a board with Sean's father. When the position in New York ended, Sean's next employment was in a large multinational corporation whose head was

another friend of his father. As these examples illustrate, both the elite and non-elite of China benefit and utilize *guanxi* networks.

Guanxi relations are not about “getting the most while giving the least.” Rather, *guanxi* is a complex set of emotions tied to relationships that are mutually beneficial to all parties involved. While not all social interactions qualify as *guanxi*, *guanxi* can be nurtured and developed in all relationships among family, friends, business associates, and acquaintances:

A wide range of friendly and family relationships in itself is seen as a desired state. The opposite, solitary state (that of a “loner”) is seen as disastrous. This valuing of relationships for themselves is reflected in general evaluative comments on the state of an individual’s or family’s network of relationships and in claims about fellow villagers’ skill at creating and maintaining relationships. Statements like “he is good at creating networks of relationship” (tade *guanxi* gaode henhao) or “Their relationships are not so good” (Tamen de *guanxi* buzenmayang) are far from rare. (Kipnis, 1997, p. 8)

For some, the relationship is itself the end goal. It is the association itself that brings prestige and status to both participants. That is a common sentiment found among many elites.

Since the concept of *guanxi* defies simple categorization and cannot be explained simply as emotional sentiment or a coldhearted quid pro quo action, it remains a topic of debate among social scientists. *Guanxi* has been defined in a moral context as something that can be either good or bad (DeGlopper, 1972, 1995; Dickson, 2003, 2008; Fried, 1964; Guthrie, 1999; King, 1991; Kipnis, 1997; Pei, 2006, 2011; Smart, 1993; Wank, 1999).

It is not surprising that there is so much scholarly debate about *guanxi*. Mayfair M. Yang (1994) determined that, even among the PRC Chinese, there was no simple or easy definition of how *guanxi* works:

I went around asking people to define the notion of *guanxixue* (the study of *guanxi*). The answers I received revealed that despite my attempts to uncover “the native’s point of view”..., there was no singular point of view regarding *guanxixue*. Instead, there were multiple points of view and native definitions. This indeterminacy indicates that *guanxixue* elicits a corpus of ambiguous and changeable cultural meanings and a correspondingly ambivalent social attitude toward its practices. Multiple and conflicting

attitudes toward a social phenomenon suggest not only that there are different occupation, class, gender or ethnic perspectives in any given society but also that a society is undergoing specific social changes or a historical shift from one worldview and set of habits and interpretations to another. At the same time, the direction of the change and the contours of the new order are still unclear in people's minds, and there is still no interpretive consensus on the new phenomenon of *guanxixue*. Therefore, in the midst of this process of open-ended change, when the question of the art of *guanxi* is raised, it is met with a multiplicity of contending discourses, all of which seek to fit the term into a particular interpretation of history. (p. 49-50)

According to Yang then, *guanxi* is constantly evolving, and the very definition of how *guanxi* is used and when it is used changes among the different subsets of PRC Chinese society.

Guanxi is bound in the Confucian history and tradition of the Chinese. As a result, it can be studied in all Chinese communities inside the PRC and outside the PRC. King (1991) wrote: "As a socio-cultural concept kuan-hsi [*guanxi*] is deeply embedded in Confucian social theory and has its own logic in forming and in constituting the social structure of Chinese society" (p. 79). For some social scientists like Jean Oi, *guanxi* evolved into a pervasive coping mechanism for the PRC Chinese in the Communist era to deal with the rationing and shortages caused by the Communists. The citizens, in order to meet their basic needs for survival, created a blackmarket dependent on *guanxi*; hence, *guanxi* became synonymous with corruption, cronyism, and nepotism.

For Guthrie (1999), *guanxi* was a cultural relic plaguing an economy in transition. It will eventually be replaced when the market reaches a more optimal and efficient state. Dickson (2003) reached the same conclusion and found that Red Capitalists in China have no need for *guanxi*:

Guanxi is declining in importance for Chinese firms. Personal relationships and connections continue to be important to business in China but in the same way that relationships are important to business in any country. Relying exclusively on *guanxi* to get things done is increasingly seen as inappropriate and even illegal, because it is often tied to corruption...*Guanxi* is being replaced by reliance on laws and regulations and competitive pressures within the market. ...Private entrepreneurs and officials downplay

the importance of *guanxi* in business and emphasize that personal success is based on ambition and skill, and the legal system is a reliable means of resolving business disputes. (p. 126-7)

Wank (1999), on the other hand, discusses the positive aspects of *guanxi*, which works as way to reduce the cost of doing business in China and to institute trust and confidence in an already economically tenuous system. Scholars continue to argue about the benefits and negative effects of *guanxi*. While *guanxi* may create efficient business transactions on lower levels, it creates systemic inefficiencies by thwarting ideal market conditions and competition.

***Guanxi* and the Elite**

Guanxi, as mentioned above, affects all areas of life in the PRC. Hence, it affects the different kinds of elites and transcends all borders among the different groups. Shambaugh (2010) agreed with Dickson and found that *guanxi* could be responsible for the culture of corruption in the PRC, especially in regards to the politics of the PRC:

He Qiugang of the New China News Agency also emphasized the problem of corruption inside the party, arguing that regulations should be passed to make transparent the leadership's personal assets. Bribery was rampant inside the party, he noted. He also astutely observed that corruption is not just a systemic problem but also a social problem in Chinese culture. That is, corruption is a function of the culture of *guanxi* (connections) in Chinese society. . . . Thus there was an urgent need, he argued, for the establishment of a "scientific," meritocratic cadre management system inside the party and state apparatus. The lack of such criteria, he further noted, had led to factionalism within the party, as well as "unscientific" leadership succession (a not-too-veiled criticism of the arbitrary methods by which senior Chinese leaders hand-picked their successors). (p. 80)

Shambaugh is critical of the vetting process for CCP members and PRC governmental officials.

Here, the process by which people are chosen to rise in the CCP and government ranks is not based on objective criteria but based on several "unscientific methods" which include *guanxi*.

Li (2001) also found that many high-ranking officials used *guanxi* to further their own careers. He refers to the examples of Qinghua clique and President Hu. For Li (2001), "belonging to an elite university network is far more essential for politicians than having an elite

university degree. Intelligence and skills facilitate career advancement, but connections, or *guanxi*, are what really count” (p. 89). Li criticizes this use of *guanxi* to choose political leadership.

Shih (2008) also studied *guanxi* relations among different political factions and found that *guanxi* figures prominently:

Despite the centrality of factions in Chinese politics, they are extremely difficult to observe in a systematic manner. Nevertheless, previous research by China scholars greatly aids the process of constructing a variable that roughly records factional ties. China scholars in general agree that factions are often based on shared characteristics between members of a faction....*guanxi* wang or networks of informal ties (are explained) in the following terms: Bonds of *guanxi* entail mutual obligation. These bonds arise from family connections, common geographical origin, shared experience (school or military service ties), or shared loyalty toward the same patron or commander. (such as having served Zhou Enlai or Liu Shaoqi)...All else being equal, we can infer that those cadres with shared ascriptive ties, including birth, school, and work, are more likely to be in a same faction than those without such ties. The implicit argument here is that shared experience or shared primordial ties between cadres lower the cost of searching for a faction leader or faction followers. For one, shared experience and primordial ties furnish marginal information about the character of another person, decreasing the risk of faction building. Socially, it is less awkward to approach someone with whom one shares common experience or primordial ties. (p. 66)

For Shih, *guanxi* binds different factions. If one has a *guanxi* relationship with another, it is more likely that one would approach that person. *Guanxi* also reduces the risk involved in faction affiliation.

This idea of approaching someone to ask a favor is also studied by Cao (2004). While Cao analyzed the effect of *guanxi* on scholarly elites, he touches upon the concept as a whole:

Guanxi (person relations) resembles “social networks”...and is a key sociocultural concept in understanding contemporary Chinese social structure...It represents a kind of group consciousness that is in turn translated into common interests. Such personal ties as kinship, locality (birthplace and dialect), and shared experiences as classmate, teacher, student, and colleague constitute the basis for group consciousness. The Chinese instinctively divide themselves into those with whom they share ties and those with whom they do not. The more ties an individual possesses, the more *guanxi* he or she is able to establish and, as a result, is better able to call on various resources and achieve goals in a competitive world. (p. 173)

For Cao, it is essential to emphasize the reciprocal nature of *guanxi* in order to truly understand it. The more *guanxi* you cultivate and deposit in the metaphorical bank, the more you will be able to use and to withdraw when necessary.

Cao (2004) also discussed the interplay between obtaining what one needs, on the one hand, and personal affection and emotion, on the other:

As an exchange relationship, *guanxi* mingles instrumental intentions with personal feeling. At one end, it is a relationship in which the personal element is predominant and the primary motivation is the affective aspect; this involves showing favoritism toward people with whom one has *guanxi*. The parties involved are willing and obliged to do something for each other, expecting that the favor will be returned whenever it is needed. *Guanxi* could also be a straightforward exchange of favors for material gain or a compensatory favor – such an instrumental dimension is primarily motivated by the direct exchange between those with power and those without. Between the personal and instrumental extremes is the type of relationship that individuals purposely cultivate with those in a position to benefit them; it takes place over quite a long period, through the giving of gifts and the performance of favors. Nothing is expected or asked for as return – at least for the time being. The intention is to cultivate personal familiarity and feelings for future advantage. From this perspective, *guanxi* becomes a form of social capital, which could be invested by the involved parties for the long-term future gain. (p. 173)

Guanxi becomes a form of social capital. Cao (2004) also found that scientific elites tend to use *guanxi* as a means to an end. In their case, they use *guanxi* to obtain membership into honorific societies:

At different stages of their career, scientists may share group attributes through professional affiliations and contacts with relatives, mentors, classmates, students, colleagues, and collaborators. Thus, *guanxi*—whether personal, instrumental, or mixed—can be an important factor in their elections to the honorific society. In particular, who nominated whom is the critical first step. In evaluation, positive or negative comments by CAS members and the tone of the comments may affect whether a candidate passes through evaluations and is put on the list of formal candidates. *Guanxi* between members and candidates can influence the final outcome of the election. It is legitimate for existing CAS members to ask a candidate for credentials before making recommendation. In fact, many scientists have done the opposite by utilizing their *guanxi* to ask CAS members to nominate them. Without recommendation in the first place, a scientist could not become a candidate and be evaluated, let alone be elected. Almost all the scientists interviewed had been asked for such favors. Although they despised such a behind-the-

scenes activity, they could not always refuse for fear of hurting the feelings (*mianzi*) of those who approached them and in turn damaging the *guanxi* between them. (p. 174)

Scholarly elites found that *guanxi* and its expectations were one of the negative aspects of being a CAS member. While members felt hampered by the demands of *guanxi*, they had to acquiesce. It could not be avoided.

For many scholarly elites from China's think tanks, *guanxi* could determine whether a high government official will read one's work or not. Glaser and Saunders (2002) detailed this process:

The channels a particular analyst or research institute can employ to reach senior leaders and policy makers affect their potential policy influence...Policy makers occasionally solicit opinions and advice on policy issues from research institute analysts. This pathway usually requires either a reputation based on previous written reports or a personal relationship with a policy maker. Analysts with personal connections to a policy maker – or to a policy maker's *mishu* (secretary) – can use these ties to increase their policy influence. (p. 607)

A policy is not just graded on its inherent value but on the personal connections of its author and of the research institute's relationship to top policy makers.

Shambaugh, too, noted the importance of *guanxi*. China's international relations think tanks' influence is dependent on a number of factors; one of the most important factors is *guanxi*.

Shambaugh (2002) found:

Chinese IR think tanks have evolved in their functions, responsibilities and influence. Cumulatively, they have gained in importance (although there are exceptions to this generalization) and today they must be considered important actors in the foreign policy making process in the PRC. Their influence varies by issue area and the relative competency of the primary bureaucracies involved, and also as a result of the relative personal influence and connections (*guanxi*) of institute directors or occasionally individual staff members, as these connections often enable a think tank to circumvent normal bureaucratic channels and processes. (p. 581)

Fewsmith (2001a) discovered that many think tank researchers have close relations with government officials. These ties and relationships (*guanxi*) are used to make their favored policy positions known. Zhu and Xue (2007) summarized this practice:

In many cases, a think tank is able to influence policies not only because of its expertise, but also because its experts have the opportunity to submit their research reports and ideas to officials through official linkages and the opportunity become[sic] one of a small set of policy alternatives. (p. 460)

Many experts have used their *guanxi* to make sure these opportunities are afforded to them.

Tanner (2002) in his study of China's think tank system found that *guanxi* obscured the relationship between officials and think tank researchers:

Many of the most prominent "second generation" economic think tanks emerged from informal group consultations among a few key policy intellectuals and senior leaders, and initially were highly personalized in their structure. This trend is exemplified by Chen Yizi's Agricultural Development Group, responsible for many key reforms of the early 1980s. The unclear organizational ties and funding sources of these second generation think tanks were often a source of puzzlement to Western analysts trying to assess the policy influence of their views. The new think tanks were certainly more autonomous from traditional Party-state departments than their first generation predecessors, but solid proof of links between their policy proposals and specific central patrons often remained frustratingly elusive. (pp. 560-1)

In the past, the more *guanxi* certain institute directors and their institutes could expend; the more likely it was that their policy proposals would be well received and used.

Glaser and Saunders (2002) also found it challenging to document the influence of *guanxi* on policy influence:

Personal relationships with policy makers are arguably the most important source of policy influence in the Chinese system and also the hardest to document. The classic example of influence based on a personal relationship is Wang Daohan's relationship with Chinese President Jiang Zemin. Wang was Jiang Zemin's first patron and played an important role in assisting his rise to power. For many years, Wang's personal relationship with China's top leader gave his nominally independent organization (ARATS) significant influence on China's Taiwan policy. To some degree, Wang's personal relationship with Jiang probably spilled over to others within ARATS (and by extension to others in Shanghai-based think tanks). A report forwarded to Beijing with

Wang Daohan's endorsement carried more weight with policy makers than a report without such an endorsement. (p. 612)

This is not the only kind of personal relationship that results in policy influence. As China's future political and military leaders become more educated, and even pursue degrees at international educational institutions, the classmate relationship (*xiaoyou guanxi*) can also play an important role. As the government official advances in the political hierarchy, their classmates who work in China's think tanks try to maintain close relationships. Within the military, White and Cheng (1993) found that military schools can also produce these close classmate ties (*tongban guanxi*). Many military officers have close relationships with other military personnel because of their military school ties.

Another type of personal relationship is that between a teacher/professor and student (*shisheng guanxi*). This relationship harkens back to imperial times when teachers would consult for their former students who had reached the top levels of officialdom. Presently, many renowned professors still consult with top policymakers who were their former students. Glaser and Saunders found in 2002 that the policy influence of professors was increasing:

As educational credentials become increasingly important within the Chinese system, the policy influence of professors at elite universities is likely to increase (indirectly based on what they teach and directly based on personal ties with former students). Fudan University's role in training Chinese arms control experts is another example. Professors Shen Dingli and Zhu Mingquan now have a number of colleagues and former students working in the arms control field, which potentially gives them policy influence. (p. 613)

One final type of personal relationship is that built upon a geographic tie. A well-known example is the Shanghai Gang, which included former PRC President Jiang Zemin and his clique of advisors. Shambaugh commented on the close relationship between President Jiang Zemin and several Shanghai based think tanks. In fact, these think tanks saw an increase in their policy influence during the Jiang era. Shambaugh (2002) noted this increase in influence:

[The Shanghai Institute of International Studies (SIIS)] has always been administratively under the Shanghai municipal government, from where it gets most of its funding, but for many years it also had tied directly to the Foreign Ministry in Beijing....While Jiang Zemin was Mayor and party Secretary in Shanghai during the 1980s, he would frequently receive briefings from SIIS staff members, and SIIS has subsequently continued to have a direct channel to Jiang 's office and Jiang personally in Beijing. (p. 594)

Glaser and Saunders (2002) also found evidence of the benefits of the geographically close relationship, and they detailed this relationship in the following excerpt:

The advancement of senior Shanghai political leaders and policy advisors has also created a path for Shanghai-based think tanks to have national policy influence. Jiang Zemin spent a week in Shanghai meeting local experts on the United States prior to his 1997 summit meeting with President Clinton. Another example is the transfer of former Fudan University professor Zhou Mingwei from a position as Director of the Shanghai Foreign Affairs Office to a vice-ministerial position as deputy director of the State Council's Taiwan Affairs Office. Analysts at Fudan University and Shanghai think tanks expected Zhou's promotion to give them greater access to policy makers in Beijing and increase their ability to influence China's Taiwan policy. Of course, military analysts also expect that the appointments of General Wang Zaixi as the other deputy director of the Taiwan Affairs Office will give them more access and policy influence. (p. 613)

One major advantage of the "super think tank" (*chaoji zhiku*), CCIEE (China Center for International Economic Exchanges), is its close geographical proximity to the government. Its offices are located approximately a quarter mile from Zhongnanhai which is the CCP's and the State Council's headquarters.

According to Glaser and Saunders (2002), personal relationships with decision makers, like those detailed above, are becoming less important in China's policy making: "Personal connections are still important within the Chinese system, but Chinese analysts increasingly build their reputations on merit" (p. 610). Influence can be gained through expertise knowledge in a specific region or in a technical subject. Nonetheless, the specter of *guanxi* still hovers over all interactions with officials. As Bondiguel and Kellner (2009) have noted:

The more sensible policy experts cultivate their *guanxi* with officials and know when to use a mixture of praise and advice to get their message across. This tactful approach also

applies to the use of public statements in the press, a tool used parsimoniously and often strategically by Chinese officials and diplomats. (p. 24)

The ability to cultivate *guanxi* is still beneficial for think tank officials. As the competition among the various think tanks increases, China's think tanks that have the closest relations with high officials wield the most influence. Bondiguel and Kellner (2009) found that there are only a handful of these powerful influencers:

Policy experts at universities are considered to be outside the core of influence on foreign policy issues but some personalities command both a high level of recognition and access to decision makers. Chen Jian at the School for International Studies of Renmin University and Shen Dingli at the School for American Studies at Fudan University have become top figures on United Nations and American studies respectively and gather around their name dozens of researchers and university graduates who hope to benefit from the reputation of their mentor. Apart from these few names in the Chinese top-five universities on foreign policy issues-Beida, Tsinghua, Renmin, Fudan, and Nankai – which start to enjoy international recognition; the hundreds of other universities scattered around the country are still struggling to appear on the domestic policy radar. Departmental schools at Yunnan University and Sichuan University invest in expertise on Southeast Asia and Tibet for example, but they are not yet integrated into the policy networks and have virtually no visibility in Beijing. (p. 25)

While Glaser and Saunders make a good point for the necessity of building one's reputation on merit, the reality is that many think tank advisors and scholar elites enjoy their status by virtue of their personal relationships and not by merit alone. Consequently, numerous highly qualified scholars are ignored by Beijing despite their having a very high degree of knowledge and expertise. Getting the ear of Beijing requires cultivating *guanxi* with the right people.

Fieldwork Case Studies

Elite informants in my fieldwork cases discussed *guanxi*. The comments were as follows:

It is a way to make and maintain relationships. It is the Chinese way. It has been for thousands of years. – **Dr. Curtis Enyuan**¹ (Please note all informant's names are in bold for easier differentiation.)

It is the Chinese form of name-dropping. There is a halo effect of association. It happens in the United States, too. Ironically, in some ways, it is more transparent in China because they have a name for it. In the United States, it is more opaque and less transparent. No one talks about it. In China, it is out in the open. – **Neal Endicott**

There is the impression that *guanxi* equals corruption. That is not so. It is a way of being in a relationship. It has nothing to do with the Communist era. I was raised by my father, who mentioned it all the time. He left China before 1949. – **Narcissa Ei**

Many comments echoed Cao's (2004) findings that stated: "It takes place over quite a long period, through the giving of gifts and the performance of favors. Nothing is expected or asked for in return - at least for the time being" (p. 173).

For many elites, cultivating *guanxi* does not yield immediate results. There is very little expectation of an immediate benefit as in the case of Yang's (1994) Mr. Jian. I found that many elites nurture relations with other elites inside and outside of China. As one informant described it:

Guanxi among the elites especially among the political and commercial elites is strategic networking. It is strategic versus tactical networking, meaning that elites are looking for long term benefits rather than short term ones. They don't need to do a favor for someone and receive a response right away. Elite status enables them to wait years, even decades or even never receive any tangible benefit at all. Developing a relationship or *guanxi* may or may not result in anything, that's okay. It doesn't matter. Sometimes, for these elites, building a network is the goal in itself though they never call upon that network. There is no short term benefit. It is all long term.

As the informant above stressed, for elites, *guanxi* has more long term benefits. Because of their privileged position, elites are able to take a more strategic view when it comes to *guanxi* than non-elites.

Another informant, **Narcissa Ei**, also shared how *guanxi* differs in different strata of PRC society. **Narcissa Ei** is a 37-year old overseas Chinese who was born in the United States. A graduate of Harvard University and Harvard Business School, she runs her family's multinational conglomerate. As told by several other informants, *Narcissa's guanxi* is quite extensive. Another informant described her:

Narcissa's guanxi is amazing. Wherever she goes, whatever event she attends, she always cultivates a long lasting friendship with the most powerful, most influential people. Famous people, people you read about in the papers. Her *guanxi* is amazing, and it is so far reaching. She makes friends with all the right people. I think she is famous for that. When new people meet her, they want to be her friend and when she befriends them, they feel honored because her time is so valuable. She hosts a business or social event; she has a huge body of people all willing to come out and support her. She is not dependent on any one individual or even a group of people. While social power is not that powerful in the big scheme of things, it is impressive to see the range and sheer number of *Narcissa's* guests at different events.

When I interviewed *Narcissa* herself, she shared her thoughts on *guanxi* and relationships. She said:

I think *guanxi* has developed a bad reputation. When you use the word *guanxi*, people immediately think you are discussing bribery and corruption. This is not the case. I grew up hearing about *guanxi* and how important it was from my parents. They never used it to refer to corruption or bribery. My parents referred to it as relationships, social relations. It was important to develop the right sort of *guanxi*; it had to be utilized in a proper and highly moral and ethical manner. I like meeting different people from different worlds like the art world, the academic world, and the music world. I don't seek out famous people because they are famous. I seek those out whom I find interesting and whom I want to discuss. I think if you have a small group of people to depend on, if your *guanxi* is small, it makes you vulnerable to the demands of that group. You are placed in a vulnerable position. You never want to be at the beck and call of a small group of people.

When **Narcissa** was asked about bribery and corruption and its implication with *guanxi* in the PRC, she replied:

I have heard of stories of low-level factory owners bribing low-level officials to get the right contract. I can't say if that exists. I have never seen it. Then, again, I don't work with factories. I work in international finance, and for many investment bankers, there is a certain level of sophistication. I believe at the highest level, this is how elites behave.

At the lower level, I think *guanxi* can lead to corruption; because at the lower levels, they are so concerned with the immediate gains. For example, I will use the case that is always in the paper or on television, a salesman needs to have a factory buy his product. I use the word guy on purpose because at the lower level, there are many more men in this line of work than there are women. A salesman wants to persuade a factory manager to buy his goods. He takes him to karaoke bars, discos, strip clubs; the salesman plies the factory manager with alcohol, cheap sex. There is a definite tit for tat kind of experience. You rub my back; I'll rub your back. The local official signs off on said project. I have met and worked with many high officials in the PRC, these highest elites are above this kind of behavior. They are wary of this kind of low-level entertainment; I mean specifically the strip clubs and the bars. I have never seen this behavior among national PRC elites. I have heard stories about low-level managers and office workers. For myself, I cultivate *guanxi* with someone I meet; I do not expect immediate gratification. I hate to say it but we are more sophisticated and we act in a more nuanced manner than that. Regarding those who engage in such primitive and high-risk behavior, I think that is a mark of non-elites because they fail to see the big picture. Instead they are out for immediate gratification.

As seen in the aforementioned examples, the PRC elites utilized and cultivated their *guanxi* for the long term.

I have also tried to determine the implications of *guanxi* for another informant's case.

One Non-elite informant, **Nig Ebersole**, is a multi-billionaire and runs one of the most successful hedge funds in the world. He was a graduate of an Ivy League university after graduating from a small college in the Northeast. His son, **Nathaniel**, graduated from Harvard University and Harvard Business School. **Nathaniel** currently runs a foundation that provides medical service to Chinese orphans in China. This non-elite informant has extensive contacts in China. In fact, **Nig Ebersole** has hosted several ministers from the PRC in his vacation homes around the world. He has lent his private jet to members of the Politburo.

When his son, **Nathaniel**, was eleven, this non-elite informant arranged for **Nathaniel** to live in Zhongnaihui, which is the exclusive residential compound for high officials. **Nathaniel** lived with a high official's family for approximately a year. When the vice minister of Defense's sister required cancer treatment in New York's Sloan Kettering, the **Ebersole** family arranged

for her to be flown to New York by private jet and then paid for her treatment and her stay on the VIP floor of Sloan Kettering. While the **Ebersoles** gained innumerable *guanxi* through his various favors, he has also reaped them. His son's China-based charity is thriving; he is allowed to bypass cumbersome red tape to arrange for operations and to buy expensive medical equipment. Furthermore, the PRC government has been very accommodating to the charity and has allowed the charity unheard of access to Chinese orphanages. If they want to film a video there, the charity does not have to go through the usual channels but is allowed open access.

I asked him to explain *guanxi*. **Nig Ebersole** said:

Well, I think *guanxi* means different things to different people. Many people associate it with corruption. That's not true. I think it is the development of relationships, the cultivation of said relationships. I will be honest with you. I know many people think my son and his Chinese charity benefit greatly from my relationship with various officials. That is not completely true. I am more than happy to do favors for my friends. I am very fortunate. I am very fortunate to have been blessed. My son's charity would succeed with or without my relationships and knowledge of various ministers. It (the charity) does good work. Do my many business associates help smooth out details maybe? You know what, the charity doesn't need their help. Like I said, I am fortunate to be successful. My fortune would meet the charity needs even if I didn't have all this so-called *guanxi*. Moreover, for me, I like being able to help people. If I can help a minister out by co-signing a lease for his son, I will gladly do so and I don't expect anything in return. If I can help out the son of a politburo standing committee member who needs to open a bank account in the United States, of course, I would help them. It would be my pleasure and honor to help. No, I don't expect anything in return. Honestly, in my position, I don't need anything. They know that. They may help my son's charity and smooth over some paperwork so that my son's charity gets an x-ray machine three months faster than normal. That's nice. If we had to wait three months, we would wait three months. Like I said, I may receive some perks from various relationships but I don't need them. Why do they give them to me? I think my friends are like me; they have pride. They don't want to feel indebted. They don't want to take advantage of me. I appreciate that. It is a mutually beneficial relationship. What do I get out of it? I get to call these individuals my friends. I get to expand my circle of friends. I like to speak to them and to hear about their interesting perspectives on life. It makes me happy.

Despite this non-elite informant's claims otherwise, *guanxi* relations allow an exchange of favors. While the favors he receives do not make a difference to him, *guanxi* does provide him

the opportunity to expand his network and to extend his status as a Chinese expert. Interviewed by a major news magazine in the spring of 2011, the magazine wrote about the extensive connections **Mr. Ebersole** had in the PRC. While he may never need any favors from his network of PRC elites, the fact that he has them adds to his allure and iconic status. This is an example of the relationship itself being the goal.

Personal *Guanxi*

On a personal level, I found *guanxi* was essential to getting access to my informants. Like Kipnis before me, I conducted participant observation. Kipnis (1997) described a process that was identical to the one that I employed:

My participation consisted of forming my own relationships.... giving and receiving gifts, attending and hosting banquets, being received as a guest and acting as host, and otherwise participating in practices of relationship production. My observations consisted of attending weddings, funerals, and other assorted rituals; noting the arrangement of houses and utilization of space; and watching interaction between guests and host and among family members in a variety of contexts. (pp. 18-19)

While I began my fieldwork in 2008 during a trip to the Beijing Olympics, I was armed with a letter of references to top political, economic, and academic leaders in the PRC. The letter provided me with an entrée. I expected the doors to open and people would line up to be my informants. They would be open with me and give me an insider's knowledge. This was not the case. It took me more than two years to build relationships. Looking back, I naturally assumed that my father's and my family's *guanxi* could be automatically transferred to me. I was naïve. Yes, I was granted access to many people, but I had to build my own reputation. I hosted many banquets, lunches, and dinner. I worked hard to earn the respect and the confidence of my informants; I had to prove to them that I was a trustworthy person with whom they could share information. Given the sensitive nature of my research and given the political nature of PRC society, I had to earn their trust. It took much longer to meet people and to persuade them to

introduce me to their friends than I originally planned. What was originally envisioned to be a year of fieldwork turned into almost three years of field work.

Since much of my family's *guanxi* is based in the political and economic worlds of Beijing and Shanghai, I had a great deal of insider access to political and commercial elites. Since contemporary Chinese art is a passion of one of my key informants, I was granted access to this elite circle. Through the connections of another key informant, a philanthropic giant who has given millions of US dollars to Chinese educational institutions, I was able to access the faculty of several key Chinese universities.

Corruption

The chief outcome of the preceding discussion of *guanxi*, especially among the non-Chinese, is that it is directly tied to the ubiquitous application and practice of corruption. As mentioned several times, in certain circles *guanxi* has almost become synonymous with corruption. Corruption is an issue that the government needs to address (Branigan, 2011, 2012).

I spoke to several informants about it. Informant **Prof. Curtin Enyuan** said:

It's terrible. Corruption is so widespread. I deal with officials all the time. In order to get a project done, I have to promise that they will get something for their help. They are all corrupt. Of course, I too was an official at the provincial level. I was not corrupt. Everyone around me was.

While **Dr. Enyuan's** protests are suspect and appear somewhat disingenuous, it was very difficult for me to prove he is as honest as he reports.

The pervasiveness of corrupt officials is not unique. **Neal Endicott** says:

I have heard...I am not saying it's true. It could be false. There is a feeling. It is easier to deal with a corrupt official than an honest one. You know where you stand with the corrupt official. You know he needs money to support his lifestyle, his wife, children, and mistress. They all have to live in a way that reflects on his high status. I have heard people say that honest ones cannot be trusted. You don't know what drives them. In fact, many business people, men and women, want to avoid the honest official because they do not want to face judgment or be looked down upon by these do-gooders. I think

it is definitely true to assume that corrupt ones do not want to deal with honest ones. They are also afraid they will be exposed by these do-gooders. Basically, the majority of them behave this way. It is hard not to; if you don't, you get ostracized. No one wants anything to deal with you. Or touch you. I think to keep the peace at the office, the honest ones give in. They start behaving like the rest of them.

Nolan Emmerson concurred:

I have been told there are corrupt officials everywhere. In fact, if you are not corrupt, no one wants to do business with you. If you are honest, no one can trust you. The honest official could be your downfall as he rats you out to the corrupt authorities.

Changtu Esha provided this example:

To get the big deals, I take out the vice-presidents and managers of Unicom and Telecom, who are all government officials because they work for SOEs. That is part of doing business in China. And, if their wife has a business, say handbags, I will make sure I buy a lot, spending hundreds of thousands of Renmibi. Of course, during the meeting, nothing is said directly. But during the course of the meal at the banquet, some manager will mention his wife's business venture. He will complain how she is not doing well and not selling enough; he will make a joke of it. I tell him I have heard of her (even if I haven't). I say it just takes time and soon things will turn around. Right after the meal, I call my secretary and tell her to go to the wife's store and buy enough to fill a bucket. It might be junk. Who cares! What we get in return from the Unicom executive is priceless.

Mr. Ebersole stated:

When you do business with a high-ranking official, you have to be smooth. It can't be obvious. When you are meeting with him, you can't hand him an envelope stuffed with cash. It's not something out of the Godfather movie. Instead, you buy products from his wife's company. You invest in his son's company. This is the way you "buy" the official's favor. Most importantly, these transactions can be explained in a plausible and legitimate manner if you are ever questioned. The high-ranking official also has plausible deniability.

As shown in the above cases, corruption is pervasive. The examples show how deftly the high-ranking officials handle corruption so it is hard to make a case against them (Dittmer & .Liu, 2006; Rocca, 1992; Roy, 2004, Sun, 200).

An anti-graft department, the Central Commission for Discipline Inspection (CCDI), has been established in Beijing. McGregor (2010) described it as follows:

The threat of an investigation by the commission is enough to send shivers down the spines of any party official, although not in the way many might think. Senior party members in China are much like the members of the US military when it comes to criminal investigations. They cannot be arrested by civilian law enforcement bodies or other outside agencies for criminal offenses until the allegations have been investigated by the Party first. The commission alone, as the Party's in-house anti-graft body, has the right to investigate officials and detain them when it decides they have a case to answer. (p. 137)

Critics claim that this is the crux of the problem with corruption in China.

The CCP is in charge of policing itself. For those high-ranking officials, the CCDI must obtain permission from a level above it to proceed with an investigation. In other words, senior officials have to grant permission to investigate themselves. The prospect for the granting of this permission is obviously slim. McGregor (2010) described the problem:

Short of civil war, there is no mechanism by which the commission can get approval to investigate any of the nine members of the Politburo's inner circle, unless they effectively hand themselves in. As the son of a former senior leader told me: "it is sort of a given that they are beyond the law." By extension, their seniority protects their immediate family members as well, and reinforces strict taboos prohibiting public discussion of the private and business lives of top leaders and their kin. (p. 147)

The cases involving high-ranking officials such as the Beijing party secretary Chen Xitong and Shanghai party secretary Chen Liangyu were initiated by former President Jiang Zemin and President Hu Jintao.

Critics have also noted that corruption cases are more about the destruction of political rivals than about solving any systemic weaknesses (Manion, 2004; Mann 2007). **Neal Endicott** said:

When you read about a corrupt official, the first thing I think of is not what he has done but who has he pissed off? I think about the political turf war which trapped this guy.

Shambaugh (2007 January, 2007 March) took a less cynical view than McGregor and stressed that the CCP and PRC government are trying to combat corruption. Since the CCP does not

want to end up like the CCP of the Soviet Union and other Soviet Bloc countries, it has made fighting corruption a priority. Shambaugh (2010) reported:

Maintaining party discipline, both for individual party members and as an organization, is vital for a Leninist party... Inner-party corruption is a manifestation or example of such indiscipline and disobedience. . . . Clearly, corruption is one of the principal challenges facing the CCP and Chinese society, because it permeates both. Jiang Zemin and Hu Jintao have both referred to the problem as a “life and death” issue for the party. No doubt the CCP leaders know the role that corruption played in bringing down Kuomintang rule on the Chinese mainland in the 1930s and 1940s and on Taiwan in the 1990s, and they are aware of the role it played in the Soviet and East European cases. In a 2003 interview with the deputy director of the Central Discipline Inspection Commission of the Central Committee (Jilu Jiancha Weiyuanhui, or CDIC), Liu Fengyan explicitly linked his organization to the CCP’s ability to survive the collapse of the USSR: “I must stress that our party members willingly accept our inspection and supervision—this is why we have survived the collapse of the former Soviet Union. The CCP has survived the collapse of the USSR and East European states exactly because we have strict discipline.” Thus maintaining discipline and combating corruption are among the party’s highest priorities. (p. 132)

In support of his case, Shambaugh (2010) reported further that from October 1997 to September 2002, 846,760 party members were disciplined for breaking party discipline; consequently, 137,711 out of 846,760 individuals were forced to relinquish their CCP membership. Among those disciplined included the high profile cases of the governor of Jiangxi Province (Fu Qiangxing), the vice chairman of the National People’s Congress (Chen Kejie), the vice minister of public security (Bi Jizhou), and the mayor of Shenyang (Mu Juxing.)

Guanxi is an integral part of social relationships in the PRC. Problems result when guanxi becomes conflated with corruption. This is a major challenge facing the CCP and its government. In order to maintain their rule, they need to find and to reprimand the offenders. To avoid repeating the mistakes of the Soviet communists, the PRC communists need to eliminate corruption.

Discussion of Chapters

In Chapter One, I discuss the methodology used for this research. I detail the research design, participant sampling, ethnographic techniques, and the study limitations. In the course of my research, I discovered that the boundaries between the political, commercial and scholarly elite were quite fluid. All informants named are in bold for easier reference.

In Chapter Two, I examine political elites. They are the men and women at the center of the CCP and the PRC government; they are the decision makers for the entire country. I examine the leaders of the Politburo and its powerful 9-member Standing Committee, the ruling class of the PRC. For this research, I study those who occupy positions in the 1st and 2nd echelons of both the CCP and the governmental hierarchies at both the National and Provincial levels. The leaders of the highest governing bodies are the elites with the most influence in the PRC; they are the leaders of the Politburo, its Standing Committee, and the Central Committee. Political elites occupy the top position of the status hierarchy. A close relationship to the political elites solidifies elite status for commercial, military, scholarly, and artistic elites.

Gaining a top position in the political hierarchy of the PRC may be seen as a desired goal for many military and commercial elites; now, more and more political elites are transferring into the commercial and scholarly elite spheres. While artistic elites are usually not directly involved in political matters, having the support of a political leader can be extremely beneficial to an artist and musician. (For further explanations, please see the following chapters on the elite subgroups.) I examine those up and coming leaders who have previously served as provincial leaders, ministers, and party apparatchiks. Studying these political elites is especially timely. In 2012, a new PRC president and premier came to power as well as a new Central Committee, National People's Congress, State Council, Politburo, and Politburo Standing Committee. A

huge turnover of PRC political elites occurred. Examining potential CCP and government leaders will reveal the trend of the government for the next ten years.

In Chapter Three, the commercial elites are investigated. The commercial elites with the most influence are those that run the largest State Owned Enterprises (SOEs). With the growing importance of SOEs, these commercial elites are being groomed to be future political leaders.

In Chapter Four, military elites are examined. Like political and commercial elites, military leaders are being groomed for potential spots in the country's leadership. Hence, they are an important group to study.

The reason I have placed political, commercial, and military elites as the first three chapters. These three are the major power players in the CCP and government; membership among them is overlapping. These three form a "power elite" similar to what C. Wright Mills studied and found in the United States. They are placed in the first three chapters because their influence extends over the greatest number of the people.

In Chapter Five, I study scholarly elites. During the Imperial period of China, the scholar officials were the *crème de la crème* of Imperial Chinese society. Their position in society changed during the Communist era. They were often attacked, purged and imprisoned. As of the writing of this work, scholarly elites are enjoying a reemergence of prestige. They are regarded as experts who guide and advise the political elites. As the retirement age is strictly enforced, many elites are forced into retirement. Consequently, these former political, commercial, and military elites transition into scholarly elites when they assume the leadership of research and education institutions.

In Chapter Six, I study the individuals who inherited their elite status rather than solely earning it. I refer to these as Born Elites. They were born into the ruling families of the PRC;

some have become political and economic leaders in their own right. Their lifestyles provide insight into their secret lives. I examine their social habits to understand them better.

In Chapter Seven, I study Artistic Elites. These elites are on the periphery of power yet still claim status and prestige. Artistic elites are in a unique position because their works are coveted by many political, commercial, and military elites. Consequently, artistic elites provide insight and perspective into other elite lifestyles, attitudes, and behaviors.

In Chapter Eight, I present the Conclusion. I give an account of the concept of *guanxi*. It is defined as social relationships. I demonstrate that *guanxi* is an integral concept to understanding how Chinese society works and how elites conduct business. Interestingly, I found that *guanxi* even appears among scholarly elites, thus, demonstrating how pervasive *guanxi* and its practice are throughout all subgroups of the Chinese elite.

While my list of informants is by no means complete, they do provide an insider's perspective into a very closed and guarded population. I hope that this information and my analysis of it will contribute to the growing literature on PRC elites and their configuration.

CHAPTER ONE: METHODOLOGY

Conducting interviews during my participant observation consisted of approximately three and half years of fieldwork in the People's Republic of China. The formation and maintenance of elite status in the PRC served as the focus of my study. Using snowball sampling, I assembled a group of informants who were either PRC elites or who could provide insider knowledge about them. In this Chapter, I will summarize the design of my study. Then, I will describe the interviewed informants and how the findings were presented. For a sample of my interview procedures, please refer to Appendix B.

Defining Elites

Elite status describes that segment of the population of every society that commands the greatest power and influence over the greatest number of people. They are the ruling minority, separate from the rest of the population. Every sphere of life has its elites; there are elite doctors, lawyers, artists, and musicians. It is important to realize that some elites carry more weight and authority. The elites who also combine their power position with authority maintain the strongest position because the rest of population will listen to their authority and thus respect their position of power. These elites are also referred to as strategic elites because their influence extends over the entire society, as opposed to a small section whose influence affects only those in their subdomain. In describing such strategic elites, Mencius, who is one of the founding fathers of Chinese philosophy, wrote:

There are pursuits proper to great men and pursuits proper to lesser men...Therefore, it is said, some labor with their hands, and some labor with their minds. Those who labor with their minds govern others. Those who labor with their hands are governed by others. Those who are governed provide food for others. Those who govern are

provided with food by others. This is universally regarded as just. (Quoted in Esherick and Rankin, 1993, p. 1)

Vilfredo Pareto (1848-1923) studied shifts among elites in *The Rise and Fall of Elites* (1901/1991). He wrote: “Except during short intervals of time, peoples are always governed by an elite. I use the word elite (It. *Ariocrazia*) in its etymological sense, meaning the strongest, the most energetic, and most capable-for good as well as evil” (p. 36). There are two types of elites: governing and non-governing; non-governing elites rule through coercion and cunning. For Pareto, he was concerned with the shifting power of elites because elites do not last; elites are continually rising and falling with one replacing the other. This cycle is essential. Elites who are in the midst of declining have reached levels of moral weakness. They deserve to be replaced.

Pareto wrote:

When an elite declines, we can generally observe two signs which manifest themselves simultaneously;

1. The declining elite become softer, milder, more humane and less apt to defend its own power.

2. On the other hand, it does not lose its rapacity and greed for the goods of others, but rather tends as much as possible to increase its unlawful appropriations and to indulge in major usurpations of the national patrimony.

Thus, on one hand it makes the yoke heavier, and on the other it has less strength to maintain it. (p. 59)

Pareto advocated the need for social change and an environment where effective elites are those who have earned it through achievement, not through birth or blood. In order to maintain its dominance, admission to elite status is open to all who earn it. For Pareto, the decisions of the elite have more consequences for the whole of society. Studying elites is the study of historical change (Warner & Lunt, 1941; Weber, 1958).

Like Pareto, Gaetano Mosca (1858-1941) described elites as a ruling minority. He wrote in *The Ruling Class* (1939):

In all societies - from societies that are very meagerly developed and have barely attained the dawnings of civilization, down to the most advanced and powerful societies – two classes of people appear – a class that rules and a class that is ruled. The first class, always the less numerous, performs all political functions, monopolizes power and enjoys the advantages that that power brings, whereas the second, the more numerous class, is directed and controlled by the first, in a manner that is now more or less legal, now more or less arbitrary and violent, and supplies the first, in appearance at least, with material means of subsistence and with the instrumentalities that are essential to the vitality of the political organism. (p. 50)

The ruled class, willingly and unwillingly, deferred to the ruling class. Through the use of the law and other legal means which they designed and created, the ruling class codified their rule.

In the case of a revolution, a new minority of rulers will emerge and rule. For Mosca, the domination of a minority over a majority is inevitable. The minority succeeds because it is a minority; its small size achieves a superior level of cohesion and organization. Additionally, the ruling class usually possesses qualities like superior intelligence or morality that distinguishes the ruling elite from the masses. Mosca concluded: “In other words, members of a ruling minority regularly have some attribute, real or apparent, which is highly esteemed and very influential in a society in which they live” (p. 53).

In *Political Parties* (1962), Robert Michels (1876-1936) proposed that oligarchy, the rule of a minority over a majority, is both inevitable and unfortunate when an organization reaches a certain size and complexity. When a delegation of power is required to maneuver through this large organizational form, this delegation requires the expertise of a select few; at first, these few operate efficiently but then they act in accordance with their own needs rather than the general good. The leadership wields more influence than the rank and file members. According to Michels, the leaders of socialist movements are themselves members of the power elite. Bureaucratic organizations result in the emergence of a new ruling class.

C. Wright Mills (1916-1962) wrote *The Power Elite* in 1956. Studying the organization of the United States, Mills wrote:

The power elite are composed of men whose positions enable them to transcend the ordinary environments of ordinary men and women; they are in positions to make decisions having major consequences. Whether they do or do not make such decisions is less important than the fact that they do occupy such pivotal positions: their failure to act, their failure to make decisions, is itself an act that is often of greater consequence than the decision they do make for they are in command of the major hierarchies and organizations of modern society. They rule the big corporations. They run the machinery of the state and claim its prerogatives. They direct the military establishment. They occupy the strategic command posts of the societal structure, in which are now centered the effective means of the power and the wealth and the celebrity which they enjoy. (pp. 3-4)

A ruling class has emerged in the United States and dominates the economy, the state, and the military. Elite rule is not inevitable; instead, elites manipulate and exploit the masses with the express purpose of maintaining their advantageous position.

T.B. Bottomore (1964), in his seminal book on elites, stated: “In every society, there are those who govern and those that are governed, those that govern are considered elite” (p. 6).

George Marcus (1983) applied the term *elite* to society’s rich, powerful and privileged. Keller (1968) described elites as the “prime movers and models for the entire society” (p. 26).

I began researching political, economic, and military elites in the PRC. After studying the history of elite status in China during Imperial times, I added scholars to my prospective list of PRC elites since scholars-officials were the highest group of elites in Imperial times. The study of scholar elites in the Communist era further revealed how elite status has evolved from Imperial China to the modern day PRC.

During my fieldwork, various people asked me to describe my dissertation topic. They asked: “Who are you studying? Who is elite?” I explained that I wanted to study the top tier of the PRC society: the leaders and the decision-makers. I sought out individuals who have the

most influence on the greatest number of people. Elites must have achieved unqualified success in their respective occupations. I concentrated on the occupations that hold the most prestige and status in the PRC.

Participant Observation

Semi-structured Interviews

Informal, semi-structured interviews served as the primary tool for this study. They were open-ended, ethnographic, and in-depth. The interview schedule (see Appendix B) provided guidance for each conversation. Similarly, I needed familial, social, and political background information in order to determine both how elite status is formed and the role of the Communist Chinese Party in this formation. Furthermore, I hoped to isolate different characteristics of elite status. Using the model described in Harrington & Boardman (1997), McClelland (1971), and Wallace (1970 & 2003), I examined the role of birthplace, educational credentials, career paths, and factional affiliations; I also sought to determine if other collective characteristics contributed to PRC elite status.

Life History

The life-history interview was also employed in this study (see Appendix C). Studying the data gained from the structured and unstructured interviews, I used their answers as a basis for their life history. Informants were asked to reflect on their lives. Especially illuminating were the reflections of those alive in 1949, the year of the Communist Revolution and the establishment of the PRC. These individuals witnessed major political, economic and social shifts in the PRC. Many were privy to the secrets behind the official version. Their stories provided me with historical context, background, and perspective. In addition, collecting life histories deepened my personal relationships with my informants. Some of the older informants,

long standing members of the Chinese Communist Party, had actual recollections of Chairman Mao, the early days of the Revolution, Deng Xiaoping, and the Cultural Revolution. The family histories of informants in their twenties and thirties were also useful. These individuals described the positions and status of their relatives during key points of modern PRC history. The younger informants also shared stories from their childhoods. While I tried to interview parents to verify these accounts, this was not always possible.

The ways in which informants constructed their personal and family narratives revealed some cultural idiosyncrasies. For example, even though the grandfathers of some informants were imprisoned during the Cultural Revolution, they never criticized Chairman Mao directly. Instead, they would lay blame on radical elements within the CCP. Kohrman (2003) also encountered this situation and detailed it:

Toward this end, I draw overtly on anthropological insights about a broad set of narrative forms known as “speaking bitterness” (*suku*). From China’s May Fourth Movement (1919) to the present, speaking bitterness has become ubiquitous across the PRC as a set of narrative techniques for representing suffering, often subaltern experiences of suffering. In recent years, speaking-bitterness techniques have also been frequently employed for the production of *shanghen wenxue* (“literature of the wounded” or “scar literature”). This genre is composed of stories in which elites, most of whom are intellectuals, describe their persecution at the hands of Maoist radicals. (p. 105)

Kohrman (2003) explained this reluctance to criticize Mao even in contemporary PRC:

Although chronicling how Deng was increasingly harmed by the Cultural Revolution and its leaders, Ruan never expresses any judgments about Mao. More to the point, as is the case with Qin’s book-length (sic) biography, nowhere in Ruan’s essay is Mao specifically blamed for Deng’s difficulties specifically or the Cultural Revolution more generally. Instead, as is the case with Qin, Ruan casts the blame on “leftists” or named figures from the Maoist camp, people such as Nie Yuanzi, the Gang of Four, and Kang Sheng, all of whom they call everything from “fascists,” “feudalists,” to “dictators,” and “murderers.” In this regard, Ruan and Qin seem to walk a fine line: they use the idiom of speaking bitterness to criticize known personalities while at the same time they—and by extension Deng Pufang—remain in compliance with long-standing party rules, which limit open criticism of Mao’s political life. (p. 111)

Although almost forty years have elapsed since the end of the Cultural Revolution, the respect shown to Mao remains. Further study is needed to understand the staying power of this phenomenon.

I took notes by hand during all interview sessions. Except for high-ranking officials at official functions, I also tape recorded the interviews and transcribed them.

Kinship Charts

In addition to life histories, I collected kinship charts. Tracing a family's kinship can reveal a family's ascent or descent. As Freedman (1971), Faure and Siu (1995), and Siu (1989, 1990) found, kinship charts reveal "favored" branches, genders and individuals. Collecting kinship charts also allowed me to engage my informants on a personal level and solidified the bond between us. Most elites were proud to discuss their kinship; since collecting kinships took hours, if not days, this extra time allowed me to get to know the individual on a more intimate level.

Understanding the language of respondents

Semi-structured interviews were used to gain perspective and opinion. Participants decided which language to use for their interviews. Most of the informants under the age of 50 spoke in English quite well and would sprinkle their conversations with Shanghainese Chinese phrases. The commercial elites of all ages spoke English because they conduct business in English; hence, they have a great command of the English language. Moreover, PRC elites have usually studied in the United Kingdom or the United States which further strengthens their English fluency.

Having grown up with a father who speaks Shanghainese Chinese, I am proficient in Shanghainese Chinese. While I prefer not to speak because I speak with a deplorable American

accent, my comprehension level is quite high. I was able to converse with all my informants in Chinese. All my key informants spoke English fluently.

If I had any questions, I felt comfortable enough to ask my informants to explain it in English though it was not always possible to get a direct English translation for Chinese idioms. When I met with members of the Central Committee and higher, these informants tended to be in their 50s and older; when they wanted to discuss something personal and very important to them, they would speak in Chinese. Since I met with these individuals with two key informants who spoke Mandarin Chinese and English, I could ask these two key informants any translation questions. Fortunately, I was able to follow the conversations in Chinese on my own.

Locating Key Informants

During the course of this study, I met with 104 individuals. Fortunately, I was able to meet each one on several different occasions. Follow-up questions and points of clarification during my data analysis were addressed through email and SKYPE. Fourteen informants asked that their interviews be “off the record” since they are high-ranking members of the Chinese Communist Party and are currently serving in high profile positions. These are high ranking important officials. These men and women only met me because I was accompanying two of my key informants.

My participants ranged in age from mid-twenties to mid-eighties. I tried to find informants that could act as insiders to, or guides and translators of, common cultural mores and linguistic jargon. In doing so, I hoped to save time and to avoid cultural miscommunications and misunderstandings.

There were fifteen individuals who became key informants. These informants possessed unique information and were quite knowledgeable about elite status in the PRC. More

importantly, they were willing to share this knowledge and skill with me. Furthermore, they had access to cultural experiences that were utterly inaccessible to me. As long-time residents, they understood the subtleties of cultural norms, which they were able to share with me. All my key informants were quite comfortable speaking in English and were able to express themselves quite well speaking English.

My key informants had the time to meet with me and to help me in my analysis. I continually referred to these individuals during my data collection and data analysis. By sharing my analysis with them, I sought out their advice and asked them to evaluate and to criticize my assessments. My key informants acted as guides to help me understand and navigate PRC elite society.

Gaining Trust

When I approached the different participants, I had to assure them of complete confidentiality. This was one of the most important points to me as an ethnographer and researcher. How did I gain trust? I promised the participants that pseudonyms would be used and that distinguishing characteristics would be obscured. Many of the informants are high-ranking elites; they have a reputation to maintain. In some cases, their disclosures to me could have major repercussions in the international worlds of finance and geopolitics. Hence, I took my responsibility as a privileged insider very seriously (Hambata, 1990; Lebra, 1995).

In order to demonstrate my commitment to confidentiality and to gain their trust, I explained to my informants the series of safety protocols that were put in place by and enforced by the IRB. For example, informants are free to stop their participation at any time. Fortunately, no one chose to do so. I also explained the purpose of Verbal Consent forms, to ensure that there

was no paper linking them to this study. (For details, please see the Consent Form and Participants Rights sheets.)

In another effort to gain their trust, I explained that I was using all of my resources and employing my best efforts to protect and limit any negative repercussions associated with involvement in this study. For their protection, I also provided them with the business cards of mental health professionals who could assist them in the event of unforeseen mental or psychological trauma. Most importantly, I outlined the procedures set into place to protect them by the IRB. I explained that I was subject to IRB rules and had to obtain IRB approval before beginning the study.

Establishing rapport

In addition to gaining trust, I had to establish rapport. One of the easiest ways to build rapport was to meet with my key informants informally. I built relationships by peppering the conversations about myself and my research. I tried to be open to their questions and to maintain an open dialogue between us. After I had established a good relationship, I would then proceed with the semi-structured interview.

Given the political climate in the PRC, every informant is given a pseudonym, and details about his/her occupation are obscured so as not to expose their true identity. The study includes, nonetheless, a great deal of direct, descriptive observation. I was able to observe informants in their work places, and even attended several high-level meetings.

Because my topic dealt with a sensitive subject matter, I was especially cognizant of the importance of triangulating my interview data. Many of the elites knew “what they should say or think,” which could be quite the opposite of “what they do.” Thus I studied my informants in various locations and in different contexts.

The Sampling Procedure

Gaining access to PRC elites was a major concern. Nader (1976), LeWita (1994), and Davies (1999) detail the challenges that they faced in attempting to study uppers and their closed worlds. Davies (1999) wrote:

Of course in addition to affecting theoretical focus, such a shift in subject area also has implications for fieldwork methods. People in positions of power are less accessible to the traditional ethnographic approach of simply going to a location and hanging out, and they have greater resources to restrict researchers' access to their lives. (p. 37)

People in positions of power are less accessible. I needed informants with access. I used a sample of convenience, which included people that had access to and knowledge of PRC elites. I found these people in family and personal networks. Then, I used snowball sampling as these informants of convenience introduced me to other informants.

Research Site

Initial research for this dissertation began in Beijing at the 2008 Olympic Games. The timing was deliberate. The 2008 Olympic Games were a historic milestone for the PRC. The celebratory setting provided me with an excellent opportunity to meet with many PRC elites. One of my informants was a member of the U.S. delegation to the Beijing Olympics, providing me with valuable insider access. The large numbers of elites present at the Games enabled me to make many valuable contacts. In fact, many of my informants were involved in the PRC's presentation of the Olympics, both politically and creatively.

Having made preliminary contacts with several elites, I decided to make Shanghai my home base for several reasons. First, there is the history of Shanghai and Chinese elites. (Please see Appendix A for a map.) Shanghai has been home to one of China's richest agricultural areas from the 10th Century and continues to the present (Cao, 2004; Bell 1992). Skinner (1977) wrote: "Shanghai was already that area's major cotton emporium in the early fifteenth

century...and the next five centuries saw it grow from a small but prosperous unwallled county seat to the central metropolis of the Lower Yangtze region and China's largest city" (p. 255). Cao (2004) wrote: "As Shanghai gradually developed into a large commercial and industrial metropolis, it attracted laborers, merchants, and entrepreneurs from the economically developed Jiangsu, Zhejiang, and Guangdong provinces" (p. 74). Concurrently, Shanghai also developed into one of the major Chinese seaports; it became one of the largest commercial areas for domestic and international shipping. Because of Shanghai's key position as a Chinese center of commercial activity, many wealthy landowners left their villages to live in the market towns in and around Shanghai, a trend that began in the 1500s. Shanghai, consequently, has historically attracted members of China's elite.

As a coastal city, Shanghai became a major seaport in the 1800s. It experienced an economic boom:

For example, between 1860 and 1930, Shanghai accounted for an average of 68 percent of the total reexports value of goods within China; in 1933, the foreign trade of Shanghai equaled 1 percent of the world's total; and by 1936, half of China's foreign trade was conducted through Shanghai. . . . In the meantime, industrial development [in Shanghai] was also stimulated. The 1933 industrial statistics indicate that, excluding the four provinces in northeastern China and such hinterland provinces as Gansu, Ningxia, Qinghai, Yunnan, and Guizhou, there were 2,435 factories in seventeen provinces, among which...Shanghai alone numbered 1,186 (48.7 percent). (Cao, 2004, p. 75-6)

Shanghai grew to become one of the wealthiest cities in China.

Second, in addition to its increased wealth, Shanghai rose to a much higher political, cultural and social status. By the Ming (1368-1644) and the Qing (1636-1911) dynasties, Jiangsu, the province where Shanghai is located, had the second largest concentration of degree holders of the highest level, the palace level which was called *jinshi*. Since so many degree holders (or as they were also known, scholar-officials) called Jiangsu province home, Jiangsu

and Shanghai, the province's largest city, accrued a great deal of political influence, status, and importance. Cao (2004) elaborated:

When higher education became popular in China, the economically advantageous regions began to monopolize the country's educational opportunities. For example, in 1932, Jiangsu had 35 percent of all Chinese college students; and most of the Chinese who studied in the United States, Europe, and Japan between 1872 and 1949 originated from Jiangsu, Zhejiang, and Guangdong. . . In other words, with higher levels of economic and educational development compared with other parts of the country, China's coastal areas not only could afford to send their children to college but also had more qualified students from whom to choose. (p. 76)

Third, Shanghai's advantageous coastal positioning afforded exposure to new ideas and trends. In the late 18th and early 19th century, Christian missionaries first introduced to China the concepts and tenets of Western science along the coastal regions; then when they established academic institutions, these institutions were established on the coastline. After China was defeated by the British, French, and American forces in the First Opium War (1839-42), the Qing dynasty was forced to submit to the concessions of the two treaties with Great Britain, the Treaty of Nanjing (1842) and the Treaty of Bogue (1844). These two treaties forced the opening of coastal port cities to international trade. Shanghai was one of these ports. This led to British, European, and American settlements in Shanghai, which was carved up into different foreign concessions. Cao (2004) concluded: "The Chinese living in the coastal cities—where foreigners conducted business, established schools, and disseminated the idea of capitalism—had early interactions with Western people, and had ample opportunity to absorb new trends of thinking" (p. 76). As a world-renowned city, Shanghai cultivated a reputation for intellectualism and economic riches. It became the financial center of Asia in the 1930s when it was referred to as the Paris of the East (Cao, 2004).

Shanghai was chosen as my base for operations because of the diverse population of elites. In addition to economic and political elites, the intellectual community of Shanghai has

flourished since the late 19th century. Several highly ranked educational institutions in China were established in Shanghai. In 1896, Shanghai Jiao Tong University (SJTU) was founded; it is a premier polytechnic university (Cao, 2004). Shanghai is also home to Fudan University, founded in 1905. As Cao noted, the appearance of so many top schools added to an intellectual climate, attracting even more scholarly elites. Shanghai is thus an ideal location to conduct a field study of PRC elites because elites have congregated in Shanghai for nearly two centuries.

Moreover, the PRC government has invested a great deal of money and resources into Shanghai with the hope that it will become the financial capital of Asia (Farrar, 2002).

Consequently, Shanghai has experienced the largest growth of economic and technological expansion in the PRC of any city in China since the 1990s (Simon & Cao, 2009; Simon & Goldman, 1989). PRC elites have led this expansion and benefitted from it.

Shanghai is a strategic research site (Merton, 1987) for other reasons as well. During my initial research, I discovered that while many political and commercial elites work and live in Beijing because of their government positions, their children tend to live in Shanghai. Shanghai has also produced many national elites; former President Jiang Zemin and former Premier Zhu Rongji are both former mayors of Shanghai and members of the so-called “Shanghai Gang,” a term the press coined to describe the ruling Chinese Communist Party officials with Shanghai roots (Finkelstein and Kievehan, 2003; Nyiri, 2001; Zhiyue, 2009; Zhu, Lo, Luo, & Myers, 2004.) Shanghai both reflects and represents the current range of PRC elites.

As Ong (1999) discovered, elites are not bound by national boundaries. They are transitory in nature. In the case of PRC elites, their wealth provides them the opportunity to live in many different cities in China and in countries all over the world. While I was mainly situated in Shanghai, I traveled where the occupations and leisurely activities of the PRC elite took me. I

traveled back and forth to Beijing by airplane for more than half of my research. For example, my key informants attended art auctions in Hong Kong, shopped for designer handbags in England, teed off at the Pebble Beach golf course in California, danced at a wedding reception in Venice, partook in the revelry at a debutante ball in France, and avoided the paparazzi at a movie premiere in Hollywood.

Chronology of Research

My first research trip occurred during the 2008 Olympics; I used this opportunity to make introductions with PRC elites. It was important for me to witness this event since the Olympics was considered a watershed moment in PRC history. Furthermore, I had access to PRC and United States official government functions. Several of my informants were part of the official US delegation to the Olympics; as such, they were in the US delegation box at the opening and closing ceremonies. I was also able to witness the 60th Anniversary of the PRC founding in October of 2009 and the 90th Anniversary of the CCP founding in July 2011. Two of my key United States informants were invited as official guests of the PRC to these events. These historical events provided me the opportunity to witness the official ceremonies of the PRC government and the CCP.

I took over sixteen separate trips to China from the United States between August 2008 and July 2011. The average stay was two months. I observed how PRC elites vacationed and “played,” the importance of which should not be underestimated. Eckert and McConnell-Ginet (2003) and Manning (1973) both found that examining people at play might reveal a great deal about the individuals.

Limitations

As Scalapino (1972) mentioned, elites wield authority. Every sector of society has its own elites. Scalapino further reasoned: “Elites, however are not confined to the dominant, controlling institutions: they encompass every organized aspect of a society, including those portions denominated ‘revolutionary’ or ‘counterculture’” (p. vi). For the purpose of this study, my definition of PRC elites refers to those who wield authority in their sector. Hence, I have divided my sampling into several sections of PRC elites. They are:

- 1) Political Elites
- 2) Commercial elites
- 3) Military Elites
- 4) Scholarly Elites
- 5) Born Elites
- 6) Artistic Elites

My sampling of elites in the People’s Republic of China is by no means complete. There are many PRC elites that I was unable to gain access to for an interview.

I was not able to access any military elites. My information about them is second hand as I used information and insight gained from the political, economic, and scholarly elites. Since military leaders are potential future political elites, I realized the importance of including them in my research. The majority of my sampling of elites is made up of elites who have derived their status through legal channels. I did not have access to any religious, medical, or criminal elements. Since my family network has its basis in Shanghai, the elites that I interviewed tend to be Shanghainese or have Shanghai roots.

While my sampling tends to be filled with traditional elites, I also recognize that my gender has limited my fieldwork. From reading other dissertations about successful businessmen in the PRC, I have read that many middle-aged men entertain at karaoke bars and strip clubs. These “ritualized leisure” experiences of shared pleasure do not welcome women. I was thus never invited to go. These kinds of activities were deemed inappropriate for someone of my family background. Moreover, I was not privy to the sexual secrets or practices of my male informants. While I heard many whispers of top officials keeping second wives (*ernai*) and unofficial families, I never met such a woman or met any other type of mistress. By contrast, I was often invited to socialize with government officials’ wives and daughters.

While my gender may have hindered me in the conversations with male informants, it helped me with the PRC elite women. I was invited to participate in a Mommy and Me playgroup. Since I am also a mother, I was trusted and gained easy access. I was privy to private discussions about sexual relations and gender roles from the female elite perspective.

My study of PRC elites provided me with the opportunity to self-reflect on my role as ethnographer and as an overseas Chinese. One of my false assumptions was that I would gain instant access. During a pilot study conducted on Hong Kong elites in 2005, several key informants were considered patriarchs of Hong Kong Society. These men were nationally and internationally recognized in Hong Kong and throughout the global financial community. Through their kind introductions, I was introduced to many members of the Hong Kong elite. While I was expected to prove myself, it was fairly easy to do so.

When I began my PRC research, I foolishly expected to see the same results. Once again, I was introduced to several high-ranking leaders of the Chinese government and the CCP. I was given a list of names to follow-up with and to make appointments. Of course, I dutifully

followed these leads. Once I pulled out my sheet of paper that held my semi-structured interview questions, I was met with many blank stares and awkward pauses.

In one case, I really angered an individual. My interview with this individual was very forced and unproductive. The informant provided no insider insight. I deemed the interview a failure. That night, I received an angry phone-call from my friend who had introduced me to this unwilling individual. Apparently, the unwilling individual had complained about me and accused me of “not understanding how the Chinese work.” I was too pushy and Western. I was called a *jia yangguizi* (poser). My friend demanded to know what had transpired. She criticized me for making her “lose face,” or making her look bad. After recovering from shock, I wracked my brain to figure out how I could have offended this individual. Re-reading my notes, I did not think I had been overly aggressive or offensive. Then, I remembered that one of the topics concerned the Cultural Revolution. I knew her grandfather had been imprisoned during this time. I pushed this unwilling informant for information on how the family dealt with this trauma. Re-reading my notes on our conversation, I realized the individual resisted from the moment I mentioned “Cultural Revolution.” I never picked up on the social cues.

After much contemplation, I called the friend who made the introduction. I explained and then I profusely apologized. For the next hour, I was lectured on the protocol of Chinese culture. For my first meetings with Chinese informants, I was advised to keep conversation light and uncontroversial. I was told to be extra polite and sensitive. Until I developed a closer relationship, I needed to resist asking anything sensitive. I was also told not to “whip out” my interview questions until I knew them better because it put people on edge.

Of course, I sent a note of apology and flowers to the offended individual. Whenever I tried to arrange a second meeting, she politely told me she would check her schedule. I received

the “Slow No” though it was never outright or clearly said. I was only able to gain access because I interviewed several friends of this individual. Apparently, I had learned “the Chinese way” because I was finally allowed to interview her.

This example highlights how closed and guarded PRC elite society can be. They tend to fiercely guard their privacy. The fact that they knew my family was not enough to establish trust. While we had rapport, there was not the instant connection that I had felt with many of my Hong Kong informants. It was not a language barrier because our conversations were spoken in English and Chinese. Originally, I had scheduled three one-hour interviews with my informants; I readjusted my timeline to make room for five or six interviews. The first few meetings were used to establish trust. I adjusted my research question to state: “How do people of such high caliber like your-self reach this high level?” I found people did not like to think of themselves as elite per se, but preferred the word *privilege*. This was especially true for princelings. Princeling is a somewhat derogatory term the press coined to describe descendants of high ranking officials. They did not want to perpetuate the idea that they inherited privilege; instead, they wanted to be given credit for hard work and intelligence (Anderlini, 2011, 2010). For many of these children, they did not like speaking about their parents until we had developed a much deeper relationship.

At the beginning of my research in China, I felt like a “conceptual anomaly.” Kondo (1990) explained this term as follows:

As a Japanese American, I created a conceptual dilemma for the Japanese I encountered. For them, I was a living oxymoron, someone who was both Japanese and not Japanese. Their puzzlement was all the greater since most Japanese people I knew seemed to adhere to an eminently biological definition of Japaneseness. Race, language, and culture are intertwined, so much so that any challenge to this firmly entrenched conceptual schema – a white person who speaks flawlessly idiomatic and unaccented Japanese, or a person of Japanese ancestry who cannot—meets with what generously could be described as unpleasant reactions. (p. 11)

Kondo could be writing about my own experiences. From the way I moved and dressed, it was quite apparent that I had not grown up in China, as I was told repeatedly. Since I spoke Chinese with a heavy American accent, one informant criticized me for not being a “real Chinese.”

It was a challenging journey made all the more difficult because I had severely underestimated how closed PRC elite society would be. I realized that I had to meet my informants numerous times to develop rapport. I knew that I had gained an informant’s trust when I was invited to meet the spouse and children. Another tell-tale sign of established trust was an invitation to visit their home. Finally, when I was invited to vacation with them or attend special ceremonies such as weddings and debutante cotillions, I knew I had finally gained acceptance.

Conclusion

I arrived in China armed with many assumptions which were later proven incorrect. The most important lesson I learned was the enormous influence that political elites wield in China. As an elite group, they are ranked higher than all other elites. The role of the CCP is essential in confirming elite status of all kinds, not just political elite status.

In order to preserve confidentiality, I have given my informants pseudonyms and have intentionally obscured their biographies. The names of my informants are constructed in the following code. First or Personal names beginning with P indicate Political, E for Economic, M for Military, S for Scholarly and I for Inherited. For non-elites, the First Name begins with an N and the last name with an E. Thus Peter Eng is a Political Elite while Nancy Ellis stands for a **Non-elite**.

Regarding the first names, I followed each informant’s practice in real life. If PRC elites use a North European/American First or Personal name in real life, their pseudonyms followed

suit. For example, while Charlotte Eng is a pseudonym, in real life, this PRC Commercial Elite has an Anglicized first name. If a person has an anglicized Family name, s/he is not racially Chinese but a different race. If a person has a Chinese Family name, s/he is racially Chinese. As mentioned, the names of informants are typed in BOLD to differentiate them.

Please see the below table for easy reference:

Table 1.1 Key for Pseudonyms

NAMES WITH INITIALS	WHAT IT STANDS FOR
Peng Eng	Political Elite
Christopher Enlai	Commercial Elite
Meng Ei	Military Elites
Scott Er	Scholarly Elite
Bonnie Enlai	Born Elite
Ai Ezhi	Artistic Elite
Nancy Ellis	Non-elite

I also use the present tense in my descriptions and quotations to indicate an “ethnographic present.” When referring to Chinese individuals, I write their names in the Chinese way of addressing: FAMILY or LAST NAME followed by PERSONAL or FIRST NAME. For example, in the case of Mao Zedong, Mao is the Family Name and Zedong is the Personal Name.

The use of such names demonstrates the willingness of the PRC Elites to make connections to the global elite community. The assumption and adoption of anglicized names is just one facet of a lifestyle that emulates the West. They consume luxury goods that hold status in the West. They are attending education institutions in the West. They emulate a lifestyle in which Western goods hold more status and prestige than local PRC goods. All of this demonstrates their readiness to partake in the global elite way of life.

Being from a Communist country, PRC Elites are constantly juggling this emulation of the West with nationalistic pride; they are trying to do so without creating cultural and national

disconnect. The PRC Elites are trying to figure out what it means to be a Communist who is a Harvard graduate, who wears Giorgio Armani, and who drives a BMW. They are trying to achieve a global elite lifestyle while retaining nationalistic pride and loyalty to the PRC.

They are equally critical of the excesses of the Western world as they are of the demise of the Soviet bloc. They do not want to end up like either extreme. Instead, they are trying to create their own path with Chinese characteristics.

CHAPTER TWO: POLITICAL ELITES

Introduction

Elites are thought to have existed in all activities and in every corresponding dimension of social life (Pareto, 1901/1991).). However, some elites exert more influence than others (Marcus & Fischer, 1986). These individuals comprise the subject of this study. Mosca (1939) introduced the concept of a ruling minority, or a ruling class, as those who occupy the leading positions and exert the most influence over the rest of society. In a similar vein, C. Wright Mills (1956) determined that members of the political elite are quite influential, along with economic and military elites; together, the three are fused into a “power elite”. John Scott (2008) wrote that elites are:

A specific kind of group involved in holding and exercising power. Specifically, elites are to be defined in relation to the structures of domination that constitute them. Elites are those groups that hold or exercise domination within a society or within a particular area of social life....The term “elite” is most meaningfully and usefully applied to those who occupy the most powerful positions in structures of domination. (p. 32)

In the PRC, the leaders who wield the most influence in the country are the ones with the highest positions in the CCP and the government. For the CCP, this includes members of the Politburo, the Secretariat, Control commission secretaries, and central committee department directors. For the government, this includes people who hold the position of executive council and higher.

PRC Political Leadership

In order to understand the workings of the PRC governmental and CCP bureaucracy, one must first divide the PRC leadership into different political generations. The leader of each generation is referred to as the *core*. Usage of the term *political generation* in this paper

correlates with the definition given by Cheng Li (2001), the Brookings Institution’s expert on PRC leadership:

In the literature, generational boundaries are often defined by a combination of birth year and the characteristics of peer groups. The latter includes shared major life experiences and collective sociopolitical attitudes. A political generation is often defined as a group of cohorts born during a period of about twenty-two years. The literature on generational studies in contemporary China, however, tends to depict general breaks at shorter intervals of fifteen years. Those same-age cohorts have experienced the same major historical events during their formative years (described as approximately 17-25). (p. 6)

Each political generation is led by one person, as encapsulated in the following table:

Table 2.1 – Chronological Table of Paramount Leaders

Time Period of their rule	PARAMOUNT LEADER
1949-1976	Mao Zedong
1976-1992	Deng Xiaoping
1992-2002	Jiang Zemin
2002-2012	Hu Jintao
2012-2022	Xi Jinping

Fewsmith (2001b) wrote: “The core of the political system...combines both formal position and informal networks” (p. 46). These core leaders were addressed by different titles and held different positions. Mao was designated Chairman of the Communist Party of China while Deng held no official title or position while he was officially referred to as *the paramount leader*.

From 1992 to the present, both Jiang’s and Hu’s official positions and titles included: General Secretary of the Communist Party and President of the PRC. While there is no consensus on the actual wording of the titles, it is an indisputable fact that these individuals were the elite political leaders of the CCP, the government, and the entire country (Kuhn, 2010).

Surrounding each core leader was a group of top lieutenants; this trend continues to the present. Together with the core leader, these lieutenants formed the political elite for their respective generations. Boundaries between generations are flexible, and overlapping can and does occur between generations. Li (2001), for example, noted:

Political leadership does not always consist exclusively of political elites in the same generation, although members of that generation may dominate the most important power positions. In empirical studies of Chinese political elites, generational classification based on age should also allow some exceptions. For instance, Hu Yaobang is usually seen as a member of the second generation of Chinese leaders, although he took part in the Long March (Hu was one of the youngest people in the march). (p. 8)

According to Li, it is not age that binds a generation but rather their shared experiences.

Consequently, Li (2001, Table 1.1) created an organizational chart detailing the major historical event that Li proposes tied and linked members within the political elite generation in Communist China:

Table 2.2 Historical Events Connecting Generations of Leaders in the PRC

Generations of Leaders	Major Historical Event (Years of Event)	Paramount Leader ("CORE")	Top Lieutenants
1st Generation	Long March (1934-35)	Mao Zedong	Zhou Enlai, Liu Shaoqi, Lin Biao, Deng Xiaoping
2nd Generation	Anti-Japanese War (1937-45)	Deng Xiaoping	Hu Yaobang, Zhao Ziyang, Hua Guofeng, Qiao Shi
3rd Generation	Socialist Transformation (1949-58)	Jiang Zemin	Li Peng, Zhu Rongji, Li Langqing Li Ruihuan
4th Generation	Cultural Revolution (1966-76)	Hu Jintao	Wen Jiabao, Zeng Qinghong Wu Bangguo Li Changchu
5th Generation	The Economic Reform (1978-1990s)	Xi Jinping Xi assumed power in November 2012	Li Keqiang Li assumed power in November 2012

The CCP and the PRC Government

The government of the PRC operates as a Leninist State. Dotson (2012) defined a Leninist State as follows:

Leninist theory modifies original Marxist theory by positing that the proletariat is incapable of fulfilling its ultimate role to overthrow capitalism, unless the proletariat is led by a vanguard party of dedicated revolutionaries....Once established, Leninist regimes maintain a one-party system (or a nominal coalition government under the *de facto* control of the ruling party), in which party and state institutions are officially separate, but in which the ruling party maintains authority over all major personnel appointments. (p. 55)

In the PRC, the ruling party is the Chinese Communist Party (CCP), also known as the Communist Party of China (CPC). Journalist and Financial Times Bureau Chief, Richard McGregor (2010), author of the seminal book “The Party”, wrote: “Since installing itself as the sole legitimate governing authority of a unified China in 1949, the Party and its leaders have placed its members in key positions in every arm, and at each level, of the state.” In other words, the Chinese Communist Party’s leadership is the government and the country’s leadership. Shambaugh (2010) maintained: “Few, if any, issues affect the future of China – hence all the nations that interact with it – more than the nature of its ruling party and government. Since 1949, that has been the Chinese Communist Party (CCP)” (p.1).

The CCP, from any perspective, is the most important organization in the PRC, and it rules the entire country. The PRC Constitution refers to the National People’s Congress (NPC) as the highest organ of state power and it is the country’s legislature (<http://www.chinapolitik.de/studien/china.analysis/analysis1.pdf>, Chap. 2, Sec 1, Art 57). In actuality, the NPC acts as a “rubber stamping body” for the CCP, and the power remains firmly within the CCP’s control (Dotson, 2012; Li, 2001; McGregor, 2010; Shambaugh, 2010).

The CCP makes all the major policy decisions though government ministries and departments have some autonomy in how laws are actually implemented. The overwhelming majority of senior government officials claim membership in the CCP and are thus subject to CCP discipline. As Dotson (2012) stated:

Communist Party committees are implanted as control mechanisms within government agencies, military units, and state-owned enterprises. Therefore, while the Party and the state are nominally distinct entities with separate bureaucratic institutions, in reality the PRC state infrastructure serves as a host organism for the ruling Communist party. (p. 8)

The non-CCP members who have been given senior government positions are placed no higher than vice minister or vice-governor which are the second echelon of the government hierarchy at both the national (vice minister) and at the provincial (vice-governor) levels. One high-ranking official who chose to remain anonymous shared:

The PRC is run by the CCP. As a result, all the top and important positions are held by party members. In order to appease those people who want a more inclusive government, we do allow non-CCP members to hold high positions. These positions do not decide financial or political policy. Usually, they are in charge of health care, science, or education or areas that may require graduate degrees and a technical expertise. In the future, as more Party members receive higher specialized degrees, there may not be a need for non-CCP. It's hard to tell.

These non-CCP leaders are thus placed in functionary roles and do not decide policy.

The National CPC (Communist Party of China) Congress or, as it is commonly referred to, the National Party Congress is different from the above NPC, National People's Congress; the National Party Congress is a national convention that currently meets every five years. This has not always been the case as seen by the following table taken from Dotson (2012, p. 55).

Table 2.3 Dates of National Party Congress

National Party Congress	Year Met
1 st	1921
2 nd	1922
3 rd	1923
4 th	1925
5 th	1927
6 th	1928
7 th	1945
8 th	1956
9 th	1969
10 th	1973
11 th	1977
12 th	1982
13 th	1987
14 th	1992
15 th	1997
16 th	2002
17 th	2007
18 th	2012

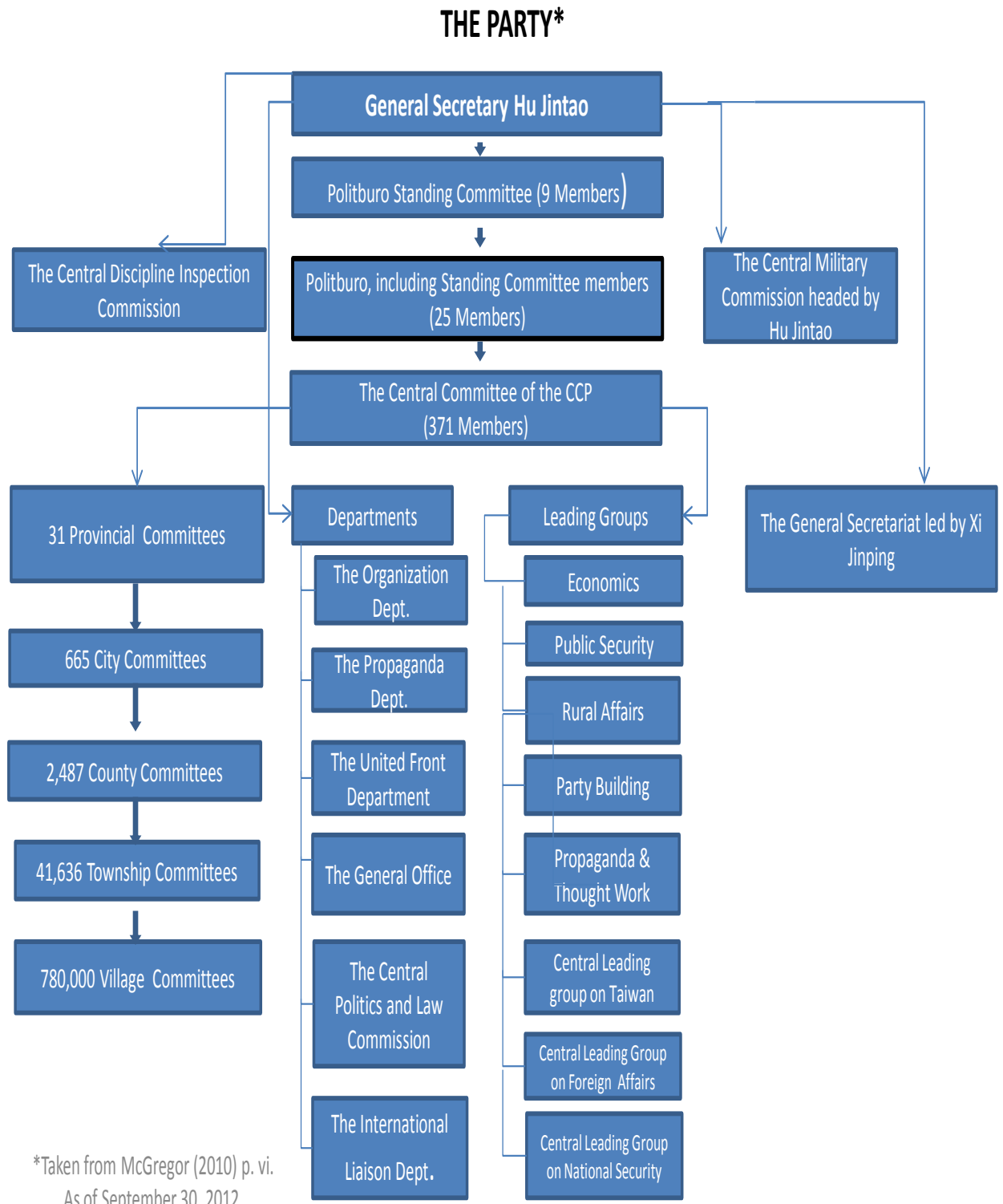
At the 17th Congress, there were approximately 2,000 delegates (Press Center of the 17th National Congress of the Communist Party of China). Officially, the National Party Congress is the highest leading authority of the CCP, and its members are chosen to staff the most senior bodies of the CCP, which are the Central Committee, the Politburo and the Politburo Standing Committee. In reality, the National Party Congress is a mere formality. Expatriate and non-elite informant, **Nig Ebersole**, explained:

The National Party Congress adheres to a very rigid script. Policy and the national agenda have been decided ahead of time. They are simply announced at the National Party Congress which serves as a platform for the Party to introduce to the rest of the country what the Party wants to achieve for the next five years. In the fall of 2012, the 18th National Party convened. The new membership roster of the Central Committee, the Politburo, and the Politburo Standing Committee was announced.

The most important CCP ruling bodies are the Central Committee, the Politburo, and the Politburo Standing Committee (Goldman, 2005; Goldstein, 1994; Gomez, 2002; Lam, 2006;

LaFraniere & Burns, 2012; Levin 2012; Lin & Shirk, 2002; Lynch, 2007; MacFarquhar & Schoenhals, 2006; Marsh 2005; Martin 2010; Nathan, 2003; Nathan & Link, 2001, Ong, 1999, Scott 1990; Shevchenko, 2004; Unger, 2002; Van Slyke, 1967). Please refer to the next page for a chart of the Chinese Communist Party, Table 2.4.

Table 2.4 Chart of the Chinese Communist Party



The Central Committee is composed of the most important officials in China. McGregor (2010) described the Central Committee as follows:

The Central Committee acts as a kind of enlarged board of directors for the Party in China. With about 370 full- and part-time members, the committee includes ministers and senior regulatory officials in Beijing, leaders of provincial government and large cities and a large block from the military. Some, but not all of the heads of China's big state-owned enterprises are Central Committee members. (p. 12)

The Central Committee represents the key interest groups of the CCP: state, provincial, military, and corporate. At the 17th Central Committee which took place from Nov. 2007 to Nov. 2012, there was a total membership of 371 made-up of 204 full and 167 alternate members. At the 18th Central Committee announced in November 2012, membership was increased from 371 to 376 members; it was composed of 205 full and 171 alternate members. Senior Research Fellow at the East Asian Institute of the National University of Singapore, Bo Zhiyue (2008) delineated the membership of the 17th Central Committee in the following:

Where full membership was concerned, central leaders ranked first with 95 members, followed by provincial leaders with 67. While there were 41 full members from the military, there was only one corporate full member. There were 88 provincial leaders with alternate membership, 52.69 percent of the total number of alternate members. The remaining 79 alternate members were evenly distributed among central (30), military (23), and corporate (26) institutions. (p. 5)

The leader of the Central Committee is the General Secretary which in the year 2012, is the highest ranked leader of the CCP (Saitch, 2001, 2005; Walder 2003, 2004).

According to the CCP Constitution, the Central Committee selects the members of the Politburo who in turn appoint the Politburo Standing Committee who in turn chose the CCP General Secretary. For the breakdown of membership of each governing body in 2011, see table 2.5 as follows:

Table 2.5 Number of Members of Leading Party Organs- 2007- 2012

Governing Body	Number of Members
17 th Central Committee As of Oct. 2012	204 Full Members <u>167</u> Alternates 371 Total Members
17 th Secretariat As of Oct. 2012	6
17 th Central Military Commission As of Oct. 2012	11
17 th Politburo As of Oct. 2012	25
17 th Politburo Standing Committee As of Oct. 2012	9

Membership overlaps among these different committees and departments since the Politburo members are also members of the Central Committee, and the Politburo Standing Committee obtains its members from the Politburo. For example, President Hu Jintao is a member of Politburo Standing Committee, Central Committee, Secretariat, and Chairman of Central Military Commission.

While it may appear that the Central Committee chooses the membership of the Politburo, Politburo Standing Committee, and the General Secretary, the actual decision making process begins with the Politburo Standing Committee. Li Cheng (Winter 2012) wrote:

Based on the CCP Constitution, members of the Politburo should come from the Central Committee, members of the PSC from the Politburo, and the CCP General Secretary should arise from the PSC. In practice, however, the process is top-down rather than bottom-up: members of these leading Party organs guide the selection of members of the lower-level leadership bodies such as the Central Committee, which then “approves” the slate of candidates for higher-level positions such as membership in the next Politburo and the PSC. To call the Central Committee’s selection of the Politburo an election is something of a misnomer: members of the Politburo are actually selected by either the outgoing PSC, or as in the recent past, by paramount leaders like Deng Xiaoping. (p. 5)

In November of 2012, the 18th National Party Congress convened.

A new Central Committee, Politburo, and Politburo Standing Committee took office. Consequently, a new class of elites was ushered in with the 18th National Congress. Because of a strictly enforced retirement age and unofficial term limits, there was a great deal of turnover; usually a turn-over of approximately 65% occurs at each committee since the enforcement of the retirement age. On the Politburo Standing Committee, for example, seven of the nine members stepped down in November 2012. Only Vice President Xi Jinping and Vice Premier Li Keqiang remained. Xi became the fifth generation of PRC President while Li became the fifth generation of PRC Premier. From the transfer of power from the 17th to the 18th Politburo, fourteen members of the 25 member politburo retired. (Ewing, 2010; Cheng Li, Winter 2010; Liberthal, 2004; Miller, 2008, 2009, 2010).

The Politburo is the most senior decision-making body of the CCP. Because the number of seats for the Politburo and its Standing Committee is not formalized in the Constitution, their composition can vary. The Politburo Standing committee is the executive committee of the Politburo and is rarely seen in public as a whole. Decisions flow top-down from the Standing Committee. These Standing Committee individuals are the de facto rulers of the country. Please see the chart below from Li, 2001:

Table 2.6 17th POLITBURO STANDING COMMITTEE (PBSC) as of January 2011

RANK	NAME, DOB	DATE JOINED PBSC	PRESENT POSITION	After Nov. 2012
1	Hu Jintao, DOB: 12/42	Oct. 1992	General Secretary & President of PRC	RETIRE
2	Wang Bangguo, DOB: 7/41	Nov. 2002	Party Secretary of Standing Cmte of National People's Congress & Chmn of Standing Cmte of National People's Congress	RETIRE
3	Wen Jiabao, DOB: 9/42		Party Secretary of State Council & Premier	RETIRE
4	Jia Qinglin, DOB: 3/40	Nov. 2002	Party Secretary of the National Cmte of the Chinese People's Political Consultative Conference & Chairman of National Cmte of The Chinese People's Political Consultative Conference	RETIRE
5	Li Changchun, DOB: 2/44	Nov. 2002	Chairman of the CCP Central Guidance Commission for Building Spiritual Civilization	RETIRE
6	Xi Jinping, DOB: 6/53	Oct. 2007	Top-ranked Secretary of the Central Secretariat of CCP Vice Chairman of CCP Central Military Commission; President of Central Party School of CCP & VP of PRC	STAY
7	Li Keqiang, DOB: 1/55	Oct. 2007	Dep. Party Secretary of State Council & 1 st Ranked Vice Premier of State Council	STAY
8	He Guoqiang, DOB: 10/43	Oct. 2007	Sec. of CCP Central Commission for Discipline Inspection	RETIRE
9	Zhou Yongkang: DOB: 12/42	Oct. 2007	Secretary of the CCP Central Political and Legislative Committee	RETIRE

One of the main criticisms levied against the CCP and the PRC government is the perceived secrecy of its operations. The selection process has been shrouded in mystery and

silence. Very little official literature exists detailing the nomination and candidacy process.

Non-elite informant **Nolan Emmerson** shares with me:

When I worked with the US government, we were told by the PRC government that elections of the Politburo and Central Committee were indeed held. The only people who were allowed to vote were top ranking CCP members. Even among them, not all members were created equal. Some were more equal than others. Basically, in the times of Deng and Jiang, for that matter, both men picked their successors. Their vote counted more than everyone else's, especially in the case of Deng Xiaoping, less so for Jiang. Their cohorts met in the summer before the Central Committee meeting in the autumn. They all gathered at a summer compound outside Beijing. It's similar to our Camp David. All the top leaders – the Politburo Standing Committee, the politburo, Minister of Organization, Minister of Propaganda – were there, and they hashed out who would get what. I have heard from people who have been to several of these conferences that the President and Premier were handpicked by Deng and Jiang. The other spots of the Politburo Standing Committee and the Politburo were more open to negotiation by other members. They hashed out who will get what. They argue, negotiate, and debate. Then, they decide who will ascend and who will not. The important factor is that there are no cameras, no newspapers – no outsiders. It is a trusted group of individuals. What is said there stays there. All the participants are already in power so they all have a vested interest in keeping this information private. They can fight and argue in private. When they are in public, they can present a united front.

As mentioned above, the presidency of Hu and premiership of Wen called for more governmental accountability. In 2004, they ended these private summer excursions at Beideihai in hopes that the CCP leadership would use legitimate and formal party mechanisms instead of informal negotiations (Dotson, 2011, 2012; Dyer, 2011).

As much as the Hu/Wen leadership called for more government accountability and transparency, they were met with resistance, especially by members who were born princelings. Fissures among the 25 member 17th politburo committee were seen in the form of disgraced Chong Party Secretary Bo Xilai who had been criticized and accused of lobbying for a seat on the 18th Politburo Standing Committee to be formed in 2012. Bo's campaigning for a seat on the Politburo Standing Committee had been reported on extensively in China and in international

media outlets (<http://www.nytimes.com/2012/03/10/world/asia/bo-xilai-an-ambitious-chinese-party-chief-admits-failure.html>). One high ranking official told me:

It would appear that this individual is trying to gain public favor. He's trying to get his job in the public arena. I don't know how this will turn out. This is a private matter. This kind of public jockeying is not the way we do things.

PRC Elite, **Betsy Ershou** whose grandfather is a former member of the Politburo Standing Committee corroborated this perspective:

I think this individual was trying to make a name for him-self. The country is run by the Politburo Standing Committee. These nine individuals have the final say on what transpires in the country. Even the 25 member Politburo committee is not in the position to say no. I mean...they, the Politburo, say "Yes" to the Standing committee. If the Standing committee proposes a law, the Politburo is supposed to answer: "Yes. Of course, what a good idea. Why didn't we do this sooner? I totally agree." This individual (Bo Xilai) would always argue every point. According to people in the room, he didn't argue for a point but just to show off, to show off that he could. This is just not the way the Politburo operates...He was a problem. Everyone knew he would have to be handled soon. I mean people were calling my grandfather who has been retired for a number of years. They were calling him and complaining to him. It was becoming a huge problem for the committee and because this was taken to the public opinion court. Newspapers were reporting on it, domestic and international ones. Chinese blogs were filled with stories.

Non-elite informant, **Nolan Emmerson**, concurred:

I read in the daily newspaper – which don't forget is the official Party mouthpiece – that they interviewed regular people on the street in Chongqing about their Party Secretary, Bo Xilai. Even these regular people knew Bo Xilai wants a seat on the next Politburo Standing Committee. I know that for people who grew up in the United States and England/Western Europe, this would seem to be not very newsworthy. In China, it's a clear departure from normal procedures. The CCP has lasted this long by operating in the dark and keeping this kind of information under wraps. I don't know if it's Bo Xilai --- his idiosyncratic personality – or the internet, but this kind of shameless self-promotion is really unheard of in China and especially in Chinese politics. He is seen as too ambitious and too blatant. Chinese politics is more about nuance and skill. Self-promotion is frowned upon. I wonder if the powers-that-be like to have so much public exposure. It is an important time. During this autumn, we will experience a once in a decade leadership change. The CCP and the government both want to maintain stability. So I would assume that this kind of attention would be unwanted and highly undesirable. Why is this detrimental – because it shows cracks among the elite power leadership. With a new regime coming in the fall, they want to be seen as strongly united and powerful as possible.

The case of the controversial Bo Xilai was widely seen as, in the words of one high ranking official, “shameless self-promotion and pandering.” According to Li (2011, Winter), Bo Xilai was a throwback in many ways to Chairman Mao; Bo was criticized for trying to become another cult personality like Mao. This was in contrast to the trend set by President Hu Jintao and Premier Wen Jiabao in which the exercise of power has shifted from a one-person autocracy to a more consensus-based decision-making. **Neal Endicott** confided:

When Xi Jinping becomes President in the fall, as he is expected and predicted to become, it will be the first time in PRC history that the paramount leader was chosen by a committee instead of his Deng Xiaoping. Don't forget even though Deng died in 1997 which is well before 2002 the year President Hu Jintao came to power. It was Deng himself who put President Hu in power by placing Hu on the Politburo Standing Committee which at that time was only seven people instead of today's nine. Hu was the youngest member of Politburo Standing Committee and the second youngest ever since the founding of the Republic in 1949. Deng has chosen, or it could be said, he even handpicked his two successors: Jiang and Hu. In 2012, this is the first time a leader of the PRC will not be chosen by Deng.

While Xi's selection process is by no means as transparent as national elections in the United States or other Western European countries, it is “open” for China. In other words, a committee, most likely the Politburo Standing Committee and the Politburo, to a lesser extent, have decided amongst themselves who should replace President Hu and Premier Wen. Consequently, the leadership of the country is no longer determined by one man but by a consortium. PRC elite political leadership has evolved from a dictatorship to an oligarchy; it's been conducted in this manner since the end of Jiang's term.

The reasoning for this is two-fold. First, it prevents the ascension of a supreme leader at the expense of all others, as was previously experienced under Mao in the 1960s and 1970s. The CCP wants to avoid the mistake of allowing one person to attain cult-like status. And second, it prevents any one leader or faction from gaining ultimate supremacy (Li, 2001; McGregor, 2010; Shambaugh, 2010). The trend seems to be towards team and consensus building rather than one individual making all the decisions as was the case during the eras of Mao, Deng, and Jiang. In 2011, Alice Miller (2011, Summer) wrote:

The standing of the general secretary as first among equals among the rest of the membership of the Standing Committee and the full Politburo is reflected in media reference to Hu Jintao not as “core” leader of the 16th and 17th Central Committees but simply as party general secretary. During his 1989-2002 tenure as general secretary, Jiang Zemin was constantly referred to as “core” of the 14th and 15th Central Committee leaderships. In addition, none of the new ideological departures that have emerged since Hu became general secretary – for example, the emphasis on “people-centered” policies, the “scientific development concept,” or the “socialist harmonious society” ideal – have been described as his personal intellectual property. They have instead been routinely attributed to the “collective wisdom” of the 16th and 17th Central Committee leaderships. (p. 5)

The constant references to Jiang as the *core* of his political generation have been interpreted as attempts by the CCP to solidify the legitimacy of Jiang’s tenure.

When Deng Xiaoping named Jiang his successor in the summer of 1989, the Tiananmen incident (June 4, 1989) was reaching crisis level, and the CCP leaders were trying to maintain control and general calm. Jiang came from a different generation than Mao and Deng; Jiang was born in the 1926 while Mao in 1893 and Deng in 1904. As a member of a generation that did not partake in the Long March and in the founding of the PRC, Jiang needed to show his rivals and the public that he deserved to be the paramount leader. Being addressed as the Core of of his political generation was one way to bolster him. When Hu Jintao ascended to power in 2002, it was another historical occasion. As **Non-elite** informant, **Nig Ebersole** said:

When Hu took over from Jiang, it was the first time in Communist history that a new leader came to power without a revolution, purge or a death. It was a peaceful transition. It was historical. I think this indicates how the CCP and the PRC are evolving and transitioning from a country born from revolution into a more mature bureaucratic state. Hence, President Hu does not need to refer to himself as the core. No one is questioning his legitimacy. The people of the PRC have accepted his presidency. Now, President Hu has influenced the CCP to embrace this type of consensus leadership. The CCP decision makers knew that the CCP had to survive any one person, that the CCP... was greater than any one individual.

The Future – Who will the Leaders be?

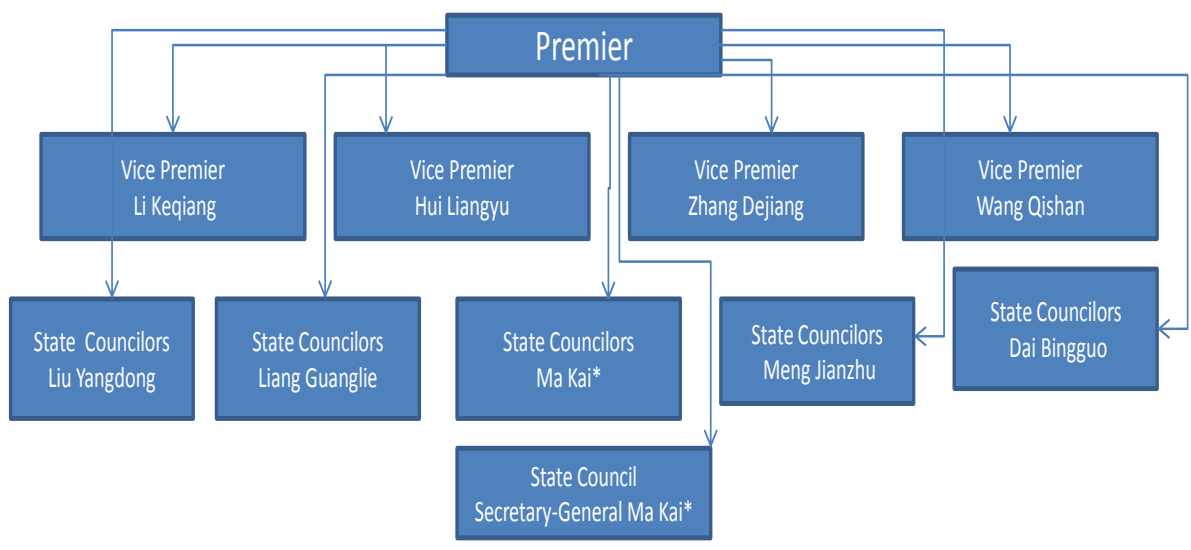
By studying those who have successfully transitioned to the Central Committee, the Politburo, and the Politburo Standing Committee, one can try to determine what is necessary to gain the top posts within these three bodies. Researching the incumbents in these pivotal roles can clarify the nominating process. For example, close scrutiny reveals that the most important bureaucratic constituencies are in the ministries of the State Council, the offices of the provincial chiefs, the CCP's central departments, major state-owned enterprises (SOEs), and the military. The first three, since they deal with political elites, will be discussed in this chapter while the last two, economic and military elites, will be discussed in chapters three and four, respectively.

PRC Elite – The State Council Members

As per the official website (<http://english.gov.cn/links/statecouncil.htm> Retrieved June 1, 2008 from gov.cn), the State Council is the highest executive organ of state power. (Please See Chart of the State Council.)

Table 2.7 STATE COUNCIL

State Council



All of the Below Offices/Ministries/Commission/Institutions/Special Organizations report to State Council which is made-up of Premier, Vice Premiers, & Councilors



Ma Kai occupies two positions concurrently : State Councilor & Secretary General.
Taken from <http://english.peopledaily.com.cn/data/organs/statecouncil.shtml#Ministry>

The Premier, four Vice Premiers, five State councilors and the Secretary General form the State Council. Nominated by the President, reviewed by the National People's Congress (NPC), the Premier is appointed by the President and thus serves at the pleasure of the President. The Premier also nominates other members of the State Council; they are then reviewed by the NPC or its Standing Committee. Like the Premier, the other members are appointed by the President and serve as long as the President chooses. For the past two decades, the two top leaders of the State Council – Premier and Executive Premier – have been given seats on the Politburo Standing Committee, too. All vice premiers along with several state councilors serve on the Politburo. The State Council is the Cabinet of the PRC. The Premier heads it. As one might imagine, the State Council is quite large and there are many different departments. Executive meetings of the State Council (*guowuyuan changwu huiyi*) are held approximately once a week. Full meetings of the State Council (*guowuyuan quanti huiyi*) are held every six months. The State Council's Executive Committee, in its current configuration, consists of the premier and four vice premiers, among which there is a first vice premier, who is higher than the other three vice premiers. There are also five state councilors; one of the councilors also serves as a chief of staff, which is referred to as the secretary general.

Besides the Executive Committee members, the ministers of China's twenty-seven ministries can attend the full meetings of the State Council. Each administration heads a functional agency, such as the Ministry of Foreign affairs, the National Development and Reform Commission (NDRC), the People's Bank, and the National Audit Office.

PRC Elite – Provincial Chiefs

Provincial chiefs are an increasingly visible faction. By studying the current class of provincial chiefs, one is certain to find the next generation of PRC political elites. Currently,

there are sixty-two provincial chiefs, one Party Secretary and one Governor (or mayor) for each of China's 31 provinces. In the PRC, there are three types of cities: 1) municipalities, 2) Prefecture-level cities, 3) country level cities. Municipalities are cities that are directly controlled by the central government; there are four cities (Beijing, Shanghai, Tianjin and Chongqing) that are referred to as municipalities. The highest government position in these four municipalities is Mayor. Other cities are governed by provincial officials; the highest provincial government position is the Governor. Since the CCP leadership outranks the provincial government leadership, the Party Secretary of each province or municipality outranks the governor or mayor. Cheng Li (Winter 2010) detailed the importance of provincial chiefs in the following excerpt:

China's provincial chiefs currently carry enormous political weight in the governance of the country for three main reasons. First, the provinces and municipalities that these leaders govern are large socioeconomic entities. It is often said that a province is to China what a country is to Europe. In fact, Chinese provinces are much bigger in terms of population than most European countries. For example, China's five largest provinces – Henan, Shandong, Sichuan, Guangdong, and Jiangsu- are more populous than the five largest countries in Western Europe: Germany, England, France, Italy and Spain... The economic significance of these provinces is also important. For example, the total GDP of Guangdong Province has already surpassed three of the "East Asian Tigers": Singapore, Taiwan, and Hong Kong. Guangdong's governor recently claimed that the province's GDP will surpass that of the other "tiger," South Korea, within a decade. (pp. 2-3)

Hence, the provinces in China have become major economic and political entities; the provincial leaders are members of the political elite.

Several of the top provincial leaders are also members of the Central Committee and the Politburo. Consequently, some provincial leaders have, on occasion, challenged the authority of the central CCP leadership. The two most notorious purges in recent years have been power struggles between the PRC President and the powerful Provincial Chiefs: President Jiang Zemin and Beijing party secretary Chen Xitong in 1995 and President Hu Jintao and Shanghai party

secretary Chen Liangyu (no relation to Chen Xitong) in 2006. Both former PRC President Jiang Zemin and current PRC President Hu Jintao found themselves challenged by provincial chiefs Chen Xitong and Chen Liangyu for control of the CCP and the government. By winning these power struggles with their respective rivals, Jiang and Hu secured their positions as paramount leaders.

Working as a provincial chief is a stepping stone for many. Former provincial party secretaries who have become either President or Premier include the following:

Table 2.8 PROVINCIAL LEADERS WHO ASCENDED TO NATIONAL LEADERSHIP

NAME	FORMER PROVINCIAL POST	NATIONAL POST
Jiang Zemin	Party Secretary of Shanghai	President of China
Zhu Rongji	Mayor of Shanghai	Premier of China
Hu Jintao	Party Secretary of Tibetan Autonomous Region	President of China
Xi Jinping	Party Secretary of Zhejiang Party Secretary of Shanghai	President of PRC
Li Keqiang	Governor of Henan	Premier of PRC

Moreover, Premier Wen Jiabao is the only member of the 17th Politburo Standing Committee who has not served as a provincial chief at any point in his career.

In the PRC, it is important to remember that not all provinces are created equal. Some provinces and their leaders hold more political and economic weight. Provincial party secretaries are considered more important than provincial governors (Li, 2001; Miller, 2009, 2011 Summer). Non-elite informant **Niles Eggleston** stated:

The provincial party secretaries are more powerful than the provincial governors. They are tasked with maintaining CCP power and keeping the CCP as the ruling party state while governors are responsible for economic prosperity. Obviously, this is an oversimplification. A provincial chief wants its province to succeed economically because that helps him and his career. But if the CCP has to give up control or economic prosperity, it will give up economic prosperity. In other words, it could be argued that the PRC could make more money by opening the internet and allowing freedom of speech. The Party won't do this because if they do, they could lose control of the

population and their rule could be threatened. Keeping that in mind, provincial party secretaries are the ones that report directly to Beijing while provincial governors report to the party secretaries.

Currently, there are five provincial chiefs who also sit on the 17th Politburo. As such, these five provincial chiefs are the most powerful provincial chiefs in the PRC. The five provincial party leaders who are also Politburo members are detailed in Table 2.7, taken from Miller 2011, Summer.

Table 2.9 Provincial Leaders who are also members of the 25 Member 17th Politburo

Party Chief of Beijing	Liu Qi
Party Chief of Shanghai	Yu Zhengsheng
Party Chief of Tianjin	Zhang Dejiang
Party Chief of Chongqing	Previously held by Bo Xilai (who was dismissed in April 2012)/ Replaced by Zhang Dejiang In June 2012
Party Chief of Guangdong	Wang Yang

Beijing, Shanghai, Tianjin, and Chongqing are the four cities/municipalities that report directly to the central government; these provincial leaders, generally speaking, gain seats on the Politburo. Guangdong, the richest province in the PRC, has seen its last three provincial chiefs become Politburo members while they simultaneously served as provincial chief. Consequently, these provincial leaders are **concurrently** national leaders. Serving as provincial chief from the provinces of Shandong, Jiangsu, Zhejiang, Fujian, Liaoning, Henan, Hubei, Sichuan, and Xinjiang is another path to the Politburo as previous Politburo members have served in these

positions. Examining the biographies of the current Politburo, one can determine that four Politburo members, Jia Qinglin, Xi Jinping, He Guoqiang, and Wang Zhaoguo, have all served a stint as provincial chief of Fujian Province. Li concluded: “If the post of provincial chief is a stepping stone for further promotion, serving in one of the above-mentioned cities or provinces is basically an admission ticket for Politburo membership.” (Li, Winter 2010, p. 18-19)

While not as prestigious as the twenty-five member 17th Politburo, the 371 member 17th Central Committee is nonetheless an influential governing body. (Please see page 67 for table.) In 2007, all of the provincial Party secretaries and governors of the 31 provincial level administrations were given full seats on the 17th Central Committee (Cheng Li, Winter 2010, p. 4).

In the hope of making the selection process for political elites more institutionalized and transparent, the CCP adopted a policy to present a slate of candidates with a greater number than seats available. Li Cheng (2012, November 16, par. 6) described this process:

As with previous party congresses, the Chinese leadership utilized a method of multi-candidate election for the Central Committee known as a “more candidates than seats election” (*cha’e xuanju*). At the election for full members of the Central Committee, over 2,200 delegates of the congress chose 205 full members from the 224 candidates on the ballot (9.2 percent were eliminated). Similarly, in the election for alternate members of the Central Committee, they elected 171 leaders from a candidate pool of 190 (11.1 percent were eliminated).

Because of this “more candidates than seats” process, turnover at the Central Committee has been high, with an average of approximately 60% being replaced since 1980s (Li Cheng, 2001). President Hu and Premier Wen wanted to institutionalize the process of choosing leaders and implement a straightforward process.

As members of the Politburo and/or Central Committee, these Provincial leaders have assumed elite status at the national level. While the top prize is still the Politburo Standing

Committee, being a member of the Politburo and Central Committee holds a great deal of status and prestige. Many provincial leaders became members of both the Politburo and Central Committee while holding provincial leadership positions. As seen from the table on page xxx, Politburo Standing Committee members assume the positions of President, Premier, Vice President, Vice Premier, or State Ministers; they work full time in Beijing; as such, they are unable to continue as provincial chiefs.

Candidates for PRC Elite – Party Bureaucrats

The CCP apparatchiks or bureaucrats constitute the third group of political elites. This is a highly influential group, and among its members are potential leadership candidates in 2012. It is estimated that the CCP has a membership of 80 million and 3.9 million affiliated branches at the city level. The total number of CCP and government officials and staff positions has been estimated to be 11 million in 2000, growing from an estimated two million in 1996 (Li, 2001). Extreme job redundancy occurs. Apparatchiks are not always easy to discern; it is difficult to characterize them. All CCP leaders could be viewed as apparatchiks because their most important duty is to govern the country through the Party. Moreover, it is important to remember that President Hu Jintao, Premier Wen Jiabao, former Vice President Zeng Qinghong, and current Vice President Xi Jinping have all served in this area. These bureaucrats are usually involved with organization, personnel and ideology, as opposed to those who are concerned with economic and financial planning, social maintenance, defense, research and development, technology, and education (Li, Spring 2011).

According to Lieberthal (2004), the Central Committee as a whole does not have power to make the decisions; instead, it is the Central Committee departments that make the important policy. The Central Committee Departments of importance are the following:

- The Organization Department
- The Propaganda Department
- The United Front Work Department
- The General Office
- The Central Politics and Law Committee
- International Liaison Department

While the Central Committee is in theory the supervisor of these seven departments, in actuality, these seven departments receive directives directly from the Politburo (PB) and the Politburo Standing Committee (PBSC) through the Secretariat which is the PB's and PBSC's main administrative organ. Moreover, many PBSC members are the actual heads of these very important Central Committee Departments. Lieberthal (2004) wrote that Secretariat officials “oversee the preparation of documents for Politburo consideration and turn Politburo decisions into operational instructions for the subordinate bureaucracies” (p. 175). The fact that the leader of the secretariat, which is referred to as Executive Secretary of the secretariat, is a high ranking official belies the importance of this administrative organ. Currently, Xi Jinping, the future President, is the Executive Secretary. Previous leaders include current President Hu Jintao and Former Vice President Zeng Qinghong (Brady, 2008, Brezenski 1990).

Historically, party apparatchiks have always been placed in charge of organization and propaganda. According to Li (2001), the two most important ways in which the CCP maintains its position as a ruling body is personnel control and ideological indoctrination. In Brzezinski's (1990) critique of communism, he found that when communist regimes shifted away from ideological authoritarianism to non-ideological authoritarianism, it was the beginning of the end for these regimes. The CCP is quite aware of this and is intent on maintaining strict control.

Two committees, drawn from the Organization Department and the Propaganda Department, supervise the selection of the political elite. As the human resources department of the CCP, the Organization Department lobbies, scrutinizes, and assesses potential candidates for the Central Committee and the Politburo. Propaganda Department responsibilities include establishing the ideological themes and political trends for the current administration (Li, Spring, 2011). It is also in charge of the Central Party School, which trains cadres in party thinking. Currently, there are five leaders at the Central Party School.

The General Office and the Organization Department are the CCP organs that are considered to be the most important. (Please see table on page 65). Consequently, the heads of those departments are primary candidates for elite positions. All the departments have more than one head. There are three leaders at the Central General Office and nine leaders at the Central Organization Department.

The Central General Office (CGO) is one of the most important party organs. Officially, it manages the secretarial and logistical details for top officials. Li likens the Central General Office to the Executive Office of the President of the United States. Unofficially, Li (Spring 2011) found that it “controls the flow of information, monitors daily events, drafts important documents, coordinates major meetings, and is directly involved in the decision-making process” (p. 5). One mark of its importance is that the previous nine directors either served simultaneously on the Politburo or after their tenure at the Central General Office. Moreover, seven directors have served on the Politburo’s Standing Committee. The more famous alumni include CCP Vice Chairman, Wang Dongxing, PRC President Yang Shangkun, Vice President Zeng Qinghong and Premier Wen Jiabao. Central General Office directors have historically

been political allies and confidants of the paramount leaders. This trend continues with the current director: Li Jihua who is known to be one of President Hu's closest allies.

The Central Organization Department (COD) is in charge of the recruitment and promotion of political elites. Past directors of the Central Organization Department include Mao Zedong, Zhou Enlai, Deng Xiaoping, Hu Yaobang, and Zeng Qinghong, to mention a few. In fact, twelve former directors were members of the Politburo Standing Committee and were either chairman or vice-chairman of the CCP. The Central Organization Department gains much of its importance in the control of *nomenklatura* (literally translated to "list of names"), which is the secret party system that appoints the highest levels of CCP personnel:

It is a list of *positions* for approximately 2,500 party officials at the rank of minister in central-level organs or governor and party secretary in China's thirty-one provinces and four centrally administered municipalities (Beijing, Tianjin, Shanghai, Chongqing), and an additional 39,000 officials at the bureau level whose appointment must be reported to the Central Committee. (Shambaugh 2010, p. 141)

The *nomenklatura* only applies to CCP leadership; appointments at the lower level positions in the government administrative departments, state enterprises, and service organizations are managed by the *bianzhi* system, which is responsible for 33.76 million people. Like the *nomenklatura* system, *bianzhi* is a relic from the Soviet political order. *Bianzhi*, which can be translated as "establishment of posts," refers to the lower level positions. It refers to the number of people in a department, unit, office, organization, or enterprise. By controlling this *bianzhi* process, the CCP is able to maintain close supervision over the CCP bureaucracy from the central to the local level (Brødsgaard, 2002; Chan, 2004; Heilmann, 2000; Heilmann & Kirschberger 2000). The *bianzhi* and *nomenklatura* seem very similar, and differentiating the two can be difficult. Brødsgaard and Yongnian (2006) explained it as follows:

A more precise definition would be to define *nomenklatura* as a list containing those leading officials directly appointed by the party as well as those officials about whom

recommendations for appointment, release, or transfer may be made by other bodies, but which require the party's approval. It should also be noted that the *nomenklatura* include lists of personnel to be recommended for future appointment. The *bianzhi* system neither contains such reserve lists nor does it describe mechanisms for leadership appointments. (p. 104)

The *bianzhi* list is established and supervised by the CCP's personnel department yet it remains quite separate and distinct from the *nomenklatura* list. Yongnian and Brødsgaard further elucidated:

For example, a *bianzhi* list encompasses all employees in a given unit, including people engaged in logistic work, whereas the *nomenklatura* only apply to the leading administrative personnel from *ke* (section)-level and above. However, in practice, party organization departments will oversee the work of the state personnel departments and often the two lists may overlap. Structurally there are centrally managed cadres, provincially managed cadres, prefecture (city) managed cadres, and county managed cadres. Principal cadres in the state civil service will be part of the *nomenklatura* system at their corresponding levels. (p.105)

The reality is that there is overlapping between the *nomenklatura* and *bianzhi* lists. The Central Organization Department controls appointments to all important leadership bodies. The importance of this department reaches into all levels of PRC society. McGregor (2010) described it as follows:

The best way to get a sense of the dimensions of the department's job is to conjure up an imaginary parallel body in Washington. A similar department in the US would oversee the appointment of the entire US cabinet, state governors and their deputies, the mayors of major cities, the heads of all federal regulatory agencies, the chief executives of GE, Exxon-Mobil, Wal-Mart and about fifty of the remaining largest US companies, the justices on the Supreme Court, the editors of the New York Times, the Wall Street Journal and the Washing Post, the bosses of the TV networks and cable stations, the presidents of Yale and Harvard and other big universities, and the heads of think tanks like the Brookings Institution and the Heritage Foundation. Not only that, the vetting process would take place behind closed doors, and the appointments announced without any accompanying explanations why they had been made. (p. 72)

As mentioned above, the director of the Central Organization Department, which oversees elite recruitment and promotion, has historically been and continues to be a major political player in

Chinese politics. Rumors abound that the current director, Li Yuanchao, will ascend to the Politburo Standing Committee in the fall of 2012, as told to me by several informants.

The Central Party School (CPS) is the top educational institution in charge of retraining officials. Top leaders turn to Central Party School leaders for advice and counsel. As such, the Central Party School has become a leading advisory institution or think tank in the PRC. Many Politburo and standing committee members have served as president of this institution. Currently, the future President Xi Jinping is the president of the Central Party School.

As the country and indeed the world gears up for the 18th National Congress of the Chinese Communist Party, Sino experts like Cheng Li, Shambaugh, and Miller are studying the membership rosters of the State Council, the Provincial Chiefs, and the Party Apparatchiks in the hope of gleaning information about future PRC leadership. Compiling biographical data on these three groups provides a great deal of information on PRC political elites.

Markers of the PRC Political elites

As mentioned in Chapter One, my sampling was not randomly selected. It was dependent on personal referrals from a group of national political elites. Having a personal referral gave legitimacy to my research and work. I started with a sampling of recognized political elites from the government and the CCP. Then, those elites referred me to other political elites.

After analyzing my data, I tried to determine what common characteristics the political elites possessed. Cao in his research on scientific elites of China also detailed the characteristics that helped define scientific elites. He used the term “Social Origins” to include the birthplace and the educational achievements of scientific elites in the PRC: “As a matter of fact, stress on education, one of the important features of Confucianism and family values of Chinese, has

survived the historical changes in China” (Cao, 2010, p. 73). Scalapino (1972) also tried to determine the criteria for identifying elites: “No practice is more standard for elite analysis than cataloguing members’ backgrounds” (p. 17). In his research on provincial chiefs, state council ministers and party apparatchiks, Cheng Li constructed an empirical analysis of the different constituencies and presented an overview of biographical information which included birthplace and educational background. By studying the family birthplace, educational background, the presence of informal networks, factional affiliations, and career paths, I hope to determine markers that denote elite status in PRC political elites.

Family birthplace

Birthplace is an important concept in the study of PRC political elites. Cao (2004) explains his reasoning: “The birthplaces are significant... because the Chinese are not very mobile and usually receive their early education where they are born” (p. 74). Cohen (2005) wrote: “Place of origin was one of the major ascribed statuses in Chinese society” (p. 47).

During his 2001 study of China’s leaders, Li also tried to group the birthplaces of different leaders. He commented on the well-known fact that the eastern provinces of Jiangsu and Shandong have produced many CCP leaders. As the CCP evolved from being a party of uneducated workers to a party of educated technocrats, it began recruiting from different areas.

In his research on possible candidates for the next generation of PRC elite leadership, Li noted that many of the provincial chiefs, state ministers, and party apparatchiks all come from Eastern China, especially the Jiangsu province which contains the city of Shanghai. Thus, after the reform era, the majority of political elites came from Shanghai and surrounding areas: “The dominance of leaders from the East China region within the central government has been the norm for decades, and it will likely continue for years to come” (Li, 2010 Spring, p. 6). Cao

notes that the eastern coast of China has since the 1800s been more economically developed than other parts of the country; therefore, it has produced a better educated population. Through hundreds of years, the eastern coast of China has enjoyed its advantageous position of being on the coast. Trading from this position brought a great deal of money in addition to a culture that welcomed diversity, entrepreneurship, and tolerance. One city in particular on the eastern coast of China has enjoyed greater prominence than other cities: Shanghai.

In addition to the reasons listed above, there are other contributing factors to Shanghai's prominence. Shanghai has enjoyed a history in which its politicians have transcended and dominated the national stage of politics for better and for worse. In the 1940s, the wealthiest and the most powerful bureaucratic families who were referred to as *sidajiazu*, which translates into the four big families, called Shanghai their home.

In the 1970s, the Gang of Four, politicians that included Jiang Qing, wife of Chairman Mao Zedong, also came from Shanghai. Like the *sidajiazu*, the Gang of Four was extremely corrupt and took advantage of a weakened and divided central government to take control of the country and its finances. Opposing political forces defeated both the *sidajiazu* and the Gang of Four. In 2008, Chen Liangyu, the Shanghai party secretary, tried to wrest control of the CCP and the government from President Hu Jintao. In the end, Hu triumphed and Chen was imprisoned and purged.

The most successful politicians from Shanghai remain former President Jiang Zemin and Premier Zhu Rongji. Both left peacefully in 2002 when the CCP and government transitioned to President Hu Jintao and Premier Wen Jiabao. Zeming and Zhu supervised China during its economic boom of the late 1990s; these men are credited with bringing the economic policies begun by Deng to fruition.

According to Li, Shanghai's real trajectory to national power began when Jiang Zemin assumed the CCP's top leadership post in 1989. In the 1980s, Shanghai suffered a huge economic burden as its profits were diverted to the Central government. Li (2002) wrote:

During the first four decades of the PRC, the central government placed heavy fiscal burdens on the city. In 1980, for example, Shanghai ranked first in the nation in terms of industrial output (accounting for one-eighth of the national total), in exports (one quarter of the total), and in revenue sent to the central government (one-sixth). At the same time, Shanghai received the lowest average share in the nation of central allocations for housing, roads, and transportation. In 1984, the Shanghai municipal government's revenues totaled 16 billion yuan, of which 13.2 billion (83 percent) was delivered to the central government. (p.4)

When Deng Xiaoping instituted the economic reforms of the early 1980s, the first cities to benefit were Shenzhen, Guangzhou, and Beijing. It was not until 1992 when Deng Xiaoping took a tour of Shanghai did the central government start investing in Shanghai and encouraging foreign direct investment. The eastern side of Shanghai, Pudong, was developed into China's largest and most profitable special economic zone. From 1992-1996, more municipal construction was completed in Shanghai than the previous four decades combined. More foreign direct investment was invested in Shanghai in 1993 than the sum of the entire 1980s (Li, 2002).

Since 1995, after the consolidation of his power, Jiang has worked to maintain Shanghai's leadership among other cities. Even among the three other municipalities directly under the central government, Shanghai found itself in a superior position. Li (2002) recorded:

Shanghai's total investment in fixed assets in 1998, for example, was 196.6 billion yuan, which was much higher than that of the three other municipalities directly under the central government--Beijing (112.4 billion yuan), Tianjin (57.1 billion yuan), and Chongqing (49.2 billion yuan). . . . Shanghai's investment in urban infrastructure increased from 4.7 billion yuan in 1990 to 45.1 billion yuan in 2000. The amount of revenue dedicated to capital construction projects increased from 1.4 billion yuan to 13.2 billion yuan. Meanwhile, the standard of living of Shanghai residents has significantly improved. Private savings of Shanghai residents, for example, increased from three billion yuan in 1980 to 237 billion yuan in 1998, a 79-fold growth in eighteen years, basically within a generation. (p. 4.)

Jiang had many reasons for solidifying Shanghai's leadership among China's municipalities. First, Jiang Zemin considered Shanghai his city of origin. He also began his political career here as Mayor and he retired there in 2002. Finally, his sons had developed businesses that were based in Shanghai. For all these reasons, Jiang concentrated a great deal of governmental effort into building and maintaining Shanghai's preeminence among other Chinese cities (Li, 2007, Winter.)

The plethora of Shanghai natives in high-ranking positions in the CCP and the central government is also attributable to the influence of Zeng Qinghong, a son of a PRC revolutionary. He was a princeling, defined as a child of a high-ranking CCP official or, as in this case, a revolutionary veteran. A protégé of Jiang Zemin, Zeng Qinghong was the head of the Organization Department from 1999 to 2002. In this position, he supervised all top ranking personnel. Zeng placed people loyal to him and, by extension, loyal to Jiang Zemin in all the top ministerial and provincial posts and to the Central Committee. Those most loyal to Jiang Zemin tended to be from Shanghai. Even those who were not Shanghai natives had nonetheless built their political careers there.

During his tenure from 1989 to 2002, Jiang Zemin tried to pack the different CCP leadership bodies with politicians loyal to him. More importantly, he tried to create a pipeline of future leaders that claimed loyalty to Jiang; these individuals were referred to as members of the Shanghai Gang. This is not to say Jiang's power continued unabated. In fact, Jiang's power waned during the presidency of Hu Jintao (2002-2012). In 2008, when Chen Liangyu, party secretary of Shanghai and Jiang protégé was purged and imprisoned, many pundits predicted the end of Jiang's and the Shanghai Gang's reign of influence. The appointment of Xi Jinping as PRC President in 2012 belies this prediction since Xi is known to be a Jiang protégé.

The majority of my PRC elite informants have roots in Shanghai's commercial and political enterprises. Given that my snowball sampling is derived from my father who grew up in a suburb of Shanghai and then attended university in Shanghai, the plethora of Shanghai natives among the sampling is not by accident or by coincidence. Moreover, my father's businesses are still conducted in Shanghai, an additional contributing factor to the great number of Shanghainese informants in my research.

Educational Background

The educational achievements associated with political elite status changed between generations as the needs of the PRC evolved. Soldiers, peasants, and members of the urban lower-middle class filled positions of leadership when the CCP was formed. Generally speaking, they were uneducated. Even those leaders who studied outside of China, such as Zhou and Deng Xiaoping, spent most of their time on political activities rather than education. Mao Zedong audited many university classes though he did not have the time to participate in them (Cao, 2004). From the founding of the CCP in 1921, there has been a dearth of educated leaders in the CCP. Moreover, none of the original thirteen who attended the first meeting of the CCP had any exposure to the sciences. In fact, the Central Committee did not have any technical specialists, such as engineers. One non-elite informant, **Neal Endicott**, explained: "The early CCP consisted of illiterates and poor peasants. When the CCP came to power and founded the PRC, those very same people became the leaders." Thus it has been estimated that from 1949 to 1979 only five percent of the top leaders possessed an education above secondary school (Li, 2001).

A recurring theme throughout Mao's tenure was the conflict between "reds" and "experts." Cao (2004) defined redness "as political consciousness – specifically adhering to

revolutionary lines and implementing party policy” (137). “Expert” meant possessing professional competency. Wallace (1973) described this situation as typical for revolutionary societies such as China where loyalty trumped intelligence and technical competence.

Animosity toward the “expert,” or intellectual, reached its zenith during the Cultural Revolution when intellectuals were deemed to have undesirable class origins along with landlords, rich peasants, counterrevolutionaries, bad elements and rightists (Cao, 2004, p. 136). One was either a “Red” or an “Expert.” As Kohrmann (2003) discussed in the story of Deng Pufang, Deng Xiaoping believed that educated political elites would make better leaders of the CCP and the PRC. When Mao died in 1976, Deng, who had been reinstated, sought to bring an end to the “red” versus “expert” controversy. He realized the importance of educated leaders for economic reform. Deng especially championed intellectuals as the core force behind modernization. As Fewsmith (2010, 2011 Summer) noted, the CCP evolved from a revolutionary party (*gemindang*) to a ruling party (*zhizhengdang*). Wholesale transformation of the political elite gained momentum when Deng and Hu Yaobang, then Party General Secretary, made speeches in 1980 and 1983 respectively, stating that leaders must be trained specialists. Hu’s speech was an important turning point and symbolized the beginning of a massive transformation of elite groups in the PRC.

By the time of the 12th Party Congress in 1982, technocrats emerged as separate and differentiated elites with the appointments of Li Peng, Hu Qili, Jiang Zemin, Wu Bangguo, and Wang Zhaoguo to the Central Committee. By the time of the 13th Central Committee, only two members of the eighteen-member Politburo had ascended to their positions before 1982. This trend continued at the 13th Party Congress in 1987 when the Chinese Communist Party appointed

a great number of leaders that can be described as technocrats to leadership positions. Li (2001) marked this turnover:

From 1980 to 1986, more than 1,370,000 senior cadres, all recruited before 1949, retired. At the same time, more than 469,000 college-educated younger cadres came into leadership positions above the county level. This monumental change seems to be the result of the *nomenklatura* requirement that PRC leaders should have college degrees or other tertiary education. The key constituency of the Party, especially the upper-and middle-level leadership, changed from peasants and workers to college-educated elites, especially technical specialists. (p. 35)

By 2002, the majority of the 16th Central Committee members held a college degree and the majority of those held a technical degree.

As Deng Xiaoping's tenure ended, his successor, Jiang Zemin, ushered in the era of the technocratic leader.

The transition from Deng's generation of aging revolutionaries to Jiang's generation of Party bureaucrats has evoked the most discussion, but it is the rejuvenation and promotion of better-educated cadres to the Central Committee that is more important in institutional terms. This is a change that has been taking place for some time. A special "party representatives" meeting in 1985 saw a large-scale turnover in the membership of the Central Committee, as many younger and better-educated cadres were promoted. This trend continued in the Party congresses of 1987 and 1992. At the Fifteenth Party Congress in September 1997, almost 60 percent of the Central Committee was replaced, ensuring the promotion of younger and better-educated cadres, particularly in the provinces. (Fewsmith, 2001a, p. 74)

More cadres that were better educated than their predecessors ascended leadership positions in the national and provincial level. More importantly, the trend became permanent as new cadres at all levels were required to have some years of college education, if not a college degree.

This trend solidified under the third generation leadership, given that all three top leaders were trained engineers. The new group of Party and Government leaders in 2000 represented two major shifts in elite composition. The political leadership evolved from the Long March generation to the technocratic generation. The technocrat is a specific designation. Li (2001) defined a technocrat as follows: "a person who is concurrently specialized by training in a

technical science, holds a professional occupation, and has a leadership position.” Technocrats are involved in technical disciplines and explore scientific causations, usually relying on physical or mathematical models. Political elites that have studied the humanities are not considered technocrats, even if they are in leadership positions, because they have not received specialized technical training.

Graduating from college is not enough to designate an elite marker. For Li, the choice of study, such as engineering in the 1950s or politics and law in the 1980s, is the elite marker. Since many of the political leaders of the PRC share a similar training in engineering, they have forged their own way of governing. As one top official remarked to me: “When you have co-workers who are all trained as engineers, it is easier to reach a consensus among them. The reason – because we all approach the problem in the same way.” While the third generation of Chinese leaders may be technocrats, and thus not interested in the political campaigns waged by second generation leaders, these technocrats are no less determined than previous elite leaders to maintain the CCP rule.

More leaders of the fourth generation attended postgraduate schools and studied in the West. Throughout the 1980s, many fourth generation leaders studied in Western countries as doctoral candidates or visiting scholars. This is quite different from the third generation who studied abroad in fewer numbers and who were trained in the USSR and other communist bloc countries in Eastern Europe. The upcoming fifth generation is expected to include even more leaders with the experience of studying in North America, Western European Countries, or Japan.

Foreign educated returnees (*haigui*) are also becoming a source for elite leadership. Haigus are Chinese natives who were born in China and then studied overseas as students for a

period of more than one year, and then returned to China to work (Li, 2005). *Haigu* does not apply to those who studied at foreign institutions for less than a year, or those of Chinese ethnicity born outside of China, or those who returned to the PRC after working outside of China but did not seek education. Currently, 14.8 percent of ministers are returnees while 38.9 percent of assistant ministers are returnees. The total number of haigui working at the highest levels of the CCP and the government is still low but will increase when the fifth generation assumes leadership. Returnees are serving in the important areas of finance, trade, science and technology, education, and foreign policy.

The third generation of PRC leadership was filled with technocrats; their skills were needed to guide the PRC through the economic reforms of the 1980s and 1990s. The fourth and fifth generations of leadership, with educational focus in politics, law, history, and party affairs, reflect the growing concerns of the CCP and the government to maintain domestic stability and harmony within China. The increasing number of Western-educated Chinese leaders suggests that the CCP needs and desires better communication with the West while also keeping China open to the outside world.

According to my sampling of political elites, generational divisions follow the same trends found by Li. Those political elites from the third generation all have degrees in engineering; they received their degrees from universities in the PRC. Those political elites from the fourth generation have a wider range of degrees, such as engineering, economics, law, history, and political science. Three have post-college degrees. One received an advanced degree from an Ivy League university in the United States. It remains to be seen if any of these fourth generation leaders will ascend to higher positions in the Fall of 2012; if they do receive promotions, they will be considered fifth generation leaders.

Informal Networks: School Ties and Kinship Ties

The two most prominent informal networks are school ties and marriage ties. When the Communists first took over in 1949, one of the first projects was to build or to strengthen special elite schools at all levels – elementary school, high school, and university – for the primary usage of children of high-ranking officials. For example, Yuecai Elementary School was built for children of civilian cadres above the level of bureau heads and Rongzhen School, of the Beijing Military Region, was built for children of military officers above the level of division commander. The children grew up in Zhongnaihui, a residential compound for top leaders. The descendants of high-ranking officials made friends with each other from an early age; these school ties lasted throughout their childhood and into their adulthood. When children of high-ranking leaders ascended to polite leadership positions in their own right, they surrounded themselves with their childhood school friends. Political careers were made based on these school ties. These school ties refer to childhood schooling; school ties made at universities are a separate case and will be discussed later.

The second bond is the marriage tie. Marriage into a high-ranking official's family or between two families is another major channel for career advancement. In the 1950s and the early 1960s, marriages between high-ranking officials' families were quite commonplace. In fact, marrying among high-ranking families and into a high-ranking family is one of the major channels for the recruitment of elites (Li, 2001).

One prominent example is Deng Xiaoping's family. Although he was married three times, Deng Xiaoping only had children from his third marriage. His first marriage was to a schoolmate and occurred during his early twenties. The marriage was short since his wife died early on of complications in childbirth, which also took the life of their daughter. His second

marriage was also short-lived; his wife left him in the 1930s when the Nationalist government attacked him. Deng's third and final wife, Zhuo Lin, a daughter of an industrialist, remained with him from their marriage in 1939 until his passing in 1997. Devout Communists, they married in the caves of Yan'an at the end of the Long March. They had five children; two sons and three daughters. His first son, Deng Pufang, tortured and imprisoned during the Cultural Revolution, became a paraplegic following an incident in 1968. Deng Pufang founded and then headed the China Disabled Person's Federation. Deng Xiaoping's second son, Deng Zhifang, became President of Sifang Group, one of the most profitable State Owned Enterprises.

His three daughters also held high-ranking positions within the economic and science sectors. His oldest daughter, Deng Lin, was Vice-Director of the China Council for International Friendship. She Married Wu Jiangchang, who became General Manager of China Non-ferrous Metals Co. Ltd. His second daughter, Deng Nan, became Vice Chairman and First Secretary of the China Association for Science and Technology; her husband, Zhang Hong, became Director of the Science and Technology Bureau of the Chinese Academy of Science. The third and last daughter, Deng Rong, became Chairman of the Board of Shenzhen Huayue Industry Corporation. Her husband, He Ping, became Director of the Armaments Department at the PLA General Staff Headquarters. While one son-in-law, He Ping, is a descendant from a high-ranking official family, the other two are not. Currently, He Ping and another son-in-law, Wu Jianchiang, reached ministry level leaders while the third son-in-law is a bureau level cadre (Evans, 1993; Spence 1999; Vogel, 2011).

The Deng family is not unique. Many of the high-ranking families have various children, sons and daughters, involved in different state-owned enterprises; this insider access extended to in-laws, too. When the state-owned enterprises were privatized in the 1990s, the individuals who

benefitted from the privatization and had insider access to these companies were relatives of high-ranking officials. While one child, usually a son, was selected by the family to pursue politics, the other children were all allowed to take positions in the economic sector which increasingly yielded a great deal of money and prestige to the different members

It is the appearance that China's economic benefits are being hoarded by the powerful and their families that is stirring up discontent. This is one of the main reasons why the CCP is accused of being corrupt. A chosen few are dividing the spoils amongst themselves; they are chosen because they are related to high-ranking officials by blood or by marriage.

Factional Affiliations

Another area to study is elite involvement in factional affiliations such as the Qinghua Clique, *Tuanpai* (those who worked with the Communist Youth League), and the Shanghai Gang. These informal groups have become centers of influence in the Chinese political landscape. Many past and present CCP and government leaders have memberships in these cliques. These memberships provide an edge to potential candidates. Belonging to any of these factions is an elite marker.

Qinghua Clique

The benefits of a higher education, that is, at the college or university level, include not only a growth in knowledge but also access to a network of students and faculty members. In China, the institution with the most influential such network is Qinghua University. Situated in Beijing, Qinghua is one of China's most prestigious universities of science and engineering. It is also one of the top-ranked universities in the country. Qinghua University has trained more technocrats for CCP leadership than any other university in China. From 1949 into the 1980s, 93 Qinghua graduates became political elites while only 45 elites in that period graduated from

Beijing University. Qinghua has been known as a breeding ground for future leaders, loyal and obedient Communists. Qinghua graduates are known to be both good Communists and competent technocrats. The most famous of the Qinghua clique are President Hu Jintao and former Premier Zhu Rongji. When President Hu took office, Li (2001) listed Hu as a member of the Qinghua Clique. Over time, President Hu became more closely associated with the *tuanpai*.

Tuanpai

Tuanpai is a political faction that has grown to prominence under President Hu Jintao, and this faction is loyal to President Hu. Members of *tuanpai* have worked in the CCYL (Chinese Communist Youth League) under Hu Jintao at the provincial or national level during the early 1980s. In this position Hu Jintao trained many future leaders. He created a new generation of leaders who owe their careers to him. The *tuanpai* thus comprises both the individuals who worked under Hu at the provincial and national levels and those who served at the provincial and national leadership level of the CCYL between 1993 and 1998 when Li Keqiang, close ally to Hu, was President.

Shanghai Gang

As mentioned above, another factional affiliation is “the Shanghai Gang.” As the former mayor and party secretary of Shanghai, Jiang Zemin, appointed many Shanghainese to positions of influence; he formed a tightly knit and personally loyal coalition of Shanghainese in the Politburo. Shambaugh wrote in 2010: “As time passed during the 1990s, this leadership began to exhibit one other notable feature: ties to Shanghai, particularly during Jiang’s tenure there. A ‘Shanghai bang’ (Shanghai clique) became dominant in elite politics” (p. 152). The Shanghai Gang exerted control over national and provincial politics throughout Jiang’s tenure and continues to do so in the present.

These cliques suggest that loyalty to the right individuals brings success and achievement in the PRC and the CCP. Li argued that Chinese politics is evolving from a zero-sum game into a more “inner-Party bipartisanship” (Li, 2007 Winter, p. 1). It is no longer “a winner takes all” environment (Fewsmith, 2010). It is important to remember that *tuanpai* leaders tended to gain their work experience in the rural areas of China. The majority of *tuanpai* have little experience with finance, investment or foreign trade. Thus, they need the expertise of those in the Shanghai Gang who have all managed the economic boom that is Shanghai (Fewsmith, 2011).

Moreover, there are not enough *tuanpai* to completely fill the seats of the 18th Party Congress; other factions will have to fill seats and thus share the decision making responsibilities. While the Shanghai Gang is quite smaller than it was in its heyday, it does still exist; in fact, Tianjin Party Secretary Zhang Gaoli, Shanghai Mayor Han Zheng and Chongqing Mayor Huang Qifan are all candidates for leadership positions in the next Congress and are seen as protégés of Jiang Zemin and Jia Qinglin (a protégé of Jiang Zemin).

Career Experience as a Mishu

Another stepping-stone to Chinese political elite leadership is the position of *mishu*, which is a personal assistant, office director, or chief of staff to a high official. In that role, *mishu* enjoy the benefits of being mentored by the high official. The prevalence of *mishu* in Chinese leadership may be interpreted to mean that the patron-client relationship in the PRC continues to be relevant and important. From one perspective, the advancement of *mishu* is a negative because it is yet another example of political favoritism and cronyism. From another perspective, *mishu* can and do impact the political process in a positive manner because they gain extensive managerial experience (Mulvenon & Chase, 2003).

Two of the most successful *mishu* in the reform era are Premier Wen Jiaobao and former Vice President Zeng Qinghong; both owe their success to their coalition building skills, developed and honed during their service as *mishu*. Li (2001) delineated several situational factors that led to the prevalence of *mishu* in Chinese leadership:

First, between the late 1970s and the mid-1990s, gerontocratic leaders (e.g., Deng Xiaoping, Chen Yun, Wang Zhen and Yang Shangkun) still held the real power in the country although they were retired or semiretired; most of them often exerted their power and influence “behind the scenes.”

In their seminal work on *mishu*, Wei Li and Lucien Pye (1992) determined that the role of *mishu* had become so integral to the supervision and maintenance of the Chinese bureaucracy, that the *mishu* “made it possible for nearly senile leaders to continue to perform as major political figures.” (p.915) (p. 148)

Second, since some *taizi* served as *mishu*, they gained valuable administrative skills and experience. Some like Deng Xiaoping’s and Yang Shangkun’s daughters were *mishu* to their fathers; these are extraordinary exceptions since only top leaders were allowed to have their children serve as their *mishu*. A more common experience is the case of Xi Jinping who served as *mishu* to his father’s close ally. Consequently, Xi Jinping along with others greatly benefitted from their roles as *mishu*; their careers were fast-tracked because of the *mishu* experience.

Third, there is a parallel between the *mishu* and the corruption that followed market reform in the PRC. If one examines the cases of widespread corruption in the Beijing municipal government, one finds all four major participants: Chen Xitong-Party Secretary, Wang Baosheng-Vice Mayor, Huang Chao-Vice Mayor, and Tie Ying-Deputy Chair of the People’s Congress in Beijing, employed four different *mishu*. These four *mishu* were directly involved in receiving bribes and embezzling bank funds for their bosses. While government corruption is not news, there is a growing number of cases in which *mishu* have greatly assisted their bosses in

committing crimes while in other cases, other *mishu* have acted on their own. As more individual *mishu* are tried and convicted of bribery, graft, corruption, and embezzlement, the position becomes tainted. It remains to be seen if this is a permanent trend. Fourth, throughout the history of the PRC, national elites have worried about the growing influence of localized elites, what Li (2001) defined as “region-based factionalism” (p. 149). In order to combat this situation, Mao, Deng, and Jiang constantly assigned and reassigned top provincial leaders to prevent these leaders from developing rival power bases. The only staff that the leader would be allowed to take with him to his new region was his *mishu*. Consequently, officials and their *mishu* developed exceedingly close and dependent relationships; *mishu* made themselves indispensable and impossible to replace.

The final reason for the rise of the *mishu* is the increasing complexity of the role of Party and government leader. “When the reform started in 1978, senior leaders in both the central and provincial governments, most of whom were not well educated, often hired *mishu* with good educational backgrounds” (Li, 2001, p. 149). Consequently, many of the *mishu* in the 1980s had received training as engineers. First, they were seen as the brains behind the leaders; then, they themselves ascended to leadership positions.

Zeng Qinghong and Wu Shaoyu are two high profile examples of *mishu* turned leaders.

The *mishu* system can be as much as a detriment as an aid in attaining higher political leadership.

Li (2001) explained:

The remarkable political careers of both Wen Jiabao and Zeng Qinghong can be only partially attributed to their *mishu* experience or *taizi* background (or both in the case of Zeng). Their other characteristics-administrative competence, sense of timing for career moves, extraordinary capacity to remain both loyal and independent, and their mastery of interpersonal relationships-all contributed to their successes. The *mishu* or *tazi* background can actually be a hurdle to the supreme level of leadership; this is especially true now that new election methods are being introduced. (p. 64)

It is important to note that *mishu* can also be princelings and can belong to other political factions such as the Shanghai Gang, *Tuanpai*.

Taizi- Princelings

Taizi can be translated into prince; and *taizidang* is the plural form and means princeling party. When Xi Jinping became President of the PRC in the fall of 2012, he was the first *taizi* to reach this high position. A great deal of news has been focused on the presence of the *taizi* faction in Chinese politics (Li, 2001; Li, 2007, Fall; Li, 2008; Page, 2011, November). Media and political observers coined the phrase to address the trend, i.e., as more descendants of elite political leaders became political leaders themselves. Hence, there are negative connotations associated with *taizi* and *taizidang* because those terms imply that the achievement of wealth and position comes from cronyism, graft, and corruption rather than hard work and competency. Consequently, none of my informants who could be technically referred to as *taizi* would refer to themselves as *taizi*. One informant, **Barbara Eng** stated the common view:

I personally dislike the word: *Taizi*. I mean it's ridiculous. It suggests we are this cohesive group who is plotting domination. It is not accurate. I never use it to refer to myself or to my coterie of friends. I have worked very hard, as have my friends.

Ms. Eng makes a relevant point that cannot be underestimated. The *taizi* are not a cohesive political group like the *tuanpai* or the Shanghai Gang; their interests are wide and varied, and competition among them is fierce. As Li (2001) noted, the term: *taizidang* (the party of princes)

Can be misleading in English translation because those who are princelings do not necessarily form a monolithic organization or a formal network. Although they have a shared political identity, the political interests of members of *taizi* are not always identical. They often have to fight each other for power and wealth. As a result, children of high-ranking officials usually form various factions of *taizidang* and informal political networks. (p. 130)

While their goals may differ, many of these *taizi* shared similar childhoods, especially if they grew up on the Mainland. (This is in contrast to individuals such as one informant whose

father was a PRC ambassador stationed overseas; hence, she grew up outside of China.)

Kohrman (2003) described the princeling world in his article on Deng Pufang, the eldest son of Deng Xiaoping. As the paramount leader from 1976 to 1992, Deng and his family wielded extraordinary control over the country. The Dengs are regarded as PRC royalty and are accorded great respect and prestige (Li, 2001; McGregor, 2010). Deng Pufang's life is quite indicative of the *taizi* lifestyle. In 2003 Kohrman noted its radical distinctiveness:

To make sense of Deng Pufang... we need to start by illuminating the contradictory social world he and his siblings were born into....Children like Deng Pufang and his siblings were thrown at birth into a setting of great privilege that swaddled them in a level of social status unfamiliar to nearly all other Chinese people. (p. 106)

Deng Pufang, as a member of this *hyper-elite*, a term referenced by Kohrman (2003), attended a school created specifically for the children of the leaders of China. Deng Pufang also grew up in Zhongnanhai, an exclusive residential compound in Beijing set aside for the families of high-ranking officials. The children in these families lived lives of privilege and power from birth.

These lives of privilege continued into adulthood as many became political and military leaders of the country. In fact, a great number occupy positions throughout the fourth generation of leaders. Li (2001) provided the following explanation of inherited power:

During the Deng era, China was ruled mainly by elderly revolutionary veterans who, like Deng, resumed their leadership posts after the Cultural Revolution. Those who had advanced their careers during CR were largely demoted or even purged. Although those Long March veterans were already in their late sixties and early seventies in the early years of the reform era, they were hesitant to give up the leadership posts that they had just taken back from the so-called Cultural Revolution beneficiaries. But the Communist veteran leaders also understood that it was just a matter of years until they would have to pass on the baton of power to young leaders because many of them were in failing health in the 1980s. As a result, it became a common practice for veteran leaders to retire with the "compensation" of having their children appointed to leadership posts. Understandably, old revolutionaries felt no one was more politically trustworthy than *taizi*. (p. 129)

In a sense, while veteran CCP leaders resisted being pushed into retirement, at first, they were eventually persuaded to retire with the comfort of knowing that their children would ascend to leadership positions. Many CCP veterans believed that their children were the best equipped to become the next generation of leaders since their children had been trained to take over since birth. Informant **Neal Endicott** reported the following:

I know many descendants of high-ranking officials who are now themselves leaders. I prefer not to use the term, *taizi* because of its negative connotation. I think the press has over used it without regard to the individual. I know these descendants have seen the inner workings of Chinese politics; they grew up with it. They lived it. Dinner conversations throughout their childhoods were about the goals for China. They saw their fathers and mothers work and toil at their occupation. They saw what it takes to succeed and how to avoid failure. In that aspect, they have an advantage over those who were not born in this environment. I think the term is “born red.” For those fortunate few, they received the best education and schooling. They were groomed to be the future leaders of China.

While they share similar backgrounds, it is important to recall the earlier suggestion that the princelings are not a “monolithic organization or a formal network” (Li, 2001, p. 130); their interests can conflict with each other. Consequently, Li (2001), Shambaugh (2010), and McGregor (2010) all noted that there is a great deal of infighting among these princelings as they jockey for greater positions of privilege and importance. One informant, **Christopher Erhai**, shares his story of political infighting:

Chinese politics is a blood sport. These princes all fight to get the top prizes. In fact, many sons actively despise each other. For example, Mr. XXX and Mr. YYY are both sons of different premiers. Their fathers have engaged in public criticism; they obviously have different ideas about the future of China. There is an ideological split between these two camps. These sons have chosen to continue the infighting in their generation. It has gotten so bad that they will not be in the same room at the same time. As sons of important officials, they are invited to many official events. For example, at one of the big anniversaries of the PRC’s founding, I had to make sure they didn’t come in at the same time and through the same door. I arranged it so son of Mr. XXX came in half an hour earlier and then left from the eastern door while son of Mr. YYY arrived 45 minutes later and came in the southern door. This is a small example but it illustrates the competition between the *taizi*. They compete because they all want the top prize to be on

the standing committee or even better in the top positions, either President or Premier. Whether this is realistic or not, is another story.

The Politburo Standing Committee only has nine members, and the Politburo has 25. The Central Committee with full and alternate positions totals 370. While the *taizi* are a small minority of the 1.5 billion in total population, they nonetheless outnumber the available positions of top leadership (Hille & Anderlini, 2011; Hoge 2009; Huang 2000).

One issue that all *taizi* can agree upon is maintaining and continuing the CCP's rule. One event that galvanized many political leaders occurred in the 14th Party Congress when several princelings on the ballot did not win election to the Central Committee. Consequently, Bo Yibo, Director of Personnel Affairs of the 14th Party Congress, proposed that "each senior-ranking revolutionary veteran (e.g., Politburo members, state leaders, and PLA marshals) could have one child promoted to a high-ranking official post (vice provincial governor, vice-minister level or above)" (Li, 2001, p. 131). China's one child policy did not come into effect until 1978 and applied only to children born after 1978. For historical context, Bo Yibo was born in 1908, and his three children were born in the late 1940s/early 1950s. Hence the one child policy did not apply to Bo Xilai or to his generation. Bo Yibo was successful. Sons of Deng Xiaoping, Chen Yun, Bo Yibo, Yao Yilin, Hu Yaobang, Peng Zhen, Wan Li, Li Xiannian, Liao Chengzhi, Chen Yi, Li Weihan, Lin Boqu and Xi Zhongxun, all hold high-ranking official positions in the CCP and in the government.

Li (Winter 2010) determined that princelings often compete with *tuanpai* for leadership positions. Li described the situation as follows:

Princelings and members of the Shanghai Gang usually have more leadership experience in economic administration, foreign trade and finance. Yu Zhengsheng and Bo Xilai previously served as minister of construction and minister of commerce, respectively. Han Zheng and Huang Qifan are among the very few top provincial leaders with

expertise in finance. Their much-needed professional credentials and leadership skills will likely make them indispensable during the upcoming leadership transition. (p.18)

Li optimistically predicted a future in which the different factions work together and complement each other's weaknesses and strengths. If he is correct, it is the beginning of a new model of politics in the PRC. It may signal, too, that membership in informal networks such as the *taizi*, the *tuanpai*, the *mishu*, or the Shanghai Gang can be as much a political liability as a political advantage. It gives the appearance that career promotion was earned through connections rather than hard work and competency.

It is important to remember that the boundaries among the different factional alliances are not as rigid and set in stone as the above account might lead one to believe. For example, one can be born as a princeling and then work for the Tuanpai faction. Both Liu Yandong and Li Yuanchao were both born princelings. However, they both spent much of their career working with the CCYL faction; consequently, they have aligned their careers with the *tuanpai*. **Nig**

Ebersole shared:

The cases of Liu Yandong and Li Yuanchao are very interesting. They are both princelings, Liu is the daughter of former Vice Minister of Agriculture, Liu Ruilong and Li Yuanchao is the son of Li Gangcheng, a former Vice Mayor of Shanghai. If one would assume that they would act or vote with other princelings, you would be mistaken. Li spent his career making his mark in the Communist Youth League and caught the attention of President Hu. In fact, Li Yuanchao who is currently head of the Central Organization Department is considered a close ally with Hu and Wen. Hence, he is firmly in the *tuanpai* corner. Liu Yandong is the daughter of a former State Minister. However, she cut her teeth with CCYL. She has developed and maintained a close and loyal patron-protégé with President Hu. In fact, she worked in the CCYL all through the 1980s to the early 1990s. Then, she switched to United Front Work.

They are both expected to join the Politburo Standing Committee in 2012. It is an absolutely masterful move. Their presence will bridge the princeling and *tuanpai* parties. While they may not vote with other princelings, the very fact that they are is enough. It is important to remember that princeling party is not a cohesive faction; many princelings vote against each other. In this aspect, the *tuanpai* have the advantage since they are more cohesive and loyally bound than the princeling faction by a great deal. These two

individuals are prime examples of princelings who chose to bind their career to other factions. They are not the only ones, but they are the most prominent.

The taizi are not a cohesive political faction. Being born taizi does not guarantee a specific political agenda or voting record. Membership to different factions is seen as an asset because that position is used to forge political alliances.

Intergenerational Diversity

As mentioned above, the *taizi* are not homogenous, and diversity exists within and between the different generations. Informat **Niles Eggelston** explained the situation as follows:

Since Mao and Deng were the first and second generation of political elite leaders, their descendants feel they are more “red” than say descendants from the third and fourth generation. It’s similar to the old money versus the nouveau riche mentality in the United States. Families of the first and second generation of leaders like to refer to themselves as the red-blooded revolutionary descendants as a way to differentiate themselves from descendants of later leaders. I guess you could say these families feel they are like the Mayflower society of China. The second generation leaders are also referred to as the Immortal Eight – the men who ruled China in the 1980s. Their descendants feel they have more political legitimacy than families descended from third and fourth generation. This is a result of their fathers and mothers fighting in the Communist Revolution and establishing the PRC.

The first generation of political leadership includes Mao and his allies. The second generation of leaders includes Deng Xiaoping and his seven closest supporters who dominated the political leadership. They ruled China in the 1980s and 1990s and are regarded as the founders of modern China. The English-speaking press coined the term, *The Eight Immortal Leaders*, a play on language from Chinese mythology, to describe this group (William Joseph, 2010).

Table 3.0 The Eight Immortal Leaders

Leader ²	Title
Deng Xiaoping	Paramount Leader
Chen Yun	Politburo Standing Committee
Peng Zen	National People's Congress Chairman
Yang Shangkun	President of PRC
Bo Yibo	Central Advisory Committee Vice Chair
Li Xiannian	Politburo Standing Committee member
Wang Zhen	Central Advisory Committee Vice Chairman
Song Renqiong	Central Advisory Committee Vice Chairman

Neal Endicott confirmed:

There is a real schism between those families that consider themselves “the real revolutionary.” The most, how shall I say this, outspokenness in their entitlement are those who are descended from the Immortal Eight. These families have used their family connections to secure plum positions in key industries. Look at Deng Xiaoping’s sons-in-law; they are ministers of some of the most lucrative industries. Chen Yun’s son is now head of the banking industry. Bo Yibo’s son is an up and coming political star who is now party chief of Chongqing. [Author’s note: Endicott is referring to Bo Xilai; more on Bo Xilai at the end of the chapter.] The descendants of the Immortal Eight are very influential. Obviously, some families are more powerful than others with the Deng, Chen and Bo families retaining the most influence.

As is typical with other *taizi*, the relationships among these families continue to be rife with competition and rivalry as the families jockey for power and supremacy (Garnault, 2012 Feb 9th; 2012, March 29th; Shambaugh, 2010; Fewsmith, 2010; McGregor, 2010; and Li, 2001).

Several intergenerational differences are apparent in a comparison of the third and fourth generations of political leadership. Generally, the third generation grew up very differently from the fourth generation. Jiang, Li Peng, Zou Jiahua (former vice premier and vice chair of the NPC) and Guo Shuyan (Vice chair of the State Planning Commission) were related to Communist Martyrs. They all lost their fathers or father figures (in Jiang’s case, he lost an uncle) at very young ages. Moreover, Jiang, Zou, and Li were all active participants in the Communist revolution; they all joined the CCP in their youth, with Li Peng one of the last in this

² Table designed by Grace Chao.

group to join at the age of seventeen. The fourth generation, in comparison, has no experience in the Communist revolution and has earned few political credentials in their early careers. In the newly established Communist regime, *taizi* from the fourth generation grew up in a world of luxury, especially relative to the rest of Chinese society. They attended elite high schools and key universities. They lived in private compounds with other families of high-ranking officials; they were even driven in specially marked cars that prevented them from being stopped by local police officers (Kohrmann, 2003).

While the majority of the second and third generation of leaders studied in the Soviet Union and other Communist bloc countries, the fourth generation mostly studied in China because of the deterioration of Sino-Soviet relations. Moreover, some well-known fourth generation leaders did not even join the CCP until their thirties, which was unheard of among *taizi* of the second and third generations. Many fourth generation leaders also ascended to their high positions while their fathers or fathers-in-law were still alive, a contrast with the orphans of the third generation.

According to Cheng Li (2001), another major difference between the third and fourth generation is the fact that third generation leaders had significant experience at the grassroots level and were promoted in step-by-step fashion. Jiang Zemin, Li Peng, and Zou Jiahua all worked as factory or bureau directors, or heads of research institutions, for two decades before ascending to ministerial-level positions. Other third generation *taizi* members such as Ding Henggao, Guo Shuyan, Li Tieying, and Jiang Zhuping all toiled in the field of science and technology for several decades. Fourth generation leaders, on the other hand, do not possess the same sort of administrative experience at the grassroots level. Many came to power through shortcuts, although some did have their educations and careers sidelined during the Cultural

Revolution. Nonetheless, as Li (2001) noted: “Serving as *mishu* in offices of the central government seems to have been a shortcut in career mobility for members of the fourth generation of leaders, and with their family connections, *taizi* seem to have used this shortcut most effectively” (p. 145).

Serving on the Central Committee of the CCYL or studying under prominent scholars in postgraduate institutions are other examples of this type of “helicopter-style” elevation. In the cases of Chen Haosu and Liu Yangdong, both men worked at a research institution and factory for a very insignificant period of time; their work experience mainly consisted of serving on the Central Committee of the CCYL before being given their vice-ministerial level positions. Chen Yuan and Bo Xilai both worked under well-known economists who were close to both their fathers. Bo Xilai did not even finish his sophomore year at Beijing University before enrolling in a Master’s program. “These experiences seemed to add ‘expert credentials’ to both Chen and Bo, as they were soon appointed to head a district in Beijing and a county in Liaoning Province, respectively” (Li, 2001, p. 146). The reality is that these so-called expert credentials were not earned but given to them.

This helicopter style of advancement placed the *taizi* into key leadership roles that were likely to produce results. Serving as Mayor or Party Secretary, Yu Zhengsheng, Bo Xilai, and Xi Jinping were placed in charge of cities whose economic planning is under the direct supervision of the State Council. In other words, they supervised cities that were designated Special Economic Zones. Li (2001) outlined the three main reasons why these cities were chosen as sites for *taizi* leadership:

First, these are the coastal cities designated special economic zones, where economic growth rates are high and the future potential even greater. Municipal leaders, therefore, can receive credit for economic achievements in these rich coastal cities much more easily than those leaders who work in other cities. Second, top municipal leaders in these

cities automatically receive the administrative rank of vice provincial governor or deputy provincial Party secretary. And third, these posts do not need approval from the provincial people's congress, unlike most posts of vice governor and deputy Party secretary at the provincial level. (p. 146)

According to Li (2001), this apparent lack of gravitas in their background could prove problematic for the *taizi* of the fourth and fifth generations of leadership. Many *taizi* gained work experience in deputy positions at the provincial and ministerial level because those positions do not require confirmation from the NPC. Deputies of the NPC have prevented *taizi* members from gaining seats by refusing to vote for them. These include Chen, Yu, and Bo, all enduring public embarrassment in their attempts to advance into CCP leadership positions.

Disagreement over government policies is also occurring. In the fall of 2011, at Qinghua University, former Premier Zhu Rongji released a collection of his essays. Informant **Nig Ebersole** provided this description of the event:

The event was like a book tour; basically that was the purpose, although obviously there are no real book tours in China. Former Premier Zhu was releasing a collection of his essays. It was a big occasion to celebrate this release. Interestingly, Premier Zhu took the opportunity to criticize Wen Jiabao, (Zhu's successor). He went on and on and criticized Wen and Wen's policies. He was basically saying Wen's economic policies have ruined China. He kind of insinuated that he handed a robust and economically strong China to Wen, and Wen messed it up. Wen ruined it. It was a small group. There was no press. It was an extraordinary moment in history. To hear a Chinese official who is **still** (emphasis added) in power be criticized by a former official in public. To think, it was his predecessor. It is unheard of. I wonder what that portends for Wen's future. Zhu is a respected figure; for him to criticize Wen was simply unbelievable. Of course, criticism has occurred in the past. It was always in private. It was never like this.

Following the tradition of other retired leaders, former Premier Zhu Rongji had faded into the background and was rarely seen in public. This event at Tsinghua was quite unusual because the former Premier maintains a low profile. For him to use this opportunity to criticize Premier Wen was especially dramatic since former Premier Zhu, like other retired officials, rarely comments on political matters. He remains a respected figure, albeit one with less influence on the current

administration. Zhu's criticism of current Premier Wen could be viewed as petty. This example of public disunity among the PRC leadership is new. It remains to be seen what the greater implications of this incident are (Gelb, 2009; Gilley 2004, 2004 January; Shambaugh, 2011).

Collective Consciousness among the Fourth Generation

Led by President Hu Jintao and Premier Wen Jiaobao, the fourth generation of political leaders was greatly affected by the Cultural Revolution, especially the "three old classes," which refers to those who graduated from both junior and senior high schools in 1966, 1967, and 1968. "Most were among the 30 million young men and women who were sent to the countryside with the so-called sent-down movement in the late 1960s and early 1970s" (Cheng Li, 2001, p.178). When Deng Xiaoping restored entrance examinations to universities, a minority of the "three old classes" actually returned to their previous educational institutions. Others were too traumatized by the Cultural Revolution to return to school and took jobs where a secondary school education would suffice.

The social and political advantages of the fourth generation, as compared to previous generations, are as follows. First, they suffered a great deal of disillusionment during the Cultural Revolution. Consequently, they are purported to be more interested in issues. Second, they are more accessible and use modern media to showcase themselves to the general public. Third, because they were sent down to the rural areas of China, they are more familiar than their predecessors with the rural poor. Fourth, "because of their common technical educational backgrounds, the fourth generation leaders' domestic and foreign policies are likely to be technocratic....They tend to overemphasize technical expertise in decision making and are interested in large-scale technological products" (Li, 2001, p. 206). Having survived the mayhem of the Cultural Revolution, it has been said that fourth generation leaders want social

stability and are suspicious of any mass movement. Although members of the fourth generation are probably more aware of the need for political reform than their predecessors, they want to control political reform and maintain stability as a primary goal. However, informant **Niles**

Eggleston offered this contrary view:

Don't underestimate the legacy of the Cultural Revolution. It is recent enough that the majority of its survivors still remember it. What's interesting is that so many of the fourth generation leaders and potential fifth generation leaders always discuss how they suffered during it. While that is true for many, for others, it is an exaggeration. For some who claimed they were persecuted during the Cultural Revolution, they were in fact living a nice life in the country side. This is not to say the Cultural Revolution was not horrendous; it was. For many of these *taizi*, their parents were able to get them safe and cushy placements because of their connections. Of course, there are some who were imprisoned and tortured. The most infamous being Deng Pufang, Deng Xiaoping's son, who was paralyzed and became a paraplegic because of torture received during the Cultural Revolution. Deng Pufang later headed a ministry level department, China's Disabled Person's Federation; he was a board member of many successful economic enterprises. When the press makes a big deal of fourth generation leaders learning life lessons from the Cultural Revolution and developing awareness, one has to take it with a grain of salt.

Deng Pufang is the leading advocate for the handicapped in the PRC. He currently heads a government organization that brings awareness to the mentally and physically disabled and is also CEO of a major SOE, which also deals with the disabled.

Diversity among the Fourth and Post-Fourth Generations of Leadership

As mentioned above, fourth generation leadership is by no means a monolithic group. In fact, Li (2001) argued "that the members of the fourth generation of leaders are more diversified than those in previous generations of CCP leadership in terms of political solidarity, educational background, career path and policy preferences" (p. 217). For example, let us consider the issue of when most 4th generation leaders joined the CCP. More than half of them joined the CCP in the 1970's at the height of the Cultural Revolution. This is a surprising statistic given that Deng and his fellow leaders had decided that no one who advanced their political careers during the

Cultural Revolution would benefit by it. This discrepancy could be attributed to the fact that these future leaders were not yet powerful enough to gain the attention of or incur the wrath of Deng and other second generation leaders. Many of those who joined the CCP before 1966 were labeled “young followers of capitalist roaders” and persecuted during the Cultural Revolution. One prominent example of this is Chai Songyue; he served as Chairman of the State Electricity Regulatory Commission from 2002-2007, as a member of 16th Central Committee, and as governor of Zhejiang Province from 1997 to 2002. Having joined the Party in 1952 at the age 20, Chai was persecuted for his “revisionist views” during the Cultural Revolution. Others including Hu Jintao, Jian Chunwang, Wu Shaozu, Tian Chengping, Li Jiating, Liu Yandong, and He Pengfei were also criticized, censured, and persecuted to varying degrees because of their connection to Qinghua University and the University’s “black lined” Party Committee.

Those who joined the Party after the Cultural Revolution had previously been denied CCP membership because of their family backgrounds and occupations. Several high-ranking ministers and provincial leaders did not join the CCP until the 1980s. Li (2001) surmised that the lack of a cohesive identity among 4th generation Party leaders could give rise to intra-conflict:

Because the fourth generation leaders have spent varying lengths of time in the Party and come from different backgrounds, they do not have the cohesive political solidarity that previous generations of CCP leaders had. For over half a century in CCP history, veteran revolutionaries who participated in the Long March dominated the CCP leadership. Almost all of the 8,000 Communist soldiers who survived the Long March later became the country’s political elites. Their bonding experience during the incredible march became the foundation for the People’s Republic of China, just as their hardship became the legitimate base for their rule. (p. 220)

According to Li then, the Long March tightly bonded an entire generation of leaders. The Cultural Revolution did not have the same effect because many leaders experienced different levels of persecution while other leaders took differing and opposing sides and views. There was

no common enemy like the Japanese or the Nationalists to unite the fourth generation leaders.

The post-fourth generation leaders also have diversified work experiences and have taken a wide variety of career paths. Some have worked step by step, moving from local leadership to mid-level positions to top posts. The current Party Secretary and Chairman of the Standing Committee, Wu Bangguo, is a prime example of this sort of ascent; after graduating from college with a degree in engineering, Wu worked as a technician, an engineer, a factory director, the head of an industrial company, the head of an industrial bureau, and the deputy Party secretary in the municipal Party committee before becoming Party secretary of Shanghai. Others have been promoted from administrative positions. Li Jiangjuo took this route; he ascended to the Fifteenth Central Committee through office work as a deputy party secretary of Tianjin and as Party secretary of Shaanxi. The third group includes those who have been promoted irregularly; they have become mayors or even provincial vice governors after serving as factory directors. One of the most notorious examples of this sort of promotion is Wang Zhaoguo. He began his administrative career as the deputy director of a branch plan. During a visit by Deng, Wang impressed Deng so much that Deng elevated him to first secretary of the secretariat of the CCYL Central Committee, then to governor of Fujian and finally to Vice Chairman of the Standing Committee of the 10th National People's Congress.

Fourth generation leaders have fewer members from the military and mass organizations. This is a departure from the Mao era. Moreover, there are fewer leaders in this group with specializations in economic planning but a larger number of leaders have worked in finance, banking, and law. In order to qualify as a top leader, one needs to have the requisite educational credentials, and the most popular areas of study are finance and banking. Furthermore, these individuals have actual working experience in these fields of study. Niles Eggleston stated:

In the past, the CCP would appoint totally unqualified people to high posts. It is the whole red versus expert controversy. One former top ranked official in the justice ministry had no legal background; in fact, he was the norm rather than the exception. Then, there were ministers in charge of the banking industry who had no financial background. The list goes on and on. Thankfully, the trend has stopped. Now, individuals who have competency in those specialized areas are chosen and promoted.

Dissension among the Fourth Generation of Leaders

One source of fourth generation dissension concerns future leadership. While both Xi Jinping and Li Keqiang are expected to become President and Premier in 2012, controversy has followed both men. In their observations of Hu's preparations for a successor, many members of the press and the political establishment expected Xi Jinping to be appointed in 2009 as vice chairman of the Central Military Commission. In fact, Xi did not get appointed until the fall of 2011. This led to speculation that President Hu Jintao was trying to replace Xi Jinping with Li Keqiang, a close Hu ally and a member of the *tuanpai* (Miller, 2011 Winter). One informant, who did not want any biographical detail attached to him/her for fear of being recognized, confided:

I think there could be truth in that. I know there is a great deal of pushback concerning Xi Jinping. He is seen as a *taizi* who may not have earned his leadership role. I think in the choice of him many politicians and civilians are afraid that the government will be controlled by *taizi* who with a few exceptions, are regarded as having bought their way into leadership through their family. Compared to the previous leaders, they come up lacking. Li Keqiang, on the other hand, is considered to have worked hard and is from a common, no frills family. Most importantly, he is a member of *Tuanpai* that's Hu Jintao's crowd. I think there were rumblings that Li could be a better choice.

I also heard that Xi Jinping was also trying to displace Li Keqiang with Bo Xilai who is the party secretary of Chongqing. You know, with Bo, he is a grandstander. You don't go a day in the paper without reading about his fight against corruption and his red songs. He has really made himself into a popular, cult-like figure. Is that what's needed? I mean Hu has done a good job by moving away from this type of strong man politics into a consensus building group. In China, you know nothing is easy. Not even the fights. Some partisan group is trying to replace Xi Jinping. Another faction is trying to replace Li Keqiang. I know from one Politburo member that Bo Xilai really campaigned for Premiership. If Bo and Xi had been named Premier and President, it would have been

too much power to the *taizi* since they are both high profile members. I think the powers that be wanted to maintain a check on the *taizi*.

The final make-up of the Central Committee, Politburo, and Politburo Standing Committee in 2012 is still unknown.

Age, Gender, and Ethnicity

For the purpose of this research, my goal was to interview any adult who could be considered elite, including those who were retired and those who could be elite in the future. There are strictly enforced age retirement rules in place; eligible candidates for appointment cannot not exceed the age of sixty-five.

Of the 62 current political chiefs in 2011, there is only one woman. This is consistent with past practice. Among examining ministers, there are only three females. In the Politburo, there is usually one position for a woman. No woman has ever served on the Politburo Standing Committee.

There are six provincial chiefs that belong to ethnic groups in 2011. This group includes all five governors in China's five province-level ethnic minority autonomous regions. This is a result of the Law of Ethnic Minority Autonomous Areas of the People's Republic of China which the NPC revised in 2002; it states that the "top post of the local government in all autonomous ethnic minority-populated regions should be headed by a leader who hails from the same minority background as the majority of the jurisdiction's citizens" (Li, 2010 Winter, p. 9). The CCP instituted this law to allay tensions among the various ethnic minorities. It is important to note that the overwhelming ethnic majority in China is Han; 91% of the people claim Han descent. There are approximately fifty-six other ethnic groups according to the official government page (http://english.gov.cn/2006-02/08/content_182626.htm). Informant **Neal Endicott** explained:

Yes, for the autonomous ethnic minority populated regions, the governor is selected from that ethnic group. It is law. I believe it was a political ploy to defray any ethnic tension. It was a way for the CCP to calm the ethnic minority and also a way for the CCP to show the ethnic minorities that they are important. It's an empty gesture. Don't let this mislead you. The real power lies with the party secretary. They have always been Han Chinese. It will continue to be so for awhile.

Outside of the ethnic minority autonomous regions, one provincial party secretary is non-Han, Guizhou Party Secretary Shi Zongyuan. The Minister of State Ethnic Affairs is also an ethnic minority. Vice Premier Hu Liangyu is another member of an ethnic minority; he serves on the current Politburo. Because of his age, he is expected to retire in 2012; another ethnic minority will almost certainly fill his seat in the Politburo.

CASE STUDY:

THE RISE AND FALL OF BO XILAI

During the data collection and analysis of this research, one of the biggest coups in Chinese history took place. Chongqing Provincial Secretary, Bo Xilai, was removed from his post on March 15, 2012. At the time, Bo remained a member of the 25-member Politburo Committee. It was announced on April 10, 2012 that Bo Xilai was suspended from the Politburo for "serious disciplinary violations" (Richburg, Keith, April 10, 2012). His last public appearance occurred on March 14, 2012. He has disappeared from public view since then. In a separate press release, the state-run news agency, The Xinhua Agency also announced that Bo Gu Kailai, Bo's wife, had been taken into judicial custody for the "suspected crime of intentional homicide" (Richburg, 2012, para 6.). Bo's downfall is one of the biggest political scandals to rock the PRC in years (Bristow and Patience, 2012). And it may reveal deep schisms among the CCP leadership. Bo was a rising star within the CCP. Many expected him to join the Nine-

member Politburo Standing Committee in November 2012. It is clear now that that will not happen (Ansfield & Johnson, 2012; Barboza & Wong, 2012; Bo, 2012)

When news of this story broke, I spoke to **Neal Endicott** who has insider knowledge of this scandal. The interviews were recorded and the following is a transcription of what was said.

Grace: **Neal**, can you explain the Wang Lijun incident?

Neal: Well, Wang Lijun was the police chief. Wang was Bo's confidant and acted like Bo's right hand man. Wang executed everything Bo's policies. If you look at PRC history, if you want to predict which high ranking official is in trouble, just look at who is close to him, look at the inner circle. If...or once, the government, in that respect I mean the police, start sniffing around the top advisors, it is just a matter of time before the Big Guy is caught. It's a pattern repeated throughout PRC history – look at Chen Xitong, Party Secretary of Beijing who lost a power factional struggle with Jiang Zemin and Chen Liangyu (not related to Chen Xitong), Party Secretary of Shanghai who lost his power struggle with President Hu Jintao. While both were eventually purged and then imprisoned, people knew he was in trouble because their top advisors were arrested for graft and bribery. It happened here, in Bo Xilai's case. It's interesting to see how this unfolded.

First, you have to step back and look at Bo Xilai's history. He is the son of Bo Yibo. Bo Yibo served as Minister of Finance during the early years of the PRC. Because Bo Yibo advocated economic liberalization, he fell out of favor. He was later purged, I

believe in 1965 or 1966. For around twelve years, he was imprisoned and definitely tortured. His wife, Hu Ming, was removed by Red Guards; she died under mysterious circumstances. Either she was killed or committed suicide. The son, Bo Xilai, was 17 when the Cultural Revolution began. At first, Bo Xilai was one of the most enthusiastic Red Guards. Bo Xilai attended No. 4 High School in Beijing; this high school was the most prestigious in the country and one of the centers of Cultural Revolution activity. The students allegedly detained and tortured the staff of the No. 4 High School. There are rumors that Bo Xilai even denounced his father. Then, as happened throughout the Cultural Revolution, Bo Xilai, was later himself imprisoned. He spent around five years in prison.

One month after Mao died in 1976, the Gang of Four was arrested, and the Cultural Revolution was officially ended. During the 1980s, the press referred to Deng and his allies who ruled China as the “Immortal Eight.” The title Immortal Eight refers to the Immortal Eight, ancient immortals/gods/saints from Chinese mythology. It’s like China’s version of the Holy Trinity. Hence the term was then applied to the eight men who ruled China as defacto “gods”; you know they were above mere mortal existence. Of course, the number one guy is Deng Xiaoping. Bo Yibo who is the father of Bo Xilai is another one. These Eight Immortals really changed China and made China into the modern country it is today. Mao may have founded the People’s Republic of China. The China you see of the 9 percent growth rate is a dream dreamed up by Deng Xiaoping and his seven comrades. Consequently, the descendants of the Immortal Eight really do feel like they made China. Consequently, they feel it is their right to rule China. You can’t blame the children – Bo Xilai is one of them. Their fathers – the Immortal Eight – felt it

was the family's right to rule China. They considered themselves the best of the best; it was only natural their children would inherit their positions of power.

During the 1990s, these Eight Immortal Leaders who were reaching their 80s were about to retire. They didn't want to go quietly into the night. A bargain was struck. In order to get the agreement to retire quietly, these eight leaders were allowed to have their children inherit positions of power. The story goes in 1992 at the Fourteenth Party Congress, there were several princelings – that's the derisive name the press uses to refer to the children of top ranked leaders – who were nominated on the ballot for Central Committee membership. The joke was on them. Not one princeling won his nomination. Of course, these Immortal Eight and other top ranked officials were disappointed – that's to put it nicely, more like they were pissed. Then, a brilliant idea was hatched. Bo Yibo, Bo Xilai's father, who was in charge of the personnel for the Fourteenth Party Congress, suggested that each top leader – top leaders were members of the Politburo ...and state leaders – party secretaries of important provinces and marshals in the PLA were allowed to have one child promoted to a vice-minister or vice-governor post or higher. Bo Xilai was the younger son; he was better educated than his older brother. Although when I say he was better educated, I use quotation marks since Bo Xilai received a degree from a University where he studied under close friends and allies of his powerful father; in fact, he studied for his Masters degree when he was only a sophomore. So, I think Bo Yibo was already looking at a political career for Bo Xilai so he wanted to ensure his son had the correct credentials. Of course, he was able to persuade the professors to agree with him. After working as a deputy party secretary in Lianing, he then worked his way to Dalian mayor and deputy party secretary in 1993.

Taking a step back, during the 1980s, there was another faction in the government that did not approve of the growing political power of *taizi*. I heard the Organization Department of the Central Committee had issued orders to stop and to decrease the appointment of *taizi*, especially those whose fathers were still alive. This occurred under Hu Yaobang's tenure as general secretary. Remember, that Hu Yaobang –he will come back as this story comes full circle.

The Organization Department of the Central Committee is the governing body that confirms the appointment of children of these high-ranking officials at the state and central government levels. Don't forget, the voting in the Party Congress was also changed. CCP only lets the people it wants on to the ballot. But, the Congress does have a say. It votes for it. Now, we have the situation where we have more candidates than seats. Bo Xilai stood for election of the 15th Central Committee; again, he failed to gain any votes.

Bo Yibo, the father, was a wily one. It has been said the father had pinned all the future hopes on his son. Leading to the run-up to the Fifteenth Party Congress in 1997, Bo Yibo spent a great deal of money and time on getting his son press. He secured coverage on the television and had newspapers articles written about Bo Xilai – one infamous article wrote that he was as diplomatic as Henry Kissinger, as green as Al Gore, and as loved as Princess Diana. This report also described Dalian as the most beautiful city in China.

Despite this – or maybe because of all this press – Bo Xilai did not even get voted to a deputy position in the delegation from Liaoning Province. While his father was boasting Bo Xilai would get a seat on the Fifteenth Central Committee, Bo Xilai did not

even get voted to the delegation party. It's like saying I'm going to win the Olympics but failing at the Nationals. The story goes that although Bo Xilai was popular in Dalian, he was despised by the other members in Liaoning Province because of the favoritism Bo Xilai brought to Dalian. Through Bo Xilai's special connections with the central government through his father, Bo Xilai secured free trade zone status to Dalian. Remember, it was an economic boom. Dalian really benefitted monetarily. Not to worry, Bo Yibo wasn't going to be denied. Basically, he was able to get Bo Xilai a member of the delegation of Shanxi, his native province. When membership for the Fifteenth Central Committee membership was announced, Bo Xilai received the second least number of votes. Because he scored so few votes, he did not win admission to the Fifteenth Central Committee.

Bo Xilai's luck was about to change. The Governor of Liaoning was caught in a corruption scandal. He stepped down. Bo Xilai took his place. At the time, the year is 2001; Bo Yibo and Bo Xilai had worked with Jiang Zemin to help Jiang get rid of his own rival. It has been suggested that in return, Jiang supported Bo Xilai's appointment as Governor of Liaoning. First, Bo Xilai was acting governor but was confirmed in 2004. Finally, he gained admittance to the Central Committee.

During his tenure as Governor of Liaoning, Bo Xilai did what he does best – he worked on financial times, building up the area to be an economic powerhouse. Foreign investment supposedly doubled during his first years. At the time, Bo Xilai was accused of orchestrating the imprisonment of his rivals. It seemed very convenient that all of Bo Xilai's greatest political rivals were found guilty of corruption in his area.

By 2002, at the Sixteenth Party Congress, Bo Xilai was being groomed to be a fifth generation leader. His main competition was Xi Jinping and Li Keqiang. Obviously, because Xi Jinping and Li Keqiang are expected to become the next President and Premier in 2012, Bo Xilai lost.

In 2003 when Jiang Zemin was replaced by Hu Jintao as PRC President, Bo Xilai was appointed to the State Council; he was Minister of Commerce and served under Premier Wen. Basically, his time there was spent seeking foreign investment. He was quite popular. Some press reports even referred to him as the Chinese John F. Kennedy. He was considered urbane and sophisticated.

2007 was a huge year for Bo Xilai. At the 17th Party Congress in 2007, Bo Xilai was appointed Provincial Party Secretary of Chongqing. Chongqing is one of the four direct-controlled municipalities in China. The Party Secretary reports directly to Beijing. More importantly, Chongqing party secretaries get a seat on the Politburo. Some felt it was a demotion because Chongqing is so remote. I have always disagreed with this. I know it was a promotion. First, is the fact that he received a seat on the Politburo. The provincial secretary position is definitely a stepping stone to national leadership. Look Jiang Zemin, Zhu Rongji, Hu Jintao, Xi Jinping and Li Keqiang have all served in this capacity. To be provincial secretary of Chongqing is a powerful position. Also, it is the year his father passed away at the age of 99. Bo Yibo was the architect behind Bo Xilai's political rise. When Bo Yibo died, I think Bo Xilai lost his greatest strategist.

His time in Chongqing has been one marked by the most controversy. One of Bo Xilai's major initiatives was his war against organized crime. He was successful. He was criticized by many for his seemingly disregard for law and order. For example, he

imprisoned the lawyer of one of the accused. The lawyer. His reach was pervasive – he reached into gangsters, corrupt police officers and most impressively, he prosecuted actual officials in his own administration. Basically, he was fighting against the “black” which represents organized crime.

While he is fighting the black, he was singing the red – that is how the press described it. Fighting the black – was his fight against organized crime. Basically, Bo Xilai went about resurrecting the ideal of Red Culture. Bo Xilai would sing patriotic revolutionary songs in public and invite crowds to join him. He would text Mao quotations. His administration created statues of Mao throughout the city. He also began instituting government housing for those in need. He was developing a following; he was charismatic, handsome, and sophisticated. He was reported to be so earnest and loyal. His popularity grew by the day. As he played to the public, he once again pissed people off. People in high places. It was seen that he was pandering to the public. Basically, it became obvious he was trying to push his way onto the Politburo Standing Committee. Everyone knew it. The powers that be knew it. So did the average guy on the street. He was grandstanding. He was enamored with this image of himself, this image he created. He was a shameless self-promoter. I personally read this and saw him in person; I was curious how it would end. I was so surprised because Bo Xilai did not fit into the current picture of a PRC leader. He was flashy and loud; so unlike President Hu Jintao and Premier Wen Jiabao.

In actuality, things were not as they seemed. Bo Xilai gave a number of speeches decrying the divide between the haves and have-nots. Bo Xilai criticized the public economic policies that caused this imbalance and called for a return to Mao’s early days.

He even encouraged students returning to the countryside. In 2011, Bo Xilai proposed that schools, radio stations, tv stations, government departments, businesses, universities all sing revolutionary songs. Bo was quoted as saying that Chongqing would be reenergized by applying the Marxist ideals. Stating the country had strayed too far from the ideals that the country was founded on, Bo Xilai wanted to return to the revolutionary roots of the country.

What is the reality? This is a man who wears custom made suits – made in the best shops in London. He has an entire closet of them. His son drives a Ferrari though Bo Xilai does deny this. His son, Bo Guagua, attended two prestigious boarding schools in the UK, Papplewick and Harrow. Then, he matriculated at Oxford; currently, he is at the JFK School of Government. The Wall Street Journal estimated his education cost approximately USD 660,000. As minister, his father makes around USD 22,000. First, it was claimed Bo Guagua's mother, Bo Xilai's wife who is a lawyer, paid for it. Then, Bo Xilai said his son received full scholarship. Since Bo Guagua was an uninspired student at best – he was known more for throwing wild parties than for studying, I don't think anyone believed Bo Guagua earned a scholarship.

There was a lot of pushback to Bo Xilai's grandstanding. I think a lot of people were angry at this image he cultivated especially because the truth was the complete opposite. Bo Xilai has been criticized as a hypocrite. Looking at the facts, I would have to agree.

The first sign that the tide was turning against him was the huge Wall Street Journal article on him. It was the cover of the Weekend journal; a huge picture of Bo Xilai and Bo Guagua in front of a portrait of Bo Yibo. It detailed Bo Guagua's expensive

lifestyle, his UK schooling, his Ferrari. His conspicuous lifestyle was splashed all over the front page. I read this and thought to myself: “How much longer does Bo Xilai have? Not long, it’s the beginning of the end.” It’s one thing to live this life in private but to have it front page news is a different matter. While there is debate over whether Bo Guagua drove a Ferrari, the Wall Street Journal said he did. The New York Times refuted it. I know that I have spoken to several US officials who were there at the US embassy that night, they saw a red Ferrari. I think there was an understanding from the US government to let this story die. Many officials were told to deny the story. If you look closely, the story does not hold. Ambassador Huntsman and his daughters have been caught in several inconsistencies. I was told by several US embassy personnel, completely off the record, that the Wall Street Journal got the story correct. The US Administration used the New York Times to muddle the waters. I heard that the PRC government asked the US government to stand down and allow this story to die. Look at the wording of the speeches, Bo Guagua says he never owned a Ferrari. He was never at the US Embassy. There is direct refutation of US officials. Whether he drove a Ferrari is really beside the point. What is important is the campaign that was built against Bo Xilai. I think it especially struck a chord because Bo Xilai had spent so much time talking about the divide between haves and have not and how China needed to return to its revolutionary roots. It was similar to Eliot Spitzer- would his offense have been as strong if he had not been this great moralizer, sermonizer. The fact that he was such a hypocrite helped create his downfall.

Then, February 6th, 2012 happened. Five days prior, on February 1st, Wang Lijun, Bo Xilai’s deputy mayor, was forced to step down as police chief. Rumors flew.

Some say Bo Xilai was trying to distance himself from his former right hand man because Wang Lijun was being investigated for corruption by Beijing CCP. On February 6th, Wang Lijun sought refuge in a US Consulate in Chengdu. At first, the official Chinese press tried to say it was just a normal meeting; that Wang Lijun had an already scheduled meeting there. Everyone knew this was a lie. First, what was Wang Lijun doing at a US Consulate in Chengdu? He is deputy mayor of another province: Chongqing. Chengdu is far away from Chongqing; it is approximately 340 km (210 mile) by car. It's a long journey. Think about it- would a police chief from New York schedule a "regular" meeting to talk with police in Ohio. It doesn't make sense. Then, there is the fact that is rarely reported on. The military forces of Chongqing were sent to Chengdu. That's unheard of, think of it like the New York police force going to Ohio to find, capture, and arrest a criminal. I heard this from reliable sources within the PRC and the US government. In fact, I spoke to people who were inside the Consulate General. It was hugely embarrassing for the central PRC government. Basically, Bo Xilai sent his troops across provincial lines. Obviously, he asked the Chengdu's provincial secretary for permission. His guards surrounded the US Consulate. Of course, the US Consulate calls Beijing. Beijing orders Bo Xilai's troops to stand down. President Hu Jintao, himself, had to issue the orders. Finally, Bo Xilai ordered the troops to leave. Wang Lijun spent approximately 24 hours in the American Consulate from February 6 to 7, 2012. I know people who were there and who took his information. Supposedly, he built quite a case of corruption against Bo Xilai. It was very explosive stuff; the US government is keeping the information under lock and key. Consequently, Wang Lijun feared for his life. A deal was brokered between the US and the PRC government

regarding Wang Lijun. Then, Wang Lijun left the Consulate under his own accord. He was transferred to Beijing – note, not Chongqing – and was taken by Beijing security forces, once again, not the forces from Chongqing. It was the highest level of defection in 40 years. It was hugely embarrassing for the PRC; it happened because of Bo Xilai's incompetency.

Then, the official news reports claim Wang Lijun is suffering from stress and is on a spa-like vacation. Everyone knows that he has been detained and is being questioned. On March 14th, Wen Jiabao gave a speech and criticized “Chongqing's leadership.” He said the leadership should learn from the scandal surrounding the police chief. For him to criticize Bo Xilai indirectly but still so openly, it was apparent that Bo Xilai's days were numbered.

Then, reports surface that Bo Xilai taped conversations with Politburo Standing Committee members. Once again, this is shocking. For someone like Bo Xilai to tape conversations with President Hu Jintao and Premier Wen Jiabao is unheard of. It's like a US Congressman taping a conversation with President Obama. Know your place! This does not happen. He is your boss. It showed how arrogant Bo Xilai had become.

The fact that it is released publicly shows the government is building a case against Bo Xilai. They are building a case to say he is a loose canon. He is a megalomaniac who needs to be curtailed. He was getting so big for his britches that he was taping his superior's conversations.

On March 15th, it is announced that Bo Xilai has been removed from his post as Chongqing Provincial Chief for his involvement in the Wang Lijun incident. It is stated he would remain on the Politburo for the time being. This was expected. I think the PRC

government allowed him to remain on the Politburo because they were building a case against him. Everyone knew Bo Xilai was not going to remain on the Politburo but would soon be replaced. It is a matter of time. Another telling fact is the fact that Bo Xilai has not been seen in public since March 15th. I know I was wondering what was going to happen. Would Bo Xilai be purged? I spoke to a good friend who is an upper level minister and he told me, off the record, that Bo Xilai would be removed within the next weeks.

On March 16th, information is leaked that Wang Lijun told Bo Xilai that he and his family were being investigated for corruption. This is the reason behind the split. At the time of Bo Xilai's ouster, there was a lot of press criticizing his dismissal. The Wall Street Journal published an Op Ed piece decrying Bo Xilai's dismissal and claimed Bo Xilai was a reformer who threatened the more conservative leadership. This was completely untrue. Bo Xilai lived a hypocritical lifestyle. His son drove fancy imported cars. He himself had his suits custom made in England. He asked the people to return to their proletarian roots while he lived a bourgeois lifestyle. I also knew more information was coming out to implicate Bo Xilai and his entire family. While Bo Xilai claimed his wife had given up her profitable law career to be a housewife, this was a lie. She was still tied to her law firm. Like many Chinese who work abroad, she used different names. One company registered in the UK was linked to her. It is said if you wanted to do business in Chongqing, you had to hire her law firm. She was quoted as saying the Bo family was above the law. Then, rumors started to circulate and linked Bo Gu Kailai (Bo Xilai's wife) to the murder of a British businessman named Neil Heywood. Mr. Heywood died in the fall of 2011 in Chongqing under mysterious circumstances;

previously, he had been a confidant of all the entire family and especially with the son. The UK government confirmed on March 26th that they asked the PRC government to open an investigation into Mr. Heywood's death. Could this be connected to what Wang Lijun told the US Consulate General? It wouldn't surprise me.

Then, April 10, 2012, it was announced Bo Xilai was being removed from the Politburo. In a separate statement, it was announced Bo Gu Kailai (wife) was being taken into custody along with a close house staff member for their involvement in Mr. Heywood's death. It's purge. I read somewhere Bo Xilai is the fifth person to be removed from the Politburo since Tiananmen in 1989. Of the other four, two were imprisoned and one lived under house arrest for the rest of his life.

Of course, we (in the think tank industry) have all been calling around and trying to find the inside story. It is definitely a power play. I spoke to a member of the Politburo Standing Committee in January 2012. He is about to retire; I asked him about what he hoped his legacy would be. He told me that the future of China lay in a more open society. He said China could not return to the dark days of Cultural Revolution. He hoped his legacy would be that China would continue to liberalize. He confided to me that there were parties who were against. He was worried they would succeed. Right now, he said, China is at a crossroads. The ramifications of what road China would take would be felt for years to come.

I read an article yesterday how this was a power play between Premier Wen Jiabao and Bo Xilai. Premier Wen who was a long time protégé of Hu Yaobang – remember the man who tried to limit the appointment of *taizi* to the Central Committee in the 1980s. Hu Yaobang had survived the Cultural Revolution where he was beaten and

tortured under direct orders of Mao Zedong. He was reinstated when Deng Xiaoping took power. Hu Yaobang came to odds against the more conservative faction – Bo Yibo being his most vocal critic. Bo Yibo said Hu Yaobang was too weak and tolerated too much, especially student protests. Of course, Hu Yaobang tried to limit the power of the *taizi*. In 1987, Hu was again purged. Bo Yibo supposedly played a major role.

Remember, it was Hu Yaobang's death that incited the Tiananmen protests. Wen Jiabao has publicly mentioned the mentoring role of Hu Yaobang on Wen's career; this is also unheard of – a public official sharing personal recollections. It seems fitting somehow that Wen Jiabao helped end the career of Bo Yibo's son.

I think it is also important to remember history. Bo Xilai was the number 10 person in the Politburo, meaning he was just outside the Politburo Standing Committee of Nine. If you look, the last purges of the previous two Politburo Committee members were also of No. 10. I am referring to Chen Xitong in 1995 and Chen Liangyu in 2006. It is a troublesome spot because these guys are so ambitious. They are willing to do anything to get on the Standing Committee. The Standing Committee is completely aware of this. They are wary.

Bo Guagua, Bo Xilai's son, graduated from the JFK School at Harvard. I know from firsthand accounts that Bo Guagua has not changed his party lifestyle. He held lavish parties for weeks after news of his mother's imprisonment. Currently (July 2012), he is still hiding out in the U.S. I don't think he is worried about retribution from PRC politicians. There is an unspoken agreement that one would never physically hurt the children in a coup like this. The children are still regarded as innocent of their fathers' and mothers' crimes. Well, I heard there is a bounty on Bo Guagua's head from all the

organized crime. All the gangsters that Bo Xilai put in jail now want retribution; they don't honor the belief that children are sacrosanct. I hear Bo Xilai and his wife may have embezzled up to 6 Billion in USD in overseas accounts. Bo Guagua will live out his life in luxury outside of China.

I think Bo Xilai's career is over. The trial of his wife was conducted during the Olympics shows that the CCP wanted as little news coverage as possible. The CCP wanted it to go away and be over. They want this to be done. Remember, a new administration is coming in the fall of 2012. They want this story to be old news and dead. Then, her guilty plea allowed the trial to be over very quickly. The law states she should get the death penalty; like the wife of Mao, her death sentence will be commuted. I have also heard rumors that a deal will be made with the new administration. It will be announced quietly in the fall. Bo Xilai and his wife will live out their days in isolation and ignominy. For a man like Bo Xilai who so loved the limelight, this is a very harsh sentence. To have its infighting exposed like this is incredible. It truly is a historical moment.

The Aftermath

On April 10, 2012, Bo Xilai's wife, Gu Kailai, was detained on the suspicions of her complicity in Neil Heywood's death. She was remanded into official custody. On July 26, 2012, she was formally charged with murdering Heywood. During her one-day trial on August 9th, 2012, she admitted responsibility for the murder. Gu Kaili claimed she experienced a mental breakdown and would accept any punishment (Jacobs, 2012; Johnson & Ansfield, 2012; C. Joseph, 2012). On August 20th, she received a suspended death sentence which is usually changed to life sentence after two years (Rutwich, 2012, August 20th para. 1; Wines, 2012).

On April 10th, Bo Xilai was demoted from the CCP's Central Committee and the Politburo, pending an investigation into what was called "serious disciplinary violations." On October 26, 2012, Bo was officially removed from the CCP. According to Cheng Li, the stage is being set for a very public trial, maybe even tried by the PRC Supreme Court in its original jurisdiction. This will be the first time since the Gang of Four trial in 1976 (Wong, Edward, 2012 April; Wong, Edward & Ansfield, Jonathan, 2012 May).

While the Bo Xilai case holds a great deal of prurient interest, it is interesting to note that interplay of international status such as a degree from the Harrow School, Oxford, and JFK School of Government at Harvard University. Bo Xilai's desire for an international education at the highest levels is not unique but a trend among many PRC political and commercial elites. These elites are trying to reconcile their Communist political identities with their desire to partake in an international elite lifestyle. In Bo Xilai's case, his desire for the best was stained by his desire for power. It should be used as a warning for future and present CCP leaders.

Conclusion

With a new administration coming to govern in 2012, many political and social scientists advocated the research of the current class of PRC elites to obtain useful information to predict the future leaders. The PRC elites are the leaders of the CCP and the PRC government since the PRC is a one party state. PRC elites are the provincial leaders, state ministers, and party apparatchiks. While there are those who will remain in power, others because of age and term limits will be required to retire. Their positions will be filled with a new class of political elites. By studying this new class, one can gain knowledge about the future of government policy.

As shown above, the PRC elite are not a homogenous unit. Their experiences in family background, education, factional affiliations, and career paths have been distinct and different. This incoming fifth generation of Chinese leaders has shifted from the educational and career training of the technocrats that form the third and fourth generations. It remains to be seen how these different factions: *taizi*, *mishu*, Shanghai Gang, and *tuanpai* will coalesce into a ruling body and how their differences will emerge during their tenure (Wong, John & Yongnian Zheng, 2002; Yongnian, 2004).

CHAPTER THREE: COMMERCIAL ELITES

Introduction

In order to understand who forms the commercial elite, one must understand how the Chinese Communist Party (CCP) rules the government through various state organs. In a one-party state like China, the CCP and the government elites decide elite membership in the commercial as well as the political sector. The fact that the CCP's Central Organization Department also fills the leadership positions of the most important state and private companies in China is a rarely discussed fact (McGregor, 2010). Critics accuse the CCP of obscuring these practices and keeping them hidden from the public.

It is difficult to comprehend the far reach of the Central Organization Department (COD); the COD enables the CCP to extend its reach into different segments of PRC society. It is not only the human relations department for all the CCP and government positions but also for the CEOs, the boards of directors, and other top management positions for the largest and most profitable PRC companies.

If one defines elite companies as the most profitable PRC companies, State Owned Enterprises are the elite companies. The leaders of these companies can be defined as the commercial elite of China. The fact that this group of commercial elites has also become another channel of elite recruitment for the CCP and government leadership solidifies their elite status.

State Capitalism

In the wake of the global financial crisis, the PRC, as well as many other emerging countries, has reacted by embracing a powerful alternative to the free market doctrine: state capitalism. Bremmer (2009) defines state capitalism as a "system in which the state functions as

the leading economic actor and uses markets primarily for political gain. . . . And with the injection of politics into economic decision-making, an entirely different set of winners and losers is emerging” (p. 41). The type of state capitalism exercised in the PRC demonstrates a total control over companies; it is unlike any other state capitalist model in any other country.

The Economist observed in “State capitalism is not all the same:”

What might be called “the party state” exercises a degree of control over the economy that is unparalleled in the rest of the state-capitalist world. The party has cells in most big companies—in the private as well as the state-owned sector—complete with their own offices and files on employees. It controls the appointment of captains of industry and in the SOEs, even corporate dogsbodies. It holds meetings that shadow formal board meetings and often trump their decisions, particularly on staff appointments. It often gets involved in business planning and works with management to control worker’s pay. (p. 9)

When a non-state/private company reaches a certain size and earns a certain amount, the State gets involved. The State requires the company to bring in a CCP committee. If the company continues to be successful, they nationalize the company. Other private companies prevent this by registering as collectives from their inception; therefore, the companies work with a CCP representative from the beginning (Ganster & Kedl, 2005, Godemont, 2011; Goodman, 2008).

Large private and state-owned enterprises are controlled by the CCP and the PRC government. This excerpt described the wide-reaching control the state has:

Company bosses are routinely moved to rival companies without any explanation. Company headquarters have space set aside for representatives of the armed forces....The bosses of China’s 50-odd leading companies all have a “red machine” sitting next to their Bloomberg terminals...that provides an instant (and encrypted) link to the Communist Party’s high command. (*State capitalism is not all the same*, January 21, 2012, p. 9)

The fact that State Owned Enterprises are listed on stock markets in Shanghai and throughout the world is a confusing factor. In democratic countries, only private companies have shares that can be bought and sold on the stock market. Scissors (2009) found in the PRC that “three-quarters of the roughly 1,500 companies listed as domestic stocks are still state owned” (p. 28).

One scholarly elite informant, who works on economic policy for Chinese think tanks, clarified the status of a State Owned Enterprise:

For those used to dealing with companies in the US or Europe, they see a company listed on a stock exchange, they assume it is private. In China, share-holding companies can be state-owned and/or its majority owned by the State. In China, the term “non-state” was developed for these companies. Non-State is a term that allows the government to own companies that are not SOEs. These companies are more agile and flexible than SOEs, but they are *not* fully privatized. People outside of China made the mistake of interpreting “non-state” as “private” which was never the intention of the government. If there is “socialism” Chinese style, then there is “private” Chinese style. Non-state companies still have to obtain permission from the government to engage in merger and acquisitions and to expand overseas. If directors of a so-called non-state company want to sell off their shares, they have to obtain permission from the government. If the general manager of a non-state company wants to serve on a board of directors of a company, even if it is outside China, he or she must obtain permission from the central government. These restrictions do not occur in the United States. If Warren Buffet wants to serve on the board of Goldman Sachs, he does not have to ask for and then receive permission from the government. In China, he would.

The Organization Department of the CCP is the world’s largest human resources department. It fills the leadership positions of all SOEs. When the SOEs started listing themselves on various stock markets, these leaders started feeling invulnerable. They started acting like they were bigger than the CCP itself. What did the CCP do? In 2004, in the telecommunications industry, it moved the three heads of the three companies overnight with no advance warning. So, the head of China Telecom came in and found he was now head of China Unicom. Think about that. It’s like the CEO of GE finding himself the CEO of Ford the next day. The CCP did this again with the three largest airlines in 2009. It happened again in 2010 with the leaders of the three biggest oil companies. The CCP does this to keep everyone in line and to remind them who is the boss. Who is the most important constituent, not the market but the CCP.

Therefore, in the PRC, the goals of the CCP are the most important goals for all companies, state or non-state/private (Tsai, 2007). Currently in 2012, economic growth is considered to be the number one priority for the CCP, government, and the entire country. Scissors (2009) observed:

[It is] growth at the expense of all else. This growth today is explicitly led by the state, fueled by investment by state-owned entities, and accompanied by powerful regulatory steps meant to ensure the state’s dominance of the economy...The Chinese Communist Party no longer sees the pursuit of further genuine market-oriented reform as being in its interest. The burst of growth that the economy exhibited after the initial state-directed stimulus convinced the CCP that true liberalization is now unnecessary as well as sometimes painful. (p. 24-5)

State capitalism is not new and has “been around for almost as long as capitalism itself” (*Something old, something new*. January 21, 2012, p. 5); it has been seen throughout history in the form of the East India Company in the 16th century to Japan in the 1950s. However, the state capitalism of the 21st century is operating on a grander, truly global scale and assisted by very sophisticated economic tools. In state capitalism, the government decides who will be the economic power players in an industry and how to promote economic growth. Interestingly, the government’s listing of state-owned-enterprises on stock markets and its promotion of globalization are the newest trends of state capitalism in 2012 (Groot, 2004; Woetzel, 2008).

One indicator of the reach of state capitalism is that governments own the world’s largest oil companies. *The Economist* reported in “The Visible Hand” in January 21, 2012: “State capitalism can also claim some of the world’s most powerful companies. The 13 biggest oil firms, which between them have a grip on more than three-quarters of the world’s oil reserves, are all state backed” (p. 4). State capitalism reaches into all industries. Scissors (2009) explained:

No matter their shareholding structure, all national corporations in the sectors that make up the core of the Chinese economy are required by law to be owned or controlled by the state. These sectors include power generation and distribution; oil, coal, petrochemicals, and natural gas; telecommunications, armaments; aviation and shipping; machinery and automobile production, information technologies; construction; and the production of iron, steel, and nonferrous metals. The railroads, grain distribution, and insurance are also dominated by the state. (p. 28).

In 2009, the 500 largest private companies in the PRC made less than the total revenue of two SASAC (State-owned Assets Supervision and Administration Commission) companies: China Mobil and Sinopec. In 2012 China’s state-owned enterprises form 80% of the value of the PRC stock market. “Three Chinese state-owned companies rank among the world’s ten biggest companies by revenue, against only two European ones” (“The Visible Hand,” p. 4).

SOEs or (State Owned Enterprises) have remained the dominant corporate entities in the PRC. While private companies do exist, their revenues are a mere fraction of the revenues of State Owned Enterprises' profits. "In the recently released 2010 China Enterprise 500, SOEs accounted for 65.8 percent of the companies on the list and 84.7 percent of the total revenue" (Li, 2011, Winter, p. 13). Scissors (2009) found:

During 2006 alone, the number of individuals who owned businesses fell by 15 percent, to 26 million – a pittance given the country's total population of more than 1.3 billion. The latest official data publicly released show that truly private companies contributed less than ten percent of national tax revenues during the first nine months of 2007 and that figure dropped in the first part of 2008. (p. 28)

A closer inspection of these corporations is required. Understanding State Owned Enterprises is the first step in understanding the commercial system in the PRC (Dali Yang, 2006).

Origins and Characteristics of SOEs

State Owned Enterprises are divided into two types. The first type involves the national companies that are supervised and administered by the central government; the second type consists of those that are governed by the provincial or municipal governments. The largest ones in the PRC are the SASAC companies (*yangqi*), national firms in which the PRC government, through the State-owned Assets Supervision and Administration Commission, owns a majority of the assets. The SASAC process is described in *The Economist* article, "State Capitalism is not all the same" (January 21, 2012):

SASAC, which holds shares in the biggest companies, is the world's largest controlling shareholder and the state capitalist institution par excellence. . . .The party state encourages companies to band together into industry clusters by giving them preferential access to contracts and stockmarket (sic) listings. It also encourages them to establish subdivisions such as a domestic holding company, a finance company, a research institute and a foreign division. SASAC typically owns 100% of the shares in the holding company. The holding company in turn owns a smaller proportion of shares – say 60% in the foreign division. This makes it possible for business groups to present lots of different faces – for instance, an inward-looking one in the form of the holding company and an outward-looking one in the form of the international division. It also allows the

party state to exercise control of an entire chain of companies. Thus Petro China might look like a regular Western company, with a listing on the New York Stock Exchange. But in fact it is the international division of a huge group called China National Petroleum Corporation, the foreign head of a dragon whose body and raison d'être lie in Beijing. (p. 10)

The State-owned Assets Supervision and Administration Commission is overseen by the State Council. Since 2003, the trend among the State-owned Assets Supervision and Administration Commission companies is consolidation; consequently, the total number of State Owned Enterprises (which includes both national and provincial) has decreased from 159,000 in 2003 to 114,500 in 2010. *The Economist* reported in the January 21, 2012 article, "New masters of the universe:"

The state-owned sector as a whole has been in rapid retreat. It now makes up only about a third of China's and Russia's GDP, against almost all of it two decades ago. But this decline is the result of the selective pruning rather than liberalization. Governments have been letting go of the small in order to strengthen their hold over the large. This has resulted in a couple of paradoxes. The SOEs are becoming wealthier and powerful even as the overall state sector shrinks, and governments are tightening their grip on the commanding heights of the economy even as the private sector grows. The concentration of power in an inner circle of SOEs has been gathering pace over the past decade: China's 121 biggest SOEs, for example, saw their total assets increase from \$360 billion in 2002 to 2.9 trillion in 2012 (though their share of GDP has declined). (p. 6)

In 2010, there were 121 State-owned Assets Supervision and Administration Commission companies, a decrease from the original 196 when the State-owned Assets Supervision and Administration Commission was founded in 2003. Numerous mergers and acquisitions among the State-owned Assets Supervision and Administration Commission companies account for this decrease; the CCP and the government wanted to create strong monopolies. In order to achieve this goal, they jettisoned and sacrificed the weaker State-owned Assets Supervision and Administration Commission companies for the larger and stronger ones. While total number of State-owned Assets Supervision and Administration Commission companies is down, total State-

owned Assets Supervision and Administration Commission assets have increased from 3 trillion yuan in 2003 to 20 trillion yuan in 2010. The most important companies in the PRC are the 121 State-owned Assets Supervision and Administration Commission companies, the six state-run commercial banks, and the three largest state-controlled insurance companies (Bremmer, 2009; Scissors 2009, 2011).

One measure of how well a global company is performing is the ranking it earns on the Fortune Global 500 list, which ranks the world's largest companies. In this case, PRC State Owned Enterprises have performed extremely well. They have increased their presence on the list from three in 1995 to 61 in 2011. Of the countries with the most companies on the list, China is ranked No. 3, behind the No.1 ranked United States with 133 companies and No. 2 Ranked Japan with 68. It is not unreasonable to assume that China will overtake Japan in the near future. In 2005, the United States had 176 companies, and Japan had 81 companies while China had 16. The growth speed of China's companies far outpaces its foreign competition (2011, July 25, "Global Five Hundred: World's largest companies," *Fortune Magazine*).

In addition to increasing the total number of companies on the list, Chinese companies have also enhanced their standings. Among the top ten companies on the 2011 Fortune Global list, there are three PRC companies: Sinopec, State Grid Corporation, and China National Petroleum Corporations, as compared to the United States and Japan which both only have two. The fact that the top fifteen Chinese companies on the Fortune 500 list are all State Owned Enterprises is another example of the pervasive power of state capitalism.

Upon closer inspection, the picture of State Owned Enterprises is not as positive. Critics point out that the PRC State Owned Enterprises are massive, bloated companies that would be

unable to compete globally if not for the support of the PRC government. There are many factors in this situation. Bremer (2009) summed it up:

Commercial decisions are often left to political bureaucrats, who have little experience in efficiently managing commercial operations. Often, their decisions make markets less competitive and therefore, less productive. But because these enterprises have powerful political patrons and the competitive advantages that come with state subsidies, they pose a great and growing threat to their private-sector rivals. . . .State capitalism ultimately adds costs and inefficiencies to production by injecting politics, and often high-level corruption, into the workings of the market. (p. 44-45)

One unfair advantage that SOEs enjoy is their access to large governmental cash reserves. Since the government controls all PRC banks, the government also controls lending rates and loan recipients. The central government assigns quotas every year; the quotas funnel where the money goes, and it goes to industries that the government has prioritized. Moreover, the government keeps interest rates tightly controlled, and in 2007, lending costs were barely above zero (Shih, 2008). *The Economist* reported in “New masters of the universe,” January 21, 2012: “[Because of the global financial crisis] in 2009 some 85% of China’s \$1.4 trillion in bank loans went to state companies (p. 6). Scissors (2009) concurred:

The state exercises control over most of the rest of the economy through the financial system, especially the banks. By the end of 2008, outstanding loans amounted to almost \$5 trillion, and annual loan growth was almost 19 percent and accelerating; lending in other words, is probably China’s principal economic force. The Chinese state owns all the large financial institutions, the People’s Bank of China assigns them loan quotas every year, and lending is directed according to the state’s priorities. (p. 29)

While State Owned Enterprises receive this financial assistance, the private sector suffers. Loans are rarely given to the private sector; if loans are approved, the interest rate is more than the rate given to State Owned Enterprises (Bremmer, 2009; Scissors, 2009; and Shih, 2008). Even if a company wants to raise money by selling stocks or bonds, these sales are dominated by the state. The volume of government issued bonds overshadows the volume of bonds issued by private companies.

While the State Owned Enterprises receive a great deal of governmental assistance and support, they are not invulnerable. As mentioned above, their number has decreased from 159,000 in 2003 to 114,500 in early 2011. One faction of the State Owned Enterprises, the State-owned Assets Supervision and Administration Commission companies, have also decreased, as the original number of 196 has decreased to 121 in 2010. The remaining few grow by merging and acquiring weaker State Owned Enterprises. Therefore, to avoid being merged or acquired, State Owned Enterprises have to perform and meet the government target of revenues and profits. If they fail, top managers could lose their jobs and companies.

Origins and Characteristics of SOE Leaders

While leadership of the largest State Owned Enterprises has always been a channel for elite recruitment, their profile and visibility has grown tremendously under the state capitalism model. *The Economist* noted:

These varieties of state capitalism all have one thing in common: Politicians have far more power than they do under liberal capitalism....In China party hacks can find themselves running the country's biggest companies (and SOE bosses sometimes get big jobs in the party). ("State capitalism is not all the same," p. 12)

Scissors (2009) agreed: "State enterprises draw their top executives from the same pool as does the government. Chinese officials routinely bounce back and forth from corporate to government posts, each time at the behest of the CCP" (p.28). These SOE leaders have gained political expertise working for the central government; they have gained international experience as their businesses have expanded world-wide. Since the majority of State Owned Enterprises' leaders have a college degree, these leaders represent a new generation of educated, sophisticated, and urbane leaders. This trend will continue as State Owned Enterprises actively seek leaders with world-class business degree credentials. Some companies, like Baosteel, have sent their top management staff to executive MBA programs while also bringing in professors

from top-rated international business schools. It is reported that “the Chinese version of the Harvard Business Review is a must-read in the upper echelons of state owned companies” (“State capitalism is not all the same,” January 21, 2012, p. 12).

The leaders of the 130 largest SOEs are also being groomed for political leadership. Since the leaders have been placed in their positions by the Organization Department of the CCP, these leaders are beholden to the CCP. *The Economist* reported: “They care more about pleasing their party bosses than about the global market” (“State capitalism is not all the same,” January 21, 2012, p. 9). Examining their political backgrounds, educational credentials, and professional experience can provide insight into how elite commercial leaderships are formed.

Gender, Age, Birthplace

The top leaders of the State-owned Assets Supervision and Administration Commission companies are also referred to as State Entrepreneurs. In Li’s study of these leaders, he found that males dominated leadership positions since females run only 1.5 percent of the companies. In addition to male gender dominance, there is also ethnic Han dominance as non-Hans run only 1.5 percent of the companies. Given that Hans constitute 91% of the entire PRC population, this is not as alarming as the gender disparity. Interestingly, Li (2011, Winter) found that there was a wider range of ages among the State-owned Assets Supervision and Administration Commission companies’ leadership as compared to other spheres of Chinese leadership:

The wide range in the age distribution of top leaders of large SOEs may be attributed to two factors. First, these firms differ significantly in terms of their political weight and economic contribution. Second, the top leaders of these firms hold vastly different official ranks—some are full ministers, some are vice ministers, and still others are only bureau heads. Yet a few full minister-level top executives are relatively young. . . . A majority of the top leaders studied (70.4 percent) were born in the 1950s, and thus belong to the so-called fifth generation of leaders. To a great extent, the fifth generation of leaders has already dominated the top leadership of China’s SASAC companies and other large state-owned firms. (p. 15)

Many of these leaders come from Eastern China, which is the norm; as noted above in Chapters Two and Four, this trend can be seen throughout the political and military elites, too. Li (2011, Winter) continued: “Among the 84 leaders whose birthplaces have been identified, approximately 52.4 percent were born in these six provinces and about 40.4 percent were born in four provinces and cities in Eastern China (Shandong, Jiangsu, Shanghai, and Zhejiang)” (p. 16). Given the economic dominance that Shanghai, especially, holds over the rest of the PRC, it is no surprise that many of its leaders are from Shanghai, since these companies tend to promote from within their companies. They usually graduate from local universities. Universities tend to accept local students, though this is changing. Li also observed that since many State Owned Enterprises have headquarters in Beijing, a few SOE leaders were born in Beijing.

In my sampling, the number one leaders of the State Owned Enterprises were all male as were seven of the eight vice presidents. Similar to Cheng Li’s findings, my sampling of commercial elites tended to be in their late 40s. The two commercial elites who were born in the 1940s were the previous heads of the State Owned Enterprises and are currently retired, in accordance with the strict retirement ages enforced by the CCP. The majority of the birthplaces tend to be on the eastern coast. Two commercial elites were born outside of Beijing. In both cases, they were the sons of high-ranking officials based in Beijing.

Educational Background

Li found that only 120 leaders could have their educational backgrounds identified. From this group, many earned advanced degrees with engineering dominating as the major of choice; the other chosen majors were management, business, and economics/finance. Only a handful obtained degrees from the Central Party School. Out of this group of 120, Li (2011, Winter) determined that almost 75 percent received advanced degrees, with approximately 5 percent

earning Ph.D. degrees. Of these 120 leaders, 12.3 percent studied outside of China, with some receiving advanced degrees from international institutions. This number will increase as the younger generation of SOE leaders assumes positions of leadership, given that the majority of younger executives have studied abroad.

From my sampling, all of the heads of the SOEs, including those who have retired, have college degrees. The majority of the college degrees were received in engineering, with the other two leaders receiving degrees in history and economics. Three of the nine commercial elites received advanced degrees, two Masters and one Ph.D.

Career Paths and Political Affiliations

Among the 130 top leaders that Li (2011, Winter) studied, he found a high “turnover rate:”

Almost 95 percent of this study’s subjects were appointed within the past decade, and about two-thirds (66.2) were appointed in the past five years. . . . The fast turnover and relatively brief tenures may be attributed to two factors. First, mandatory retirement at a certain age for a certain level of leadership has been an important rule in Chinese elite politics over the past two decades. Although top leaders of SOEs are not subject to the strict regulations and term limits applied to provincial chiefs and ministers (who can stay in the same position for just two five year terms), they are still significantly affected by the trend of relatively brief leadership tenures in present-day China. Second, some of these top leaders have recently moved from their posts as general managers to the post of chairman of the board of directors in the same firm due to joint-stock (shareholding) reforms in some SASAC companies. (p. 19)

The CCP’s Department of Organization appoints the top leaders of State-owned Assets Supervision and Administration Commission (SASAC) companies, major commercial banks, and insurance companies. Approximately 67 percent of the current leaders were hired from within the company. For those who came from another company, more than half came from the same industry. On the other hand, the current top leaders who were transferred from the central government number 5 percent while those who transferred from local government number only

2.5 percent. Thus Li (2011, Winter) declared: “The current fact is that almost all top leaders have been insiders in the CCP system, if not in the same company or the same industry’s patron and client network” (p. 21.)

According to my sampling, the current leaders of the SOEs had been hired within the last five years. Examining the careers of the retired commercial elites in my sampling, I found that the average tenure of their time as Number One Leader was fifteen years. This finding shows a longer time in the Number One position than what Li found. All of the heads and Vice Presidents were hired from within the company.

All of the 130 top SOE leaders are CCP members. The difference is the year they joined; some joined relatively late in their careers. Li (2011, Winter) found:

For example, Ma Xingrui (b. 1959), general manager and Party secretary of the China Aerospace Science and Technology Corporation, joined the CCP in 1988, the same year he received his Ph.D. from Harbin Institute of Technology; Xu Ping (b. 1957), chairman and general manager of the Dongfeng Motor Corporation, joined the CCP in 1987; and Zhang Qingwei (b. 1961), chairman and Party secretary of COMAC, did not join the CCP until 1992, 10 years before becoming a full member of the Central Committee at the 16th Party Congress. (p. 21)

According to my sampling, all of the commercial elites who were/are Number One Leaders or senior staff members are members of the CCP. It was difficult to ascertain exact dates of their joining the CCP. It is not published information for commercial elites as it is for political elites. When I asked the commercial elites, I would receive vague answers such as: “When I was in my 20s or during college.” I could not risk incurring their wrath so I rarely pushed these leaders for more detailed information.

Additionally, Li tried to determine the factional affiliation of these elites. Among the 130 top leaders of China’s large SOEs, only one leader had advanced his career through CCYL leadership and could be considered a *tuanpai*. Li (Winter, 2011) concluded: “It is evident that

tuanpai leaders usually pursue their post-CCYL political careers through local leadership rather than administration of SOEs” (p. 21). Another type of political affiliation is having served as a *mishu* or as a personal assistant to a senior leader. Li found only 5 out of the 130 top leaders served as *mishu*. Princelings or *taizi* who are children of high-ranking officials (vice minister/vice governor or above) are another type of political affiliation; they are major power players in the Chinese SOEs, especially the largest ones.

Three of my Commercial elites were descendants of high-ranking officials. One commercial elite’s father was at the ceremony of the official founding of the PRC in 1949. Another elite’s father was a confidant of Mao though the father was later purged. Another elite’s father was a well-regarded Minister. One PRC Commercial Elite, Cai Eyu served as *mishu* to the former head of the SOE of the company for which he currently works.

Historical Background of *Taizi* and SOEs

Two of the most high-profile examples of *taizi* are the son and daughter of Li Peng. Li Peng has three children with his wife, Zhu Lin; this is Li Peng’s only marriage; his third child, a son, decided to concentrate on basketball and competed in the 1996 and 2000 Olympics. Another son, Li *Xiaoping*, is executive vice governor of Shanxi Province and is the former chairman and general manager of China Huaneng Group; his daughter, Li Xiaolin, is the current chair of China Power International Development Limited. Consequently, the Lis have tremendous influence over the entire electric power industry in China. As Li (2011, Winter) observed, such cases are often difficult to discover:

However, it is not always easy for analysts (Chinese or foreign) to trace the family backgrounds of the business executives of China’s large SOEs. Quite often, the public learns the backgrounds of some princelings only after they are arrested on corruption charges. For example, Chen Tonghai, the chairman and general manager of Sinopec, was arrested in 2007 for allegedly taking bribes in the amount of 195 million yuan. In 2009 he was convicted and given a death sentence (suspended for two years). Cheng

Tonghai's father was Chen Weida, who consecutively served as deputy Party secretary of Zhejiang, Party secretary of Tianjin and deputy Party secretary of the Central Political and Law committee. Chen Tonghai advanced his career from Ningbo, a city in Zhejiang, where he served as vice mayor and then mayor before being appointed to be vice chairmen of the State Planning Commission in 1994, when he was only 45 years old. He was appointed deputy general manager of Sinopec in 1998 and became chairman and general manager in 2003. (p. 22)

Of the 130 top SASAC leaders, five can be called *taizi* or princelings. The presence of *taizi* is especially troublesome as it gives the impression that the commercial system of China is dominated by cronyism and nepotism.

There is also a growing number of SOE leaders who are **simultaneously** political elites, serving on the CCP's Central Committee, Politburo, or Politburo Standing Committee. The current political leaders who have experience in SASAC companies and other large SOEs include two Politburo Standing Committee members: Jia Qinglin and Zhou Yongkang. Jia Qinglin served as general manager of the China National Machinery and Equipment Import and Export Corporation from 1978 to 1983, and Zhou served as general manager of CNPC in the late 1990s. The other two Politburo members are Liu Qi, the general manager of Wuhan Iron and Steel Company in the early 1990s and Wang Qishan, president of China Construction bank from 1994 to 1997. The three cabinet members are Miao Wei, recently appointed minister of Industry and Information Technology, Finance Minister Xie Xuren, and Governor of the People's Bank, Zhou Xiaochuan. Miao started his career in the automobile industry; Xie Xuren served as president of China Agricultural Development Bank; and Zhou Xiaochuan was the president of China Construction Bank. The three provincial Party secretaries are Zhang Chunxian (Xinjiang Party Secretary), Wei Liucheng (Hainan Party secretary), and Guo Shengkun (Guangxi Party secretary). Zhang served as general manager of China National Packaging and Food Machinery

Corporation in the early 1990s; Guo served as general manager of the Aluminum Corporation of China from 2001 to 2004; Wei succeeded in the oil industry.

Currently, there are twenty-seven SOE leaders serving on the Seventeenth Central Committee or the Central Commission of Discipline Inspection. It is a small but growing group. As these SOEs grow in size, economic and political power, it is likely that more will join in the near future.

SOE Bosses and Corruption

The growing presence, not to mention, the growing wealth of SOEs is a public reminder of the growing divide between the haves and have-nots. Recently, in order to counteract the criticism that SOE bosses were earning high pay, the SASAC began implementing a policy of equitable pay among the SOE bosses. For example, “in 2009 the average SOE boss earned \$88,000 and the highest-paid, the chairman of China Mobile, \$182,000” (“State Capitalism is not all the same,” January 21, 2012, p. 9). The reality is different: “nobody believes that the SOE bosses’ nominal pay bears any relation to their real remuneration” (“State Capitalism is not all the same,” January 21, 2012, p. 9). Several observers of Chinese business and politics, including Li, McGregor, Bremmer, and Scissors, to name a few, have proposed that the Chinese population traded political freedom for monetary riches, a trend that was fed by the belief that there is a possibility of getting rich. But that trend has now turned into the feeling that the business system is rigged and only those with political connections can enjoy the rewards of the market reform. According to Li (2011, Winter), this unease and suspicion has resulted in a popular phrase: the black collar stratum (*heiling jieceng*). It refers to the growing presence of China’s so-called rich and privileged who “dress in black, drive black cars, have hidden incomes, live secret lives with concubines, have ties to the criminal underground (*heishehui*, or black society), and most

importantly, operate their business and wield their financial power in an opaque manner” (Li, 2011, Winter, p.27). The term reflects the growing dissatisfaction and anger of the public with the corrupt world of the commercial elites. McGregor (2010) presented a similar picture:

A bitter – and highly popular – internet posting called corrupt officials “the new black-collar class”, who concealed their wrong doing in a shroud of secrecy. “They drive top-brand cars. They go to exclusive bars. They sleep on the softest beds in the best hotels. Their furniture is all of the best red wood. Their houses overlook the best landscapes, in the quietest locations. They play golf, travel at the public expense, and enjoy a life of luxury,” said the anonymous blog, posted in July 2009. “They are the newly arrived ‘black-collar’ class. Their cars are black. Their income is hidden. Their life is hidden. Their work is hidden. Everything about them is hidden, like a man wearing black, standing in the black of night.” (p. 140)

Many of China’s wealthy have been accused of transferring their money outside of China; in fact, 1.7 billion renmibi had been invested in Canada, Australia, and the United States from 2007 to 2009 (Li, 2011). **Nate Elgon** confided:

I have heard talk among people; I have read internet blogs that criticize the heiling jieceng, the so-called black-collar stratum. There is the feeling that they benefit from the government. They are taking money out of China at the public’s expense. These black-collar workers have benefitted from unfair, unequal market situations. They got to where they are because of who they are or who they know. They could be some son or daughter of a high-ranking official like Li Peng’s son and daughter. Now, they are “given” and I use the word “given” quite purposefully these great occupations and positions. They make huge money from it. Instead of returning it to China and reinvesting in China’s future, they have the nerve to buy investments abroad in Canada, the United States and Australia. It’s like Jiang Zemin’s son Jiang Mianheng who is known to be a famous high tech entrepreneur. In fact, he got his start when his father was Party Chief of Shanghai. Of course, Jiang Mianheng continued his ascent while his father was ascending. He rode his father’s coattails all the way to the top. Of course, it leaked out in the internet he has lavish homes and that he invests abroad. People are outraged. They are sickened. If Jiang Mianheng stole this money from the Chinese people the least he can do is put it back in their hands. Do a charity. Donate to the poor. I think that is the general feeling about the black-collar stratum that they are selfish and self-serving.

Another area of contention is the real estate market and speculation in China. As Sun Liping noted (cited in Li (2010, Winter) noted, Chinese property developers are accumulating huge profits:

The real estate interest group has accumulated tremendous economic and social capital during the past decade. The huge profits of property developers in China are often compared to those of drug dealers. Ever since the early 1990s real estate bubble in Hainan, this interest group has consistently attempted to influence government policy and public opinion. The group includes not only property developers, real estate agents, bankers, and housing market speculators, but also some local officials and public intellectuals (economists and journalists) who promote the interests of the group. (p. 27)

The Chinese government recently admitted that 70 percent of the 121 SASACs are engaged in real estate business and property development, which are booming throughout China. Another informant, **Neville Er**, a venture capitalist in Beijing, shared with me his experience of buying real estate in China. He said:

Real estate is crazy, especially in Shanghai and Beijing, the big cities. I wanted to buy a house in Shanghai. I was told about these houses in the French Concession. They were on sale for 20 Million USD, not Renmibi, U.S. Dollars. They were not staying on the market for long; they were being snapped up by Chinese billionaires, entrepreneurs, and overseas Chinese from Taiwan and Singapore. I even heard the rumor that some *taizi* own these properties but were given special insider prices, forty percent below the asking price. This real estate market beats anything in New York, or London or Tokyo which are cities that executives like me would live. I also feel like the common people cannot afford to buy apartments, much less homes. I am not saying the market is all homes worth USD20 Million, but I am saying even those lesser priced homes are not affordable to commoners. There is an impression that only high officials and their families, the *taizi*, possess the monetary resources to become homeowners. Or, *taizi* get special rates and are sold houses at below market rates. The Seller of the property hopes to curry favor with the *taizi* and the *taizi*'s family. This leads to the debate to the unfairness of the economy. Basically, the *taizi* were lucky enough to be born in the right families and now own homes.

Moreover, SOEs own and supervise 2,500 hotels throughout China.

The Chinese government ordered seventy-eight SASAC companies to stop their real estate business investments in 2010. Since the majority of SASAC companies have diversified outside their core industries and made easy, fast, and large profits in the real estate market, they have neglected to develop superior products or service in their core industry. For many of these companies, there is great pressure from the central government to earn record profits and the easiest way to achieve this is to dabble in real estate speculation. They obtain insider

information about what land is for sale; they receive bank loans at favorable rates. There is even the opportunity to purchase land at discounted, “insider” prices. Consequently, little money or time is spent on research and development. **Niles Eggleston** confirmed:

What is even crazier is that many if not all of the SOEs are spending the money the government invested with them in real estate speculation when the true purpose of the funds was for research and development. For example, I am dealing with a major SOE, a top thirty company, a huge industrial multi-conglomerate. It has fingers in all different areas. When Beijing decided to create more technologically advanced industries in China, the central government gave millions in Renmibi as investment to Company XXX. Beijing told this Company to start making a computer services division. The company did, but the division was small. In reality, the majority of the money was spent on real estate. When I asked a top executive, he explained to me that there is so much pressure to produce earnings at a certain rate prescribed by the government. In fact, he said to me: “You think your companies have problems, meeting Wall Street’s expectations, each quarter. Try meeting Beijing’s expectations. It’s much more nerve-racking.” So, he explained that real estate is a better guarantee of making profits. Since Beijing is notorious about deadlines and lack of follow through, many CEOs and Boards of Directors are unwilling to risk investments in untested research and development that could result in huge losses which in turn results in their losing their job because they did not meet Beijing’s expectations. No one or no company wants to piss off Beijing. They would rather spend the money in real estate – it’s a sure thing. No one is worried when Beijing wonders where is the computer services industry? They figure they will be gone, and it will be the next guy’s problem.

The results are unfortunate. While some PRC SOEs are highly ranked on the Fortune Global list, there is no brand or product that dominates internationally (Li, Winter 2011; McGregor, 2010). Critics also point out that PRC SOEs have benefited from unfair protectionist and trade practices rather than the domination of superior products. Consequently, the long term prospects of the SOEs remain unclear.

A Case Study – A Leader of a Top SOE

As the PRC SOEs continue to dominate, the leaders of said companies are business elites who are jockeying for power in the CCP and the government. There is a new type of Chinese elite who is “younger, business-savvy, politically connected, and globally minded” (Li, 2011 Winter, p. 1). One of my informants, Mr. **Christopher Erzai** is a good representative of this

type of up and coming leader. This is a pseudonym and all distinguishing details have been changed. As head of one of the largest industrial groups in China, **Mr. Erzai** is in charge of one of the most high profile SOEs in a high profile industry. His educational background includes receiving a B.A. from a top-tier university in China and a stint as a visiting scholar at a prestigious university in the United States. Moreover, he has gained international recognition in his field and has been asked to join the board of several international conglomerates. Urbane and sophisticated, he is able to discuss business in both Chinese and English.

When merger talks began between one of his subsidiaries and a similar company in the European Union, **Mr. Erzai** handled negotiations with both governments and the EU Commission. Eventually, the European company was successfully acquired because of **Mr. Erzai's** deft handling of the matter.

Over several interviews, I asked him about the rumors that his company was interested in acquiring similar companies in the United States. **Mr. Erzai** responded:

Well, I am not sure if the fit is there. I know there is a great deal of worry by Americans about so-called Chinese dominance. I have read articles and spoke to many business executives and politicians who are based in the US. I feel like there would be a great deal of controversy, a Chinese company controlling major assets in the United States. I am sure it would not receive approval from the US Congress. I also am familiar with how the unions work. I believe they would be outraged. They would stir up a great deal of negative press and public resentment. For myself, I feel it is important to bridge the differences between China and the United States. Fortunately, I feel like I am in a good position to accomplish this. Moreover, I study history. I see how the Japanese bought many US landmarks in the 1980s; they provoked a great deal of negative attention. I am trying to avoid that. I want to work with the US and make them feel comfortable in dealing with me and with China as a whole.

Mr. Erzai is the personification of this new generation of business leaders. He is smart, politically savvy, and internationally educated; he is globally focused.

In Spring 2011, he was promoted and appointed to a municipality's party committee. It was deemed a career promotion. As he transitions to the political arena, it is apparent that the PRC government and CCP are grooming him to be a national leader, too.

A Case Study – A Leader of a SASAC Company

SASACs or State-owned Assets Supervision and Administration Commission companies compete with each other for limited government resources. As one high-ranking official in a Top 20 SASAC said:

In order to conduct business in China, one is required to understand how competitive it is. One might think because you are a SASAC, the company would receive some benefits. This is true. SASACs receive benefits. This does not mean that the SASAC company does not have any competition. Competition among the SASACs is quite heated and can be quite daunting. In 2003, I think the official figure was 196, which is the approximate number of SASACs. In 2009, the last time such a count was taken, the number had decreased to 121. While some sectors were open to private companies, other companies have been acquired, merged, and consolidated. SASACs have to compete with other SASACs to gain market share domestically and internationally. That is a credit to China that we are able to compete beyond our national borders and now compete in the international market stage.

Tan Zuojan, general manager of China State Shipbuilding Corp. (CSSC), the sixth largest SASAC company in China in 2011, announced the following in a public speech given at a ship christening ceremony:

One of the first projects we undertook was to build a new shipyard in Shanghai that would showcase the latest technology. While there were a number of Shanghai shipyards already in existence, it was becoming quite apparent that they were getting older and needed to be replaced. However, ships continued to be built there. Production never stopped. Also, at this time, a few government officials decided China should be the shipbuilding capital of the world. CSSC decided to build the largest and most modern shipyard; we decided it should be built in Shanghai. Shanghai has historically been the epicenter for the shipping industry in China. CSSC was committed to the idea of building a modern shipyard. Despite a few exceptions, the central government was not yet onboard. We were told it was not necessary to build a new shipyard. Other industries claimed they were more important and deserved attention. Fortunately, we had a champion. It was Minister XX; we met with him. He understood the importance of this dream. It would bring jobs to China. It would provide China with a great deal of income. He believed we were the company to build this new shipyard. He went to

Beijing with our proposal. He was turned down two times. We almost lost hope. He told us to keep persevering. Other ministers wanted the money for highways, communications, high tech, aerospace, and coal; there are myriad of industries from which to choose. We knew the reality. The central government only has so much investment. The Minister went for a third time. This time he was successful. He persuaded the government to approve the new shipyard. He made it a national priority to make China the shipbuilding capital in the world. When we built this new shipyard in 2005, the shipyard was able to implement the latest innovative technology. It attracted ship owners from the rest of China and the rest of the world. If we did not have the support of the Minister, we would never have been successful. He was a true believer in our project. He championed it in Beijing.

This example illustrates the extreme competition among the various SASACs and the various industries that want the patronage of, and financial backing from, the central government.

Entrepreneurs and the CCP

It is interesting that Cheng Li uses the terms, “state capitalist” and “state entrepreneur” to describe these CEOs of the top SOEs in China. As Dickson (2003) observed, the history of capitalists and entrepreneurs in the PRC has been wrought with tension, mistrust, and uneasiness:

Most ruling communist parties have wrestled with the competing goals of pursuing political and social policies that are consistent with Marxist-Leninist goals and the more immediate and pragmatic task of economic production. Although both goals may be important to the party, they require rather different sets of policies that in practice may be counter-productive. . . . Capitalists, landlords and officials from the old regime and even their descendants are seen as politically suspect and persecuted, imprisoned, and sometimes killed for their assumed or actual opposition to communist goals. In contrast, during periods when development is the key goal, the party uses material incentives . . . to encourage greater productivity from workers and downplay ideological appeals. (p. 7)

When the Revolution began in 1949, landowners and capitalists were all deemed number one class enemies. Cao (2004) offered this account of those old ideals:

From 1949 when the People’s Republic was founded to the late 1970s when China launched the reform and open-door policy, notions of class and class struggle were dominant. Based on the class analysis theory by Mao Zedong, then chairman of the CCP Central Committee, the problem of distinguishing friends from enemies politically was most important and class struggle was believed to exist in the entire period of socialism. Thus the Chinese society was divided roughly into workers, peasants, soldiers, students and intellectuals, businessmen (gong, nong, bin, xue, shang), plus various enemy classes such as landlords, rich peasants, counter-revolutionaries, bad elements (di, fu, fan, huai)

and others who were targets in different political campaigns, say “rightists” (youpai) in the 1957 Anti-Rightist Campaign and the “capitalist roaders” (zouzipai) during the Cultural Revolution of 1966-76. It was the identifying of a class with the regime that determined its status in society. Because workers, peasants, and soldiers participated in the Chinese revolution led by the CCP, they were the leading class or party’s alliances. Such a class categorization was also used to mobilize different political forces. However, enemy classes such as landlords, rich peasants, and capitalists were linked to the properties which they were deprived of after 1949; thus, such a property model of stratification was mainly a measure of political status and social honor, rather than an economic definition of a class, to stratify the Chinese. (pp. 8-9)

Those individuals that worked in state run companies were accorded great respect, and the state chair and vice-chairman were assigned the top grades in an elaborate system of work – grades (*jibie*) used to classify Chinese employees.

As the PRC government and the CCP shifted away from the class struggle that characterized the Mao era towards economic development and reform in the Deng era, previously held attitudes towards making money were revisited and readjusted. During the 1980s, it became important to have technical competence as well as ideological loyalty. As the private sector was promoted, making money became an important way to help the Communist cause. In 1989, after the Tiananmen Square crisis, the CCP retracted its patronage of these capitalists. The hardliners of the CCP criticized the economic reforms for violating the principles of the Communist Revolution; they felt this new economic reform era had directly contributed to Tiananmen Square. Consequently, a ban was imposed in August 1989 against allowing entrepreneurs to join the CCP. Entrepreneurs were lumped with student demonstrators and deemed as subversive threats to the state.

On July of 2001 which was the eightieth anniversary of the founding of the Chinese Communist Party, then President Jiang Zemin announced that private entrepreneurs would be allowed to join the CCP. Jiang claimed they were a new social stratum making significant contributions to the country’s development and modernization, and therefore deserved a place in

the ruling party. While the above is true, in the eyes of the party's conservative bloc, Jiang had committed an egregious offence. A struggle between Jiang and the party conservatives erupted. It seemed incongruous to many conservatives that the CCP, built on the interests of workers and peasants, could accept millionaires. Jiang was accused of violating the CCP Constitution by not receiving approval of the Politburo and its standing committee. There were calls to rescind the invitation and to reprimand Jiang. Of course, the CCP did not retract the proposal, and Jiang was later lauded as being a visionary leader for allowing capitalists to join the CCP.

According to Dickson (2003), a new stratum was created. He named them China's red capitalists:

They are entrepreneurs with close personal and political ties to the CCP. Many of the wealthiest entrepreneurs are formerly held high-level party and government officials, and some are even the offspring of China's leaders. A far larger number of private entrepreneurs are former mid-level officials, or simply rank and file party members who did not hold formal posts but left their previous jobs to go into business. This growing trend of leaving jobs in the party, government, or state owned enterprises to go into the private sector is popularly known in China as *xiahai*, literally to plunge into the sea. This group will be referred to as *xiahai* entrepreneurs throughout this book to distinguish them from another group of red capitalists: those who were co-opted into the party after demonstrating their entrepreneurial skills and business success. (pp. 4-5)

Private companies range from one-person run businesses to corporations with hundreds of workers and operations that cover the entire country and the international market.

According to my sampling, two commercial elites, Messrs. Esha and Eyao, are typical Red Entrepreneurs. Their army positions were relatively low but were fortunate to be stationed in Shenzhen, one of the first special economic zones established by Deng Xiaoping. Hence, these men were able to buy land at discounted rates in return for their service to the PLA. One started a computer battery company while another started a napkin factory.

Entrepreneurs who have built financially successful companies and who have never been associated with the CCP are now being wooed by the CCP. Critics claim that the CCP is trying

to co-opt these entrepreneurs in order to prevent the entrepreneurs from becoming a cohesive political unit, which could in turn threaten the authority of the CCP. McGregor (2010)

buttressed this claim:

The Party's distrust of the private sector was never about money or the flagrant contradiction between individual wealth and the official Marxist and Maoist pantheons. All parties to this on-and-off-again, three-decades-long courtship agreed on the need to turn a profit. The real issue for the Party was the threat that the foreign and local private sector might become a political rival. The party's natural instinct, to colonize the private sector, has often been overwhelmed by the sheer wealth of the new entrepreneurial class. In response, party interests have promoted private companies as an engine of employment and reined them in when they have grown too big; invited entrepreneurs to join the Party, while intimidating and jailing business leaders who fall foul of it; and supported more secure property rights, while muddying the rules surrounding ownership of companies, assets, and land. . . . The larger point, however, of an unprecedented partnership between a communist party and capitalist business, holds. It remains an uneasy, unstable and unholy alliance, but an alliance nonetheless that, in the short term, has turned more than a century of conventional wisdom on its head. It may have taken decades, but a broad consensus has now developed at the top of the Party that far from harming socialism, entrepreneurs, properly managed and leashed to the state, are the key to saving it. Luckily for China, Deng learnt early on a lesson that nearly every other failed socialist state neglected to heed, that only a boisterous private economy could keep communist rule afloat. (pp. 197-8)

As the CCP welcomes and indeed recruits entrepreneurs and capitalists into its ranks, a major shift takes place. For many entrepreneurs, possessing CCP membership gave them even closer ties with CCP officials, which is supposedly encouraged by the CCP. McGregor (2010) noted: "As the entrepreneurs got richer, their political antennae sharpened. The smart entrepreneurs moved closer to the Party, and, by and large, the Party moved closer to them" (p. 207).

These "smart" entrepreneurs, as described by McGregor, usually understood that they needed a government partner in their so-called private enterprises. Red entrepreneur/informant

Mr. Esha says:

When I started my business, since I had served in the PLA, I was a Communist. It definitely helped me with getting the best money rates and loans. Of course, since I am a Communist, I can serve as my own Party secretary. For those starting business who are

not Party members, they have to hire a partner in their businesses. They have to make sure communists are placed in high positions in their company.

McGregor (2011) described this process in more detail:

In late 2008, Wang summed up the rules he had learnt for doing business as an entrepreneur in China. From the moment he established his private business, he said, he had been careful to take on a government shareholder, to give his company a “red hat”. “You take too much, the state is unhappy, and you take too little, you get upset with yourself,” he said. When this first state shareholder was replaced a few years later, he made sure his new partner was state-owned as well. The first rule, he said, was that you will not develop quickly without a ‘red hat’ or a state partner. And second, you had better be careful about making it big without one. (p. 208)

This statement is reminiscent of the original controversy over what constitutes private/non-state and what constitutes state owned. If so-called private enterprises have government partners, are they really private?

In the above example, McGregor discussed how an entrepreneur makes sure his private enterprise has a state partner. Another path is for a company to declare itself collectively owned; this distinction allows the company to receive state protection and support when needed.

McGregor (2010) elucidated this option:

Huawei, the telecommunications equipment manufacturer and perhaps China’s most globally successful company, is careful to say it is a collective rather than a private company, a definitional distinction that has been essential to the company’s receipt of state support at crucial points in its development. In 1996, Zhu Rongji, then vice-premier, visited Huawei with the heads of four large state banks in tow. On hearing the company needed funds to compete with foreign firms in the domestic telco equipment market, Zhu ordered the banks on the spot to support the company. “Buyer’s credit [for local customers] should be provided!” Zhu declared. Huawei’s status as a genuine collective is doubtful. The company has never published a full breakdown of its ownership structure. Most shares are believed to be owned by Ren Zhengfei, a former People’s Liberation Army logistics officer who founded the company in 1988, and his managers. (p. 204)

As shown above, registering as a state entity or collective affords an additional benefit for a private company to; it enables them to get funding from banks. The government owns all Chinese banks, which still prefer to lend to the government because the bank knows the

government will honor the debt in some way or form. Banks do not have the same confidence in private companies.

While the CCP enlisted the help of the private sector, the CCP maintained its role as supreme ruler. McGregor wrote: “Hanging the party plaque out on the front stage of a private company reminded all who was ultimately in charge” (p. 208). As long as the CCP had some control over the private sector, entrepreneurs could not congregate and form a political group that could threaten the CCP.

The CCP is not interested in all entrepreneurs; just those that have scale and clout. The CCP wanted a permanent presence at every large private company in China. For the most part, many private companies agreed to this by allowing the Party to create Party committees in the companies. The Party Committees represented the Party interests and allowed the Party to maintain control and order. McGregor (2011) cited one extreme example of CCP’s wooing of the private sector:

In 2008, the Party invited a select group of thirty-five entrepreneurs to the Central Party School in Beijing, a gesture that took the courtship of private business to a new level. . . . The party school’s modern buildings spread over large comfortable grounds. . . . on the fringes of the capital, sit at the pinnacle of a sprawling nationwide system of 2,800 full-time educational institutions for retraining officials. Many of these institutions simply provide stolid refresher courses for officials on party history and the latest campaign du jour from Beijing. Middling to minor entrepreneurs are occasionally invited, as part of the broader campaign to lure business inside the tent. The invitation to the thirty-five entrepreneurs went further than anything the party school had offered before. They lived on campus and studied in intimate groups with up and coming officials from all over the country, the future leaders of China. In addition, they heard lectures from the Party’s most powerful figures. . . . The chance to take part in the elite party school course was the equivalent in the US of being invited to do an executive MBA at Harvard alongside the next generation of US political leaders. In China, it was a networking opportunity without parallel. (p. 227)

As seen above, private entrepreneurs in the PRC find it very fortuitous to seek out CCP favor and approval. In other cases, private entrepreneurs do not have a choice. The government sends out an initiative. The private entrepreneurs follow.

First Case Study of Entrepreneurs – A Xiahai Entrepreneur

One of my informants, **Mr. Eyao**, is a typical *xiahai* entrepreneur as defined by Dickson. He was born in 1955, right after the Communist Revolution. Growing up in a rural and uneducated family from the northern part of China, he joined the PLA while in his twenties during the mid-1960s. A rank and file member, he never progressed very far in the PLA and only reached first officer status. His role in the Cultural Revolution was to guard the border between the Mainland and Hong Kong. During the tumultuous decade of the Great Leap Forward and the Cultural Revolution, his job was to prevent Mainlanders from escaping to Hong Kong. Since his position was never high-ranking, he did not see much “action” or “fighting.” He readily admits that he did not want to pursue a military career, but it was the only career available to him that would allow him to leave his village. The military provided him with better career prospects than farming; since he only had an eighth grade education, choosing the military path was not only supremely patriotic but very practical.

While he was never part of the military elite, the military provided the means for **Mr. Eyao** to become very wealthy. A major tenet of the reform policies is the Special Economic Zone (SEZ), which Deng Xiaoping instituted in the early 1980s. Shenzhen was the first SEZ; these SEZs were created with special government policies that encouraged entrepreneurial activity and foreign investment. Because the SEZs benefitted from favorable laws, they enjoyed advantages that the rest of China was denied. Under Deng, it became patriotic to earn money and to become rich. Fewsmith (2011, Summer) described this development:

At various times, in order to promote economic reform and give ideological backing to the use of material incentives, the regime has urged people to “get rich”. This theme, which . . . reached its apogee during the 1984 Spring Festival, when the Party newspaper *Renmin ribao* touted the virtues of “getting rich” in uncompromising terms. Later that year, Ren Zhongyui, then the reform-minded Party secretary of Guangdong province, declared that “the more revolution you make, the richer you should become.” (pp. 15-16).

When the SEZ of Shenzhen was established, the PRC government decided to reward its loyal military supporters by selling parcels of Shenzhen to them at heavily discounted prices. Because of his army position, **Mr. Eyao** was able to buy Shenzhen property and then opened a factory that made batteries. By 2011, he was making computer batteries that were sold worldwide; he also owned several factories. **Mr. Eyao** explained:

Yes, I am a lucky man. I was definitely in the right place at the right time. If you asked me in 1987 if I would be where I am today, I would not believe it. Thankfully, because of the SEZ and Deng’s policies, I have really, really done well. So well. In 1985, I was just turning thirty. Deng decided to give property to us soldiers. It was to say thank you. Thank you for protecting the country. I then worked hard. I slept in my factory for many years. I lived and slept my work. Because of my background in the army, I knew many party officials. I was seen as a good communist. When someone was going to sell some land, I got the news first. Also, officials would give me contracts. I proved that I was a good soldier and now I was good businessman.

Given preferential treatment by party officials, **Mr. Eyao** developed relationships with the local officials in charge of business contacts. When asked if he plans on converting his economic wealth into political capital, **he** replied:

No, I was in the army for so many years. I am done with politics. I want to grow my business and expand into different areas. I want to concentrate on making money. That is the most patriotic thing to do. The government tells me to strike it rich. I do. It is because I am a good Chinese.

While **Mr. Eyao** chooses to stay in the business sphere, he keeps his ties to the CCP. **Mr. Eyao** told me: “Of course, I am a CCP member. I was in the army. I make a point of maintaining my close contacts within the CCP. It helps me doing business.”

While **Mr. Eyao** represents an individual, it is interesting to see how the government creates an entire industry. For an overview of the different challenges facing state and private entrepreneurs, who all represent the different faces of commercial elites, the following case is presented to provide insight into the way the CCP and the PRC government corral and control private and public resources to reach goals. The case illustrates one way of starting and conducting business in China. It is by no means reflective of all possible situations but it is a real situation faced by my informants.

Cloud Computing – A Government Directive

Cloud Computing is a business model where computers are offered as a service rather than as an end product. For example, before cloud computing, most mid-size companies (<100 people) used servers that stored emails, documents, and software; the servers would host the companies' websites. With cloud computing, rather than buying and installing the software for the servers, the companies can now rent the computing capacity from a cloud computing company. For a monthly fee, the companies can now receive the same services from an outside company that manages it for them thereby saving the company money, time, and physical space. Cloud computing eliminates the need for an IT (Information Technology) department.

In 2010, the PRC government announced a five-year directive to implement a cloud computing industry in the PRC. Trying to secure employment for the hundreds of thousands of college-educated engineers, the government decided to launch industries that could hire them. Moreover, the PRC wanted to shift from unskilled industries like manufacturing into skilled industries like cloud computing and outsourcing.

In the fall of 2010, the Ministry of Industry and Information Technology and the State Development and Reform Commission launched its first experimental units of Cloud Computing

services in Wuxi, Beijing, Shanghai, Shenzhen and Hangzhou. To keep up with the rapid Chinese expansion of Cloud Computing technologies, the Beijing unit pledged to spend 50 billion Yuan to become “the largest Cloud computing center in China and even the world.” This comes as a direct statement taken from a lecture at a conference on cloud computing held in Beijing, China in November 2011.

Prompted by Beijing, 18 other mega cities/provinces have also agreed to make developing a cloud computing industry a top priority. The three major telephone companies (China Telecom, China Mobile and China Unicom) have also started pilot projects.

Dr. Curtis Enyuan is a fifty-five year-old Chinese citizen of Han ethnicity and a permanent resident of the United States. He commutes between China and the United States. He received his B.S. in physics from the University of Huanzhong; Dr. Wang received his Ph.D. in biophysics and neuroscience from the University of Minnesota. He also served as post-doctoral fellow in neural-networking at Rockefeller University. Because of his educational experience, **Curtis Enyuan** speaks fluent, though heavily accented English.

He developed a patron relationship with the former Governor of Hubei, Governor Li, during Gov. Li’s recruiting trip to the United States in the late 1990s. The purpose of Li’s trip was to meet successful overseas Chinese and to woo them back to China. Then, Governor Li would fund their different ventures. **Curtis Enyuan** explained:

In the PRC, when you do business here, it is very competitive. In the international arena, the PRC is trying to compete with other international companies and countries. It’s like the Olympics; Beijing is keeping a tally on the country who is winning the most gold medals. It’s very important that China presents an image of modernization and technological superiority. Of course, there is a great deal of competition within the country, too. Beijing (meaning the government not the city) issues a directive, and everyone tries to implement it. The cities compete against each other. Beijing competes against Shanghai, Dalian and Wuhan, and other second tier cities compete with each other to become a first tier city. Everyone is territorial and wants their city and province to succeed. The reason why is because the Central Government rewards those cities that

do the best. Right now, Shanghai and Beijing have benefitted from millions and millions of dollars in investments from the government. Other cities see that and they want their take. They want their share. These other cities know the way to succeed is to meet the objectives of a Beijing directive. For example, since the government announced its plans to leave the manufacturing sector for more technologically superior industries, there has been a great interest in cloud computing. There are conferences in every city and in every province. I am considered a cloud computing expert. I am in great demand. I get invitations, hundreds of them, to speak at various conferences. Everyone is scared to be left behind; they are scared; they don't know what to do. They are like chickens without their heads. They are running around trying to start a cloud computing industry in their city and province because the government told them to do it. They do not know how to do it. They have no knowledge or intelligence. They throw conferences and invite academics to speak on the subject. They have no choice. There is nothing else to do. They have to implement a cloud computing industry because the government said so.

In the PRC, there are four major cities: Shanghai, Beijing, Chongqing, and Tianjin; they are dubbed first tier cities. They act like provinces. The mayors of these four cities are ranked at the same level as governors of other provinces. Party secretaries of these four cities, specifically Shanghai and Beijing, have become major channels for elite recruitment at the national level. Second, third, and fourth-tier cities are each trying to move into the next highest tier. The amount of money Beijing doles out increases as the city and/or province becomes more successful.

Dr. Enyuan's patron is a former governor. During his patron's tenure as governor, one of the top priorities for that province was to develop a first-tier city. The governor spent a great deal of money on investments to propel that city to greater levels. For example, when Governor Li visited Europe, he was quite taken with one of the more famous monuments on the Continent. When he returned to China, he had a replica built in his town.

During one recruiting trip to New York City, the governor was introduced to **Dr. Enyuan**, at the time a principal at a private investment group in New York. As previously mentioned, Governor Li visited the United States often and would host large functions where he

would meet and mingle with “successful” overseas Chinese. The governor would try to entice them with funding; he hoped they would return to the PRC and replicate their business successes.

Since **Curtis Enyuan** was a proven success in business, he was given a grant by the Wuhan Government to start a technical company. **Dr. Enyuan** received 1,000,000 yuan (approximately USD\$159,000) over a ten-year period. He opened a start-up company in 1998 called Global Telecon Technology. He was also appointed to several advisor posts linked to the governor’s provincial government. He explained the process:

If you want to start a business in China, you need a government liaison, someone to help your project. Or, it will not get done. Or worse, something could happen where you lose all your investment and inventory. The government plays a major role in all economic activity for all companies: private and public. I think for private companies and private sectors, it is even more important to have a government liaison.

For my private company, cloud computing, I know I need the help of the governor’s provincial government. I chose his province because to operate a business in this area is much more cost effective than starting a business in Shanghai or Beijing. Land and rent is cheaper. Utilities are cheaper. Labor is cheaper. Moreover, I have received help from the city and provincial governments in the form of grants. Of course, the governor has spoken to various companies for me. I will receive the space, land, and utilities to build data centers for a good price.

I realize even though I am starting a business in cloud computing with the assistance of the governor; I also know that tens of other cities and provinces are doing the same thing. This is not the only province that is interested in setting up a cloud computing center. In China, there is so much competition. While I am doing this, there are hundreds of other companies with support from their mayors and governors. You realize there is so much competition outside of China and within China.

There are benefits for Chinese people doing business in China. All companies have to have a Chinese partner. For cloud computing, the government has made a real effort to use homegrown talent. Right now, in 2011, the biggest players in the cloud computing industry are Rackspace and Amazon. These two companies are desperate to get into China. They want their profit share to grow. The best way to do that is to expand into the PRC. The Chinese government knows that. They refuse to allow Rackspace and Amazon into China. Instead, the government wants Chinese companies to open cloud computing companies. Chinese companies are defined by those whose main partners are Chinese citizens. Rackspace and Amazon which are American companies know this; they know they need Chinese partners to help them break into the PRC market PRC.

While this may sound like protectionism, it is but it is very understandable. One, you look at the history of the PRC. The Western countries tore China apart especially Shanghai and Canton. They enslaved so many Chinese through opium addiction. There is a reason why the Chinese are suspicious of Western intent. We look around; we saw how the West colonized South America and Africa. Let's be realistic the West wasn't doing it out of the goodness of their heart. They were doing it for gold, diamonds, copper and other essential minerals. We have learned from history and learned how to stop the cycle of victimization. If these Western companies want to invest in China, they must do so on Chinese terms. The government also wants to maintain control over the population. It's important for the government and the CCP to maintain control. They can't have Western countries starting companies and becoming reckless with their ideas and promotion of a free society. These Western companies have to learn the Chinese way. They have to respect it. Hence, that is where the Chinese partner comes in. Usually, these Chinese partners have connections to the government if they are not connected directly to the government. I am not a member of the CCP; I have connections with the government. At this point, the most important goal to the government is to make money, to make China even larger and bigger. Practically, speaking, we have to. We have to employ 1.5 billion people. That is a lot of jobs. We don't want jobs that use unskilled labor. We are better than that. We want technological jobs.

As seen in the case of Dr. **Curtis Enyuan** and the governor, this patron-client relationship has benefited both parties. **Dr. Enyuan** benefits by receiving investment and assistance in getting his business started such as lower rent, access to a wide pool of workers, and government tax benefits, etc. For the governor, it would be safe to assume that he is funding many other individuals like **Dr. Enyuan**; the governor is working like a venture capitalist. The governor invested in many companies and hopes one will succeed. A huge success would raise the profile of his province and of himself. It is a proven method of upward mobility within the CCP and the government hierarchy.

The Second Case Study of Entrepreneurs – A Venture Capital Entrepreneur

One key to success in the PRC economy is the ability to maneuver within the Chinese system, whether you are a *xiaohai* entrepreneur or a city dealing with a Beijing directive. The following is an example of this sort of talent. It is the case of informant **Chi Ercong**.

Mr. Ercong has been called a Chinese “super-investor” by several international and domestic magazines. A general partner of a private investment firm, he has invested in several high profile Chinese IPOs over the past decade. Through his venture capital firm, he has invested in everything from high-end luxury real estate to hi-tech companies to films. Despite growing-up in China during the Cultural Revolution, he was fortunate to attend a top fifty university in China. Then, he received his Masters of Arts in communication from a well-known United States university. Because of his education, he is fluent in English as well as Chinese, his native tongue.

He began his company in the mid-1990s; he was part of the first generation to bring IPOs to China. During the past five years, his company has concentrated on the film industry with the goal of becoming the “go-to” film company in China. This is **Mr. Ercong**’s exact phrasing: “go to”. Acting as executive producer on a recent film, **Mr. Ercong** discussed the filmmaking process in China:

When you do business in China, you have to be flexible. Whether it is investing in a high-tech company or making a movie, it’s about getting around the rules and working with them. This last film, for example, I worked very hard. Even though I am listed as an Executive Producer, I really worked as a line producer, meaning I was hustling all day long. I had to oversee the actors, the director, the camera people, all the grips, and best boys. I had to secure permission to film on location in different cities in China. I was on the phone all day and all night. When we started the film, I registered it as a Chinese film. I did this because it was so much easier getting permits to film in open areas, and it was also easier to hire actors, grips, camera guys – the whole works. The government wants people to be employed. So when I am a Chinese company, it is easier to get talented workers. Because I am a Chinese citizen, I am allowed to register the company, the film as a Chinese film. It helped ease the film along, especially getting permits to film in public spaces. It was a tremendous help. When it came time to distribute, I was smart. I immediately switched the film to an international, foreign company. I did this. Why? Because China has restrictions on domestic film distribution. Now, that the film is an international film, the film does not fall in the domestic quota. It can be released with no problem and no limitations. Hence, its market is much larger. I knew all about this going in. I filled out the paperwork and had it filed. The Executive Producers – the other ones – were American. They had no idea how China worked. They couldn’t have

mastered this in the same way, not with the same finesse. I know how the system works. I am able to work within it.

Mr. Ercong has developed coping strategies for doing business as an entrepreneur in China. He plays around with the rules. He emphasized his skills as follows:

How do I get away with this? Well, I know a lot of ministers. Half my time is spent wining and dining various ministers. There are so many of them in China. There are the official ones. There are the unofficial ones, people who work in State Owned Enterprises. I mean these companies leaders are in a position equal to a minister. We have a joint venture with an American investor. When I hear my American partner is coming to visit me in China, I pull out the red carpet. I make sure I line up many meetings with various ministers. I make sure my partner has plans for breakfast, lunch and dinner. To be honest, it is not hard to fill up the calendar. There are many ministers, vice ministers. You have to meet with them. Not just meet with them. You have to eat with them. In China, that is how business is done. Over meetings, over dinner, over handshakes. These ministers control a lot; they have more power than other government officials. Of course, this is China; they do. It is China. We go to dinner. Huge banquets with ten to fifteen courses. The most exquisite and most delicate foods. It can be quite exhausting. I feel like I go out every night. It's not just what I feel, it is the truth. I go out every night to several parties and functions a night. It's a lot of entertaining. But it's important for me, especially for the entertainment business to be seen. So, you open the newspaper in the morning, you see me at this event or that event. That's important. In the film industry, you have to be seen or people think you are hiding. In the film industry, you have to be seen living this luxurious life. Or, you are not considered successful. Of course, it helps that I date movie actresses. It is what people expect of successful movie producers and wealthy venture capitalists. It's also very Chinese. Most Chinese businessmen entertain a lot. Even those who work in factories. I hear they go out all the time. It is not just the film industry. Although I know, that the film industry is more glamorous and exciting. I think that is why ministers like me. They like to see this glamorous life style. I know I need their help to get my project done. They know I know. It works well. I am very respectful to these ministers because as I said, they control the strings. If you don't have their assistance, life is difficult, especially business life. They want to help. They want to make money. They want to make China that much more successful. For movies, of course, you have to get the script passed by CCP approval. That's not hard. The government isn't against you. You know the rules and play with them. I am here to do business not to make some political statement. I don't think that's what films are for anyway. Films are supposed to entertain. The government and I agree. We share the same goal. We both want to make money. Yes, these ministers know this is how I feel. This is how I run my company. They know I don't want to pull a fast one. What's the point of producing some film that angers the country's leaders? I am here for the long term. I want to do more pictures, more films. This is just one step of what I hope to be a very long career. The government appreciates my hard work and my ethics. They appreciate that I can be trusted. They are relieved to know I feel just as they do. In the end, I want to make money. I want my films to be

seen by many people. I want my films to entertain millions of people. That is what drives me. That is where I am concerned. The government knows this about me. They never give me any hassles. Yet, again, I never give them reason to hassle me. I know what my role is and what I want to accomplish. It is important to me to represent the best of China to the outside world. I want China to take its place on the stage among other world powers. I feel very proud to be Chinese. I want my career – both in film, journalism, and investment to show that. I want to make my country proud because this country has made me proud.

Conclusion

Commercial elites come in all forms in the PRC. The ones with the most influence are the leaders of the top SOEs and SASACs. Consequently, they are seen as potential candidates for elite political leadership. In fact, because of their international educations, international business experience, and expertise at dealing with the central government, they are seen as being the best and brightest the PRC has to offer.

In addition to the commercial elites who are involved in state companies there are also wealthy entrepreneurs, a small but growing group. They are being coopted by the CCP. In so doing, the CCP is avoiding any potential rivals to its authority.

The idea that cronyism, corruption, and nepotism forms the basis for PRC commercial elite status is an urgent issue that needs to be addressed. As public attention is focused on the emerging black-collar stratum, the CCP has to allay the public's perception that the economic system is rigged. While the CCP has successfully co-opted the entrepreneurial subgroup, it still needs to reassure the rest of the public in order to maintain stability in the PRC.

CHAPTER FOUR: MILITARY ELITES

Introduction

Military Elites have proved to be the most elusive group for my research. My inability to secure access to these elites is a reflection of the growing autonomy given to them. While political and commercial elites employ tactics such as blood ties, school ties, and marriage ties to link themselves to other elites, military elites remain separate. They attend their own military specific schools; from my research, they tend to socialize with and to marry other military elites. Military elites are thus reproducing military elites. This is no accident but rather a concerted effort by the CCP and the government to separate the military from the government.

History

The domination of military elites begins when the society is first formed. Gaetano Mosca (1939) wrote: “It may be regarded as virtually normal in societies that are in the initial stages of their development; and the individuals who show the greatest ability in war easily gain supremacy over their fellows – the bravest become chiefs” (p. 54). C. Wright Mills (1956) described how military elites, along with political and commercial elites, formed the power elite in the United States. He described how the U.S. military continued their dominance especially during times of international expansion. By the time of his writing in the 1950s, he found:

In so far as the structural clue to the power elite today lies in the enlarged and military state, that clue becomes evident in the military ascendancy. The warlords have gained decisive political relevance, and the military structure of America is now in considerable part a political structure. The seemingly permanent military threat places a premium on the military and upon their control of men, materiel (sic), money and power; virtually all political and economic actions are now judged in terms of military definitions of reality: the higher warlords have ascended to a firm position within the power elite of the fifth epoch. (p. 275)

As with most nations, the role of the military in China supports the country’s political authority.

When China's military is weak such as it was at the end of the Qing Dynasty, China suffered many humiliating defeats at the hands of foreigners. One of the reasons why the Qing Dynasty finally fell was because of its military incompetence. (Shambaugh 2002) When the Republican period was established in 1911, the military heroes from the civil way became the political chiefs as seen in the example of General Yuan Shikai who became the first President.

When General Yuan died in 1916, the country was thrown into a constitutional crisis; China's unity was fractured and was ruled by several military warlords. This warlord era ended in 1928 when Nationalist Generalissimo Chiang Kai-Shek re-united the country under civil and military rule, controlled by the Nationalist Party, also referred to as Kuomintang or Guomintang or KMT/ GMD. Shambaugh (2002) offered this description:

The new GMD elite during the "Nanjing decade" (1927-37) contained a large proportion of military officers, secret police, and intelligence operatives – many trained under Chiang at the Whampoa Military Academy and in the military and paramilitary institutions in Germany and the Soviet Union. This region would only become more militarized following the outbreak of the Sino-Japanese War in 1937. (p. 15)

At the same time, the Communist Party was following a similar path.

On August 1, 1927, the "Red Army of Workers and Peasants of the Chinese Communist Party" was founded (Blasko, 2006). Led by future CCP elders and pioneers, Zhou Enlai³ and Zhu De⁴, they formed the army to fight against the Nationalist Party. Because of this history, the date of August 1st, which translates to *bayi* in Chinese, is used to represent the People's Liberation Army. First, the Communists worked with the Nationalists to drive out the various warlords. Then, the Communists revolted against the newly formed Nationalist government. Beaten by the Nationalists, Zhou's and Zu's army was forced to retreat to the Jianggang Mountains where they joined forces with Mao Zedong and his communist forces. At first, the

³ Zhou Enlai became the first Premier of the PRC serving from 1949-1976 (Han, 1994).

⁴ Zhu De became the Chairman of the Standing Committee of the National People's Congress. Zhu is also regarded as one of the ten generals who founded the People's Liberation Army (Whitson and Huang, 1973.)

Communists controlled the area around these mountains. The Nationalists tried to route them and forced the Communists to begin their “Long March” which finished in the Yan’an mountains in 1935 (Bin, 2007; Blasko, 2012; Blasko, 2006; Fewsmith, 2007; Finkelstein, 2007; Finkelstein and Gunness, 2007; Liberthal, 2004; Nan Li, 2006; Rex Li, 2008; Shambaugh, 2002).

The military leaders of the Red Army were the political leaders of the Communist Party. In 1931, the Japanese invaded and then occupied the northeastern provinces of Manchuria. The ensuing war with the Japanese united the Nationalists and the Communists. While the Communists maintained their control over the Yan’an area, the Nationalists concentrated their power around Chongqing (Blasko, 2006; Finkelstein and Gunness, 2007; Nan Li, 2006; Shambaugh, 2002).

While fighting the Japanese invasion, Mao Zedong made the conscious effort to gain the public’s support of the Red Army and wanted to turn the Red Army into the People’s Army. The Red Army was strictly forbidden to pillage or to plunder the villages; they were not allowed to commit acts of violence toward the civilians such as rape or murder. In fact, the Army helped the peasants bring in their harvests, shared their meager food rations, and provided security for the villages in the area. These acts of the Red Army stood in sharp contrast to the atrocities committed by the Japanese and the Nationalist armies, perceived to be extremely corrupt. As the Communists won the public relations battle, the fighting between the Communists and the Nationalists grew, especially during the latter years of the Japanese invasion, which ended in 1945 (Blasko, 2006; Finkelstein and Gunness, 2007; Nan Li, 2006; Shambaugh, 2002).

By 1946, full-scale civil war commenced. The Red Army renamed itself the People’s Liberation Army. After approximately three years of fighting, the Communists routed the Nationalists. Its leader, Chiang Kai Shek, escaped to the island of Taiwan along with two

million Nationalist loyalists. Blasko (2006) wrote: “Mao Zedong declared the Chinese people had stood up and established the communist People’s Republic of China (PRC) on October 1, 1949” (p. 4). From the beginning of the PLA, the party and the army developed a symbiotic relationship in pursuit of state power. While Mao said: “Political power grows out of the barrel of the gun” (Mao, 1938, p. 224), he also mitigated that with his statement: “Our principle is that the party commands the gun, and the gun must never be allowed to command the party” (p. 224).

Mao was aware of the power of the military and its role in maintaining the power of the government. Larger than life, Mao cultivated a cult figure that was raised above the government and even the CCP. Joffe (2006) wrote:

Mao’s stature as China’s supreme leader was unique. Anchored in past successes, charismatic qualities, and personal ties, his stature endowed Mao with unparalleled personal authority. This enabled Mao to intervene freely in military affairs and to use the PLA as he saw fit. This situation was fully accepted by military leaders, who viewed Mao as their active supreme commander. The result was a special relationship – the essence of which was that PLA support for Mao was automatic unlimited, and unconditional. (p. 13)

The PLA was not inclined to involve itself in civilian politics unless requested to do so. Mao deployed the PLA as his personal force to settle political debates. This reached a crescendo during the Cultural Revolution when Mao used the Army to purge his political enemies and to suppress the people. In fact, Zheng (2006) criticized the symbiotic nature of the relationship between the party and the military:

This relationship logically produced powerful leaders controlling both the Party and the military. This civil-military interaction is typical of the model of subjective control, defined by the military displaying its loyalty to one paramount leader, a specific government and a particular social class. Under subjective control the supreme leader imposes upon the military whatever his political decisions. And he developed a tendency of involving the military in elite interaction, using the gun to force civilian leaders to follow his impulse. Therefore, subjective control is exercised in the form of strongman control. (p. 61)

During Mao's tenure, his word was absolute. When top generals disagreed with entering the Korean War, he overruled them. When defense minister Peng Dehuai criticized the economic policies of the Great Leap Forward, Mao purged Peng. Another time, Mao removed chief of staff Luo Ruiqing when Luo disagreed with Mao's strategy. These examples illustrate Mao's dominance over the military.

The military in turn received great amounts of funding under Mao. Mulvenon (2007) found:

The PLA during the Maoist era enjoyed virtually unlimited access to funds from the national budget. . . . The best example of the high budgetary priority placed on defense during this period was the Third Front industrialization campaign of the early 1960s, which was personally directed by Deng Xiaoping. Predicated on Mao Zedong's fear of foreign invasion, one-fourth of the entire national defense-industrial complex was rebuilt in the mountainous regions of ten provinces. Chinese officials estimate that the financial cost of these enterprises was RMB200 billion over a twenty-year period ending in 1984, equivalent to the two-thirds of the defense budget over the same period. (p. 217)

Furthermore, the military elites did not have any other option but to obey Mao. As shown above, the few brave that publicly disagreed with Mao were quickly dismissed (Mulvenon 2008).

Deng, like Mao, had revolutionary experience. He too developed a personal relationship with the military. Joffe (2006) wrote:

Deng Xiaoping's relations with the PLA were both similar and different. Like Mao, he was also a charismatic figure, although he inspired respect more than fear. Like Mao, he had ties with PLA commanders that had been formed over many years, but these ties were built more on collegiality than on sheer loyalty. Like Mao, PLA leaders accepted him as supreme commander, but his position in the military was founded more on equality and cooperation. In the end, Deng dominated the PLA like Mao, but his authority depended more on his achievements than on reflex compliance. (p. 14)

When Deng assumed power of the PRC in 1976/1977, China's economy was stagnant, following the disastrous Mao policies of the Great Leap Forward (1958-61) and the Cultural Revolution (1966-76). In order to pay for the enormous economic reforms needed to reinvigorate the PRC economy, Deng needed to cut the military's budget. Mulvonen (2007) wrote:

At a March 12, 1980, enlarged meeting of the Standing Committee of the Central Military Commission (CMC), Deng Xiaoping drew a direct link between reducing the defense budget and strengthening economic reform, stating: “our current military expenditures are rather high, to the detriment of national construction. . . . During this time, we should try our best to cut down military spending so as to strengthen national construction. In short, it is necessary to reduce ‘bloatedness’ [in the army] if we want to carry out the Four Modernizations.” (pp. 217-18)

In exchange for their agreement, the military was promised that their budgets would increase when China’s economy was developed and improved.

During this time, Deng used the support of the military to bolster his own standing, especially during the beginning of his economic reforms, which met resistance from the more conservative Party leaders. Consequently, the military’s influence grew. Military leaders were encouraged to comment and to advise concerning national policy. In return, the military proved its loyalty to Deng Xiaoping during the Tiananmen student demonstrations in June of 1989. Even though some senior military leaders expressed concern in private over military intervention against the student demonstrators, the military leadership provided a united front and wholeheartedly executed Deng’s orders (Scobell & Wortzel, 2004).

Jiang Zeming became President of the PRC and Chairman of the Central Military Commission in the fall of 1989, months after the Tiananmen incident. At this time, the symbiotic relationship between the military and the Party had evolved from the time of Mao and Deng. Zheng (2006) wrote:

Increasingly however, the word symbiosis can no longer adequately describe the relations between the CCP and the PLA. In the longer term and in time short of crisis the CCP’s survival is more dependent on economic development, effective administration of state affairs and forceful campaigns against corruption than on suppression of dissenting views through the gun. The military can sustain the CCP leadership but not the legitimacy upon which the Party’s ultimate fate is decided. (p. 59)

As the Party and the military continue to reinterpret their relationship, it is important to recognize several themes.

The CCP and PLA enjoy a mutually beneficial relationship that is dependent on CCP's monopoly of power. They share a goal: a strong People's Republic of China with a thriving economy, a stable population, and a robust military. Military modernization is also a goal shared by both. Achieving this modernization requires an increase in military spending. Because of this, the military has agreed to keep economic development the CCP and government's top priority. Moreover, many generals have supported President Hu Jintao's emphasis on increasing employment and the social welfare net (Zheng, 2006).

In the post-Mao era, the CCP and government elites have tried to prevent the intervention of the military in civilian politics. Because the post-Mao and Deng leaders, Jiang Zeming and Hu Jintao, have been civilian leaders with little military experience, there has been concern that the military would create a second power center alongside the CCP and government. Given the political history where the presence of a second power center usually devolves into intra-elite fighting and general chaos, the CCP and government are intent on maintaining control over the PLA.

Jiang and Hu accomplished this by institutionalizing the interactions between the CCP and PLA. First, the CCP and government leadership began a balance of external control and PLA's administrative autonomy. Zheng (2006) wrote: "In terms of control the Party has emphasized the three institutional measures with which the Party interacts with the PLA, the commissar system, the Party committee system and the political affairs work system" (p. 63). Additionally, the officer selection process was strengthened. Officers who demonstrated

technical and military expertise were promoted; consequently, they were accorded status and prestige. As a result, the PLA has had little incentive to fight the CCP for political control.

The military has achieved autonomy in the form of the Central Military Commission (CMC), the top leadership of the PLA. Theoretically, the Central Military Commission is under the command of the Politburo. In actuality, the CMC operates outside of the Politburo's reach. Both Mao and Deng encouraged this behavior; during their respective tenures, the CMC reported only to Mao and Deng. The Politburo never made decisions for the CMC.

As stated before, Mao and Deng commanded unquestionable authority. Maintaining control over the military has been one of the greatest challenges facing the post-Deng CCP and government leadership. To maintain control, Jiang Zeming and Hu Jintao were given a level of authority similar to that of Mao and Deng. Under Jiang's and Hu's leadership, the CMC operated as a collective group. Each CMC member answers to the CMC as a whole and to the CMC Chair, held by Jiang Zeming and then Hu Jintao. Weekly and monthly meetings have been scheduled to normalize the decision making process. Any major decision is relayed to the Politburo. This process differs from the process employed during the Mao and Deng eras. When Mao and Deng wanted something done, they would approach one or two members of the CMC directly and privately. The CMC members would then report the outcome directly to Mao and Deng. Consequently, the CMC and the Politburo were both kept in the dark, and were virtually ignored.

The Central Military Commission Chairmanship is a one-man leadership system; the CMC chair has the ultimate decision making power. The remaining members of the Central Military Commission act in advisory roles to the Chair. The CMC Chair, typically a civilian, had unchallenged "personal power of appointing top brass, controlling troop deployment, then

nuclear buttons and budget allocation” (Zheng, 2006, p. 65). The promotion of all senior officers requires the CMC chair’s signature. Moreover, the CMC Chair has to approve all transfer of armed forces. “Without the seal of the CMC chair, any transfer of units at certain levels can be blocked by the departments of logistics, military transportation, and local government, making any attempt at a coup virtually impossible” (Zheng, p. 66). While the military is given autonomy in the form of the CMC, the CCP also uses the CMC Chair to maintain control of the military.

The CMC Chair is supposed to be the paramount leader of the PRC and thus head of the CCP, government, and military. Joffe (2006) described this setup:

As China’s paramount leader, Jiang had held the posts of party secretary and chairman of the Central Military Commission simultaneously, like his predecessors.... This setup had ensured unified command of party and army. It ensured that the views of China’s top generals, expressed in meetings of the Central Military Commission, chaired by the party leader, would be forcefully presented at meetings of China’s highest policy-making body, the Standing Committee of the Politburo, which is also chaired by the party leader. And it ensured that the party, through the Politburo and its chairman, had ultimate instrumental control of the military. The unified command had been a key reason for smooth relations between party and army, especially if there were no major differences that forced the paramount leader to take sides. (p. 16)

When Jiang Zeming stepped down as PRC President and General Secretary of the CCP in 2002, he maintained the CMC Chairmanship for two more years until 2004 (Brødsgaard, 2004). Jiang was widely criticized for this. Keeping the CMC Chairmanship essentially created two power bases. One was himself as chair of the Central Military Commission while the other one was President Hu Jintao. When Hu became President, he was relegated to a vice-chair position on the Central Military Commission under Jiang Zeming. Hu Jintao was deprived of supreme command over the military; the military was also deprived access to the head of the Politburo Standing Committee. When Jiang resigned from the CMC chair post in 2004, Hu was appointed CMC chair. Through the CMC chair position, Jiang and Hu were each able to replace the inherited officers with officers loyal to them. The CMC chair is the highest level of authority in

the military. No one outranks the holder of this position or could oust the chair with a vote; the Central Military Commission Chair has the final say.

While the PLA exercises autonomy, it remains a CCP tool. All officers above senior colonel are members of the CCP; some citizens even join the military to gain CCP membership (Shambaugh, 2002). As we have seen, the military follows the orders of the CCP through the CMC chairman. Zheng (2006) further described this arrangement:

This paves the way for the CMC to exercise administrative power in a highly autonomous manner. This autonomy is best reflected by the PLA's slogan of obeying orders from the Party centre (the Central Committee, CC) and the CMC with no questions asked. In their minds, the CC and CMC are parallel bodies of power, while in the Party Charter, the CC is above the CMC. And to soldiers, the CC is an empty idea, while the CMC is where the real and highest authority comes from. (p. 67)

Another instance of the CCP exerting its control over the military occurred in President Jiang Zeming's tenure. After years of unrestrained military spending under Mao Zedong, the military's budget was drastically reduced in 1979 to make room for the economic reforms instituted by Deng. From the years of 1979 to 1981, the military budget was decreased by approximately 24 percent (Mulvonen, 2007, p. 218). To make up for this short fall, the military sought other ways to make money. Mulvonen (2007) detailed these efforts:

The most important of these involved the exploitation of the PLA's latent economic capacity, which derived from three sources: (1) fifty years of PLA experience with various types of economic production; (2) a well-developed and exploitable military logistics infrastructure, ranging from transportations to factories and farms; and (3) the deeply ingrained socialization among the ranks and the top-level civilian leadership that production was an acceptable military task. (p. 218)

The military needed a way to fill its coffers as the government barely increased its budget. Even in the years of double-digit budget increases, these increases were mainly erased by double-digit increases in inflation from the late 1980s to the 1990s.

During this budgetary downtime, military enterprises were on the rise and contributed subsidies for wages, food, and facilities. Moreover, military enterprises employed the families/dependents of the soldiers and injured and inactive soldiers. The profits from these enterprises kept the military afloat. According to Mulvonen (2007), from 1984 to 1989, military enterprises doubled in number:

Profits reportedly grew by 700 percent as the PLA moved from primarily agricultural production to manufacture of light consumer goods such as pianos, refrigerators, tv sets, washing machines, baby carriages, and hunting rifles. By 1989, the sales of goods made by PLA factories had reached RMB20 billion in the Chinese market, and more than RMB140 million in export revenue. The PLA economy had grown to over 20,000 enterprises, employing several million workers and generating significant profits. (p. 219)

In addition to the manufacturing, the total number of PLA service enterprises increased dramatically. By 1987, more than half of all PLA enterprises were service enterprises. The typical service enterprise required little upfront capital and employed a labor force of less than one hundred. These PLA enterprises received almost no government assistance and produced low-cost but labor-intensive goods; their profit margins were 20% to 30% per annum (Mulvonen, p. 220).

Simultaneously, there was an explosion of corruption and illegal activity; it permeated all levels of the PLA. While the government tried to curtail the corruption and illegal activity through various disciplinary regulations, it all proved unsuccessful. Political leaders were resigned to a reality in which military commercialism equaled corruption.

The environment changed in 1989, in the wake of the Tiananmen incident. The PLA leaders were very concerned with installing party discipline; they were especially worried by the PLA members who sided with the Tiananmen demonstrators and with those military members who defied the CCP orders. Taking this opportunity to maintain order throughout the military ranks, the military leadership also tackled the thorny issue of military enterprises. By 1991,

military companies had been decreased by 88 percent (Mulvonen, 2007). The CMC instructed military enterprises to focus instead on agricultural production, which was hoped to be less vulnerable to corruption and illegal activity.

When Deng Xiaoping made his famous Southern Tour of China's special economic zones in 1992, he called for bold and economic reform. The result was the military's resurgent commercialization. Mulvonen (2007) wrote:

The remainder of 1992 and the first half of 1993 witnessed a significant expansion of the military economy, matching the dramatic increases among civilian enterprises during the same period. Production among military enterprises rose 16.68 percent in the second half of 1992, and profits jumped 19.88 percent. Because the new policies allow them to accept civilian customers, the biggest beneficiaries of the new policy were the service enterprises like hospitals and hotels, which registered turnover rates of more than 30 percent. In the beginning months of 1993, the Chinese military press could confidently report that income from production was now covering one-fifth of the PLA's budgetary shortfalls the highest points ever. (p. 223)

The return of military enterprises also saw the return of corruption and illegal activity. Incidents involving smuggling and bribery rose. Military transportation and warehouses were used to transfer and stockpile illegal goods. Enterprises were used to launder money from these illegal activities as well as to avoid taxes.

In the fall of 1993, the most ambitious anti-corruption campaign began. With the full support of then President Jiang Zeming, it was announced that the military needed to rely on the governmental budgets as its primary source of money. By the fall of 1995, the PLA enterprises were again decreased by 50 percent. The remaining PLA enterprises were organized under centralized control, which maintained strict inventories and controlled logistics; this was intended to prevent corruption. The PLA still needed to fund its budgetary shortfall; it continued its military enterprises in a more streamlined and centralized manner with the hope that corruption would also decrease.

On July 22, 1998, President and Central Military Commission Chair Jiang Zeming announced that the military business complex was being completely dismantled and abandoned. Jiang was backed by several high-ranking military and political officials; Jiang Zeming's success at obtaining the military leadership's agreement on this divestiture should not be underestimated. It was a huge accomplishment on Jiang's part. Many scholars think it took an enormous amount of political capital on behalf of Jiang Zeming to secure this agreement. According to Mulvonen, the military leadership was also weary of the rampant corruption and thus agreed to the termination of military enterprises. In return for their acceptance, Mulvonen reported that the military was promised a substantial reimbursement. When that reimbursement failed to materialize in the following years, there was a feeling that the political leaders had duped the military. Mulvonen (2007) concluded:

The widespread conclusion that the PLA was "banned" from business is far too simplistic. The military continues to operate a wide variety of small-scale enterprises and agricultural units, with the goal of supplementing incomes and standards of living for active-duty personnel and their dependents at the unit level. No longer, however will profit and international trade be critical features of the system. Moreover, the PLA's leadership hopes that the divestiture of profitable companies will greatly reduce the incidence of corruption and profiteering in its ranks and thereby refocus the PLA on its important professionalism tasks. (p. 230)

Since professionalism and modernization of the PLA remain top priorities for the military and political leadership, the military leadership remains supportive of the CCP and the government. Moreover, keeping the military occupied with its high tech tools also prevents the military from becoming involved in civilian politics.

Origins and Characteristics of the Military Elite

In regards to this research, military elites refer to those who hold the following positions:

- Military Department Head
- PLA Director
- General

- Commander

Li (2010 Summer) defined military leaders in China as follows:

The PRC's current 57 highest-ranking military leaders . . . include(s) all of the military members of the CMC; all of the directors, commissars, and deputy directors of the four general departments of the PLA; the director of the General Office of the CMC; the director of the Bodyguards Bureau for the CCP Central Committee; all commanders and commissars of the seven greater military regions (Beijing, Shenyang, Lanzhou, Jinan, Nanjing, Guangzhou, and Chengdu); and all commandants and commissars of the three major military academic (the NDU, Academy of Military Sciences, and Defense Science and Technology University.) (p. 4)

Most importantly, military members who sit on the governing bodies of the Party's Central Committee (CC) and the Central Military Commission (CMC) are the most powerful of the military elite, regardless of their rank.

Senior leaders of the military are represented quite heavily on the Central Committee of the CCP. In 2007, there were 65 seats out of a total of 371 seats that were occupied by the military elite, approximately 18 percent. Hence, military leaders are an important subgroup and cannot be left out of this study.

The Central Military Commission (CMC) is the highest military organ, and it has the final say in all military matters. It acts like an executive committee and through it, the CCP commands the PLA (Hsiao, 2008). In its current state, it has ten members. Because of the mandatory retirement ages, at the 18th National Party Congress in the fall of 2012, seven members will have to retire from the CMC. While the three remaining military personnel will be promoted to CMC Vice-Chairs and Politburo members, the other spots will be filled by newcomers. Li (2010, Summer) described the appointments:

The newcomers that will fill the vacancies in the next CMC will concurrently occupy all of the most important posts in the military, including the directorships of the PLA's four Central Departments (Chief of the General Staff, General Political Department, General Logistics Department, and General Armament Department), and the commanderships of three major services (the Air Force, Navy, and 2nd Artillery Corps). In addition, a group of younger PLA officers, most in their 50s or late 40s, will join the 18th Central

Committee of the CCP and occupy the next tier of senior military leadership posts. This upcoming transition of the PLA representatives of the 18th Party Congress will likely represent the largest turnover in Chinese military leadership in over two decades. (p. 3)

The backgrounds of these new military elites will be analyzed below in order to determine the nature of the dynamic between them and civilian elites.

As the Chinese military leadership prepares itself for the 18th Party Congress, it is important to examine the military elites in the 17th Party Congress. Li and Harold (2007) described them as follows:

The most remarkable reflection of this transformation, which will very likely accelerate under new civilian and military leadership in the coming years, is the trend towards ever-greater technocratic leadership among the PLA. China's military elites in the post-17th Party Congress environment are among the best educated and most well-trained specialists ever to lead Chinese forces. A careful analysis of the profiles of the new Chinese military leadership can give insight into how China envisions transforming the forces of today to prevent, or if necessary fight the wars of tomorrow and what advantages and shortcomings China's top officers may embody. (p. 63)

As the political leadership evolves from being one of technocrats to being one of economists and political scientists, the military leadership are becoming "functionally specialized" in their areas of military expertise (Li and Harold, 2007, p. 62).

The Central Military Commission (CMC) reports to the Politburo and its Standing Committee; it is the military organ of the CCP. Since 1992, the only civilians to serve on the CMC have been the top leaders. Presidents Jiang Zemin served as CMC Chairman while President Hu Jintao served as both CMC Chairman when he became President and as CMC Vice-chairman when he was Vice-President and the heir apparent. Currently, Xi Jinping, as Hu Jintao's heir apparent, serves as Vice-Chairman of the CMC. Both Deng Xiaoping and Jiang Zemin retained the CMC Chairmanship after leaving the presidency rather than turning it over to their untested successors. This fact reveals how important the CMC is. It has been announced that President Hu will follow this tradition and retain CMC chairmanship after he leaves the

positions of President and General Secretary of the CCP in 2012. Consequently, the CMC has grown in importance. Li and Harold (2007) predicted a problematic future in which the military will resist the control of the CCP:

As a result of the transition strategies adopted by previous Chinese top leaders, the CMC has itself grown in importance, though without any increase in participation from civilian leaders other than the top Party leader. Sometime in the future, this could conceivably lead to practical challenges in exerting civilian control over the military, a long-standing goal of the CCP. This would especially be the case if the next generations of Chinese political elites come to be perceived as too ignorant about modern warfare to effectively manage the PLA. (p. 64)

As stated above, one major concern is the lack of military experience among the fifth generation of leaders. Xi Jinping is a prime example. It is in Xi's best interests to court the PLA as soon as he becomes President as his predecessors, Jiang Zemin and Hu Jintao, have done.

Social unrest in the PRC is another contributing factor in the growing influence of the PLA. Li (Winter 2010) detailed the current environment:

Political tensions are on the rise throughout the country. This is due to a variety of factors, including stark economic disparities, rising employment pressures, concerns over environmental degradation, public-health crises, high-profile instances of social injustice, a recent surge in ethnic conflicts, and most generally, disorientation associated with China's painful search for its new global role in a rapidly changing world. . . . Protests by migrants, often perceived to be second or third-class citizens in China, as well as strikes by urban workers, will most likely occur more frequently and on a larger scale in the years to come. (p. 3)

The People's Armed Police (PAP) is a paramilitary force, governed by the CMC and the State Council. Its job is to maintain stability during the various crises. One informant told me:

This year, during the so-called Jasmine Revolution, the PAP was everywhere though they were hidden. The government had raided the Chinese version of twitter, qui qui, and knew when the protesters would organize. If there was a crowd, the PAP would materialize out of thin air. They came in and dispersed the crowd. If you refused to go, they would round up you and your group. Then, they would disappear again.

Since there has been no war to fight against other countries, the PLA is occupied with maintaining domestic stability and order. It uses the PAP to accomplish this goal. McGregor (2010) described some of PAP's activities in the following:

In Tibet, the most distant outpost of the Chinese empire, PLA troops, along with its paramilitary wing, the People's Armed Police, were called on to quell large protests as late as 2008. In Xinjiang, the PLA stations four divisions near areas where there were violent ethnic protests in the 1990s. The 800,000-strong People's Armed Police were substantially re-equipped and re-trained post-1989 to relieve the arm of direct responsibility for putting down major civilian disturbances. To the satisfaction of policy-makers, keen to remove the army from the domestic frontline, the PAP was largely responsible for quelling the bloody ethnic violence which killed nearly 200 people in Urumqi, the Xinjiang capital, in July 2009. The PLA maintained only a symbolic presence in Urumqi. At the end of the day, however, the PLA still remains the final arbiter of security in crisis. (p. 111)

With the PAP as its domestic enforcer, the PLA has tried to present a gentler and kinder image. For example, the PLA is usually called in to manage disaster relief efforts like the earthquake in 2008 and the maglev train collision in June 2011. As the PLA maintains this high profile in domestic affairs, it could influence domestic policy decision-making.

In addition to domestic policy, Chinese military elites are also concerned with the PRC's foreign and defense policies. Li (2010, Summer) noted their concerns:

Senior PLA have recently commented in public on issues such as the United States' recent sale of weapons to Taiwan, the Chinese claim that the disputed islands in the South China sea represent a "core national interest" of the PRC, and the recent tensions on the Korean peninsula over the sinking of a South Korean warship. This seems to indicate that PLA strategists have succeeded in broadening their audiences, and may better reflect the nationalistic strain of Chinese public sentiment than those in the foreign policy establishment. (p. 4)

Li has predicted that foreign policy will be even more influenced by the incoming generation of military leaders because of the perceived weakness of the political leaders.

Military elites formed 19% of the 16th Central Committee (CC) and 18% of the 17th Central Committee. Two military leaders sat on the 25-member Politburo on both the 16th and

17th CCs. At the 17th Party Congress, four newcomers joined the CMC. In the 18th Party Congress in 2012, it is predicted that seven new members will join the CMC. Li and Harold (2007) pointed out that:

The main difference between the 17th CC and previous CCs, however, is that no military elite serves on the current Secretariat (the leading Party body that handles daily administrative matters), whereas Gen. Zhang Wannian and Gen. Xu Caihou served on the Secretariat in the 15th and 16th CCs, respectively. The Secretariat, which is responsible for handling the Party's daily roster of events, is an important post that can provide leverage and influence over a broad array of issues. The absence of any military officials on the Secretariat therefore signals the further retreat of the PLA to a narrow focus on military affairs. (p. 65)

It remains to be seen if this is a permanent trend.

The CC has experienced a high turnover of military leadership throughout the years. Sixty-six percent of the military representatives to the 17th CC in 2008 were newcomers. There are several theories for the high turnover rate of military elites. The PRC civilian leaders want to prevent the rise of any military individual; consequently, civilian leaders transfer the military leaders to different positions to prevent them from forming any strong power base. Another theory is that the government of President Hu Jintao and Premier Wen Jiaobao were trying to divest the CMC of any remaining military elites who were still loyal to former President Jiang Zemin. Although President Hu Jintao became President in 2002, he did not become Chairman of the CMC until 2004 when former President Jiang Zemin relinquished the CMC chairmanship. Taking this into account, one finds that 60 percent of the current PLA representatives on the 17th CC were appointed during 2005 and 2007 under Hu's regime. This roster includes some of the highest ranked and most important military leaders (Li, 2007; Li and Harold, 2007; Shambaugh, 2002).

Serving on the Central Committee (CC) is a high honor given to the most important military leaders. Thirty-four of the top fifty-seven top ranked military officers serve as full

members on the 17th CC with another ten military officers serving as alternates. For the military officers who do not serve on the 17th CC as full or alternate members, there is the Central Commission for Discipline Inspection (CCDI), another prestigious military department. Many CCDI leaders are up and coming stars who will assume seats in the CC in 2012. Li and Harold (2007) described the situation as follows:

All 14 of the commanders and commissars of China's seven military regions have been full members on the 17th CC and 12 of them are new appointees to the CC. Among these top 14 figures with operational control over the functional units that comprise the Chinese military, it is notable that 11 had previously held high-ranking positions in an MR (military region), and six of those previously worked in a different MR than the one they currently serve in. (p. 67)

Again, the fact that the military leaders are shifted to different military regions could be construed as an example of the CCP's concern that no one military leader gains too much power in one region. If they are prevented from gaining power in their region, the military leaders cannot pose a national threat.

One of the recent trends among PRC leadership, both military and civilian, is the effect of the mandatory retirement age. In fact, no person born before 1940 was allowed to serve on the 17th Party Congress. Because of this requirement, there was a generational shift as many CC members were forced to retire and to leave the CC. Consequently, many CC seats were open to first timers. Moreover, since the end of the 20th century, the military has incorporated a specific age limit for the retirement of various levels of officers. The only positions exempt are the four PLA general departments and the CMC. According to the *Law Governing Officers in Military Service*, all military personnel under the rank of major general must be demobilized from military service when they reach the age of fifty while all officers at the regimental commander level should be demobilized at the age of forty-five. The result is two-fold. The average age has fallen among military officers. Although the 17th CMC's average age has remained constant, the

seven members who were born before 1944 will be required to retire in 2012 because of the mandatory retirement age of the next Central Committee of the CCP. None of the present full commanders or full commissars in the military regions is past the age of sixty-five. Second, Chinese military elites who hold similar ranks usually belong to the same age and generation. In 2007, Li and Harold (2007) found that the age range of the thirty-seven highest military officials is from fifty-six years to sixty-seven years.

Forty percent of the fifty-seven top ranked military officers in Li's Summer 2010 study were born in the 1950s. Interestingly, the three youngest military officers could be part of a new trend, the technocratic trend. They are Major General Gu Junshan (deputy director of the General Logistics Department), Major General Liu (deputy director of the General Armament Department), and Lt. General Zhang Yulin (commandant of the Defense Science and Technology University). Major General Liu and Lt. General Zhang earned engineering doctorates from Northwestern University and Zhejiang University, respectively; their work experience in the fields of aerospace and missile technology is extensive. Zhang also pursued post-doctoral work in Canada.

Technocratic Trend

The successful ascensions of Major General Liu and Lt. General Zhang at relatively young ages signify a technocratic trend in the PRC military. Li (2010, Summer) described this trend:

Over the past decade or so, the PLA has been pressured to improve its own "C4-I (command, control, communications, computers, and intelligence) infrastructure. The PLA's pronounced military doctrine has been to make a "leap-over" transition from an army with mechanical and semi-mechanical equipment to an army equipped with digital facilities – "an information-age force," as it is often referred to in the Chinese media. In the wake of what the Chinese military strategist (and former deputy chief of the General Staff) Xiong Guangkai has called "on-going global military reform," the PLA aims to

reform inside in virtually all respects in order to prepare for the “new era of information warfare.” (p. 6)

In order to achieve this goal, the PLA is promoting well-educated military elites to the upper ranks of the PLA hierarchy. Out of the fifty-seven top ranked military officers, Li found that the majority of them had studied at the National Defense University and/or other PLA military academies; some earned degrees while others studied part-time while they continued to work.

Promotion through Factionalism

Another trend that also affects the civilian leadership is the promotion of military officers through favoritism and patronage, which Li and Harold (2007) referred to as the two-step jump, or *liangji tiao*. The commanders of three important military regions, Beijing, Lanzhou and Nanjing, have all been accused of being fast-tracked through their careers; the commanders (Gang Genhui, Wang Guosen, and Zhao Keshi, respectively) were promoted from the position of chief-of-staff, rather than the normal post of vice-commander. In fact, they received the promotions to military region commander within four years of being army-level officers (*junji*). More examples include the commandant (Wang Xibin) and the commissar (Tong Shiping) of the National Defense University; Wang’s former position was chief of staff of a military region while Tong’s former post was assistant director of the General Political Department.

Another significant trend is that eleven of the sixty-five military leaders on the 17th CC hold the military rank of major general or lower. In the PRC, military ranking from highest to lowest are as follows: General/Admiral, Lt. General/Vice Admiral, Major General/Rear Admiral, and Colonel (Li and Harold , 2007). The fact that a major general serves on the 17th CC elicits negative commentary. This does not seem to be the case of the lowest ranked military officer of the 17th CC, Air Force Colonel Yang Liwei; he is the first PRC astronaut and is well regarded and respected. Hence, there seems to be little controversy regarding his appointment to the 17th

CC. On the other hand, the Chiefs of Staff of Nanjing, Chengdu, Guangzhou, and Lanzhou are all members of the 17th CC yet they hold the rank of military general; they are also in their fifties. The large number of military officers on the 17th CC who hold the second lowest military rank is problematic because it suggests a system that could be tainted with corruption, cronyism, and nepotism.

President Hu Jintao and Jiang Zemin could interpret these high profile examples of “two-step” promotions as political favoritism. It has become a source of tension with seasoned military leaders who gained their positions in a step-by-step manner.

Overall, the mass turnover of military leaders in the 17th CC helped to consolidate Hu Jintao’s role as supreme commander of the military. Since the officers are young, they could remain for a number of years. Those military officers who are recipients of the two-step promotion could be especially loyal to Hu Jintao since they owe their positions to him. When it comes to military promotion, both meritocracy and political factionalism play a role.

Shared Birthplace

Another example of political favoritism is based on birthplace. For example, regarding the top fifty-seven ranked military officers, Li found that Shandong ranked as the top birth province with the largest concentration of senior military officers. In previous years, the percentage was even higher, and Li (2010, Summer) has noted:

Although Shandong is ranked at the top, the overall presence of Shandong natives in this study (15.8) is far less significant than in certain earlier studies. Among the 67 military members of the 16th Central Committee in 1997, for example, 14 (21 percent) were born in Shandong; and even more astonishingly, 28 percent of the 46 military members of the 14th Central Committee in 1992 were Shandong natives. (p. 7)

In the 1990s, two vice chairman of the CMC were born in Shandong, General Zhang Wannian and General Haotian. Sharing a birthplace can tie two military officers together. This is the case

with General Yu Yongbo and General Xu Caihou; they are CMC members and have each served as director of the General Political Department. They were born in the same county; and General Xu worked as an assistant for General Yu.

In the case of Commander Wu Shengli and Deputy Chief of Staff Sun Jianguo, they are the two highest ranked officers in the Chinese Navy; they were also born in the same county. It is predicted that Sun will succeed Wu as commander of the Navy in 2012. Another example is the Minister of Defense Liang Guanglie and Lt. General Li Shiming. It has been rumored that Liang is pushing for Li to be promoted to Chief of the General Staff; Liang and Li also share the same birthplace county.

Factional Alliances

Two of the most prevalent political factions are *taizi* (princeling) and/or *mishu* (adviser). It is important to remember these two groups are not mutually exclusive. As with political elites, among military elites some *taizi* also served as *mishu*, especially to their parents' closest allies. And just as with the civilian leadership where *taizi* are poised to take over the top spots in the CCP and government leaderships in 2012, military leadership is also filled with princelings. According to Li (2010, Summer, p. 8, table 4), of the top fifty-seven senior military leaders, ten have princeling backgrounds:

Table 4.1 10 out of 57 Senior Military Leaders who are also *Taizi*

No.	NAME	CURRENT POST	PRINCELING BACKGROUND
1	Li Jinai	Director, General Political Dept., CMC Member	Nephew of Li Jin (Former deputy chief of the General Staff)
2	Wu Shengli	Commander, Navy	Son of former vice governor of Zhejiang Province
3	Ma Xiaotian	Deputy Chief of the General Staff	Son of Ma Zaiyao (former dean of PLA Political Academy), son- in-law of Zhang Shaohua (former deputy secretary of Discipline Commission of CMC)

4	Zhang Haiyang	Commissar, 2 nd Artillery Corps.	Son of Zhang Zhi (former Deputy Head, Luiliang Prefecture, Shanxi Province)
5	Zhang Qinsheng	Deputy Chief of the General Staff	Son of Zhang Zhi (see above)
6	Zhang Youxia	Commander, Shenyang Military Region	Son of Zhang Zongxu (former Director, General Logistics Dept.)
7	Liu Xiaojiang	Commissar, Navy	Son-in-law Hu Yaobang (former Secretary General of the CCP), son of Liu Xiyuan (former Vice Chairman of Shaanxi People's Congress)
8	Liu Yuan	Commissar, Academy of Military Sciences	Son of Liu Shaoqi (former President of PRC)
9	Liu Sheng	Deputy director, General Armament Department	Son of Liu Peisan (former Lieutenant General of PLA)
10	Liu Yazhou	Commissar, National Defense University	Son-in-law of Li Xiannian (former President of PRC), son of Liu Jiande (former Deputy Commissar of the Logistics Department of Lanzhou Military Region)

From the above list, only one, General Li Jinai (born in 1942), will be forced to retire in 2012 because of the mandatory age limit. Critics allege that the others mentioned on the list are the military's rising stars because of their family connections.

Being born into a military elite family means that one has instant CCP credentials, Li and Harold suggested, and one's loyalty to the party is not questioned. Since these aforementioned leaders were born in the 1940s and 1950s, they have reaped the benefits of being born during their parents' rule. They were raised in military compounds where they received the best primary and secondary military educations. Then, they all attended elite universities like Harbin Institute of Military Engineering and National Defense University. They also benefitted from having fathers as high-ranking military officials because they received direct guidance from their fathers and their fathers' comrades in arms. Consequently, many took short cuts on their path towards military leadership.

Another way to gain entrée to a military elite family is to marry into it. “It has become a norm in the PLA that a junior officer who marries a senior officer’s daughter can be promoted very quickly. In both the military and civilian leaderships, a number of sons-in-law of prominent political leaders have quickly risen to power in the post-Mao era” (Li, 2001, p.138). Within the PLA, marrying the daughter of a high-ranking leader is the fastest way to get a promotion” (Li, 2010 Summer, p. 9). In fact, intermarriage has become a major channel of *taizi* formation. In the 1950s and the 1960s, it was quite common for military elite families to intermarry. Li (2001) observed:

Many PLA marshals and generals like Chen Yi, He Long, Ye Jiangying, and Su Yu often encouraged their children to marry people with similar family backgrounds. Chen Yi’s son, Chen Xiaolu, for example, married Su Yu’s daughter, Su Huining. Chen Xiaolu is now president of the Beijing Standard International Investment Corporation and his wife serves on the PLA’s Second Artillery Corps. (p. 138)

When their children married, the two families would form alliances and work together to help their children rise in their careers. Another example of intermarriage is Lt. General Liu Yazhou who is the son-in-law of the former PRC President, Li Xiannian. Li (2010) found that “At every turn Liu secured all of the best opportunities. His military career differs greatly from those officers without family ties who are forced to advance step by step” (p. 9). Since personal information about officers’ and their family connections are not well publicized and shrouded in secrecy, it is difficult to find other examples of this kind of favoritism. Even so, intermarriage is an important trend in elite formation in the PRC. In the summer of 2009, CMC Chairman Hu Jintao promoted three officers to the rank of general, the highest rank in the PLA. The three men are all princelings. Hu Jintao was trying to garner wide support among the princelings in the PLA. In turn, the princeling contingent of the PLA pledged their support to Hu Jintao (Li, Summer 2010).

Working as a *mishu* is another path towards becoming a military leader. Li (Summer 2010) explained the *mishu* phenomenon in the military:

Mishu, or staff members who have served as personal assistants, office directors, or chiefs of staff to top leaders, enjoy clear advantages in terms of their career prospects. The experience of working in close proximity to senior leaders allow them to see how power and authority function up close, build political ties, and land on the inside track of career advancement. Besides the civilian leadership, the *mishu* experience has also become one of the many channels for military advancement over the past two decades. This is partly due to the fact that no one officer can claim much combat performance when the PLA has, for decades, engaged in very little active warfare. Consequently, political loyalty and management skills have become all the more valued. At least 20 officers (35 percent) of this study of the top 57 most prominent members of the military have backgrounds as former *mishu*, assistants, and/or office directors for senior leaders. (p.10)

Jia Ting'an, for example, was a *mishu* to Jiang Zemin when Jiang was vice minister of the Ministry of Electronics Industry. When Jiang Zemin worked as mayor and party secretary of Shanghai, Jiang brought Jia with him. In 1989, when Jiang assumed supreme leadership of the PRC and moved to Beijing, Jia accompanied him. Jiang appointed Jia Director of the General Office of the CMC. For a longer list of twenty out of the total fifty-seven senior military leaders with *mishu* career experience, please refer to the following table.

Table 4.2 20 of 57 Senior Leaders with *Mishu* Experience

No.	NAME ⁵	CURRENT POST	PREVIOUS <i>MISHU</i> CAREER
1	Xu Cai	Vice Chair, CMC	Yu Yongbo (former Director, General Political Dept.)
2	Li Jinai	Director, General Political Dept.	Yu Qiuli, (former Director, General Political Dept.)
3	Chang Wangquan	Director, General Armament Dept.	Han Xianchu (former Commander, Lanzhou Military Region)
4	Wang Guanxiong	Director, General Office of CMC	Yang Shangkun (former Vice Chair, CMC)
5	Zhang Qingsheng	Deputy Chief of the General Staff	Liang Guanglie (Minister of Defense)

⁵ Taken from Li, 2010, p. 11, Table 5

6	Sun Jiangguo	Deputy Chief of the General Staff	Chen Bingde (Chief of the General Staff)
7	Hou Shusen	Deputy Chief of the General Staff	Wang Ke (former Director, General Logistics Dept.)
8	Cao Qing	Director, Bodyguards Bureau	Ye Jiangying (former Minister of Defense)
9	Jia Ting'an	Deputy Director, General Political Dept.	Jiang Zemin (former Chair of CMC)
10	Liu Zhenqi	Deputy Director, General Political Dept.	Li Jinai (Director of General Political Dept.)
11	Tong Shiping	Deputy Director, General Political Dept.	Li Jinai (Director of General Political Dept.)
12	Du Jincai	Deputy Director, General Political Dept.	Li Jinai (director of General Political Dept.)
13	Li Andong	Deputy Director, General Armament Dept.	Cao Gangchuan (former Director, General Armament Dept.)
14	Sun Dafa	Commissar, General Logistics Dept.	Li Desheng (former Director, General Political Dept.)
15	Gu Junshan	Deputy Director, General Logistics Dept.	Liao Xilong (Director, General Logistics Dept.)
16	Sun Sijing	Deputy Commissar, General Logistics Dept.	Liao Xilong (Director, General Logistics Dept.)
17	Yu Lianxiang	Commissar, People's Armed Police	Name unknown (former director, Political Dept., Nanjing MR)
18	Fang Fenghui	Commander, Beijing MR	Name unknown, former Commander of No. 21 Group Srmly)
19	Tian Xiusi	Commissar, Chengdu MR	Name unknown (former Commander of Xinjiang Military District)
20	Fan Changlong	Commander, Jinan MR	Liang Guanglie (Former Chief of General Staff)

As seen above, serving as a *mishu* or a bodyguard to a high-ranking military official can lead to promotions. In their roles, they work closely with leaders and spend large amounts of time with them. In fact, the *mishu* and bodyguard may spend the most time with them. Consequently, they become confidants to these leaders. Hence, it is important to study those who are currently serving in these positions because they may be tomorrow's leaders. As with *taizidang*, there is a backlash against this type of political favoritism among the general populace and among the political establishment of the PRC. The abovementioned Jia Ting'an is one example; during the 17th Central Committee, Jia received the lowest number of votes among alternates. This result can be interpreted as resistance from many of the political voters to his sudden ascension, which many attributed to political favoritism.

Another case involves Lt. General You, Jiang's former bodyguard; he lost many votes as an alternate on the 16th Central Committee in 2002. Li (2010, Summer) explained: "These facts indicate that even the Party's political establishment does not like to see current top leaders' *mishu* or bodyguards acquire too much power" (p. 12).

There are two conflicting trends. One trend is the ascension of military elites based on an unbiased selection and a transparent process. On the other hand, there is the ascension of military elites based on informal networks such as shared birthplace, blood ties, and patron-client relations. Many are watching the new composition of the Central Military Commission. The new appointments should indicate the new balance of power between civilian and military leaders. It could also reveal the direction the military is taking.

While the Chapter on military elites comes after the chapters on political and economic elites, I would like to make it clear that this group is not at the periphery of power in the PRC. In

fact, the military elite are and have been a power that balances and challenges the civilian leadership.

It is interesting to note that none of my political and commercial elites referred military elites for my sampling. As I stated at the beginning of this chapter, I realized that there has been an emphasis on separating the political from the military. When one studies the PRC political history, it comes as no surprise that the political elites want the military elites to stay clear of civilian politics. Many political leaders are very adamant that a strongman environment as experienced under Mao Zedong and Deng Xiaoping should not be repeated.

In the early days of revolution, Mao Zedong was a political and military elite. Deng Xiaoping also had military experience. During their leadership tenure, they used the military to intervene in civilian politics and to support their policies. Currently, the reality is that no single senior CCP or government leader has any military experience; this has been true since Deng Xiaoping left office. Moreover, only two senior PLA officers: Generals Chi Haotian and Wang Ruilin have any real experience in elite PRC politics. While military elites can become elite politicians when they enter the Central Committee and Politburo, this is a one way transfer of power. No political leader can become military elite. This includes the Chairman of the Central Military Commission who is recognized to be the civilian leader with the most authority. According to Zheng, the fact that a civilian leader holds the greatest authority is an example of the CCP maintaining control.

The fact that the military is no longer allowed to engage in large scale commercial enterprises is another way in which the CCP has curtailed military power. Deprived of this external source of funds, the PLA has to make do with the budget given to them by the CCP and the government. When the military was allowed to own commercial enterprises, military elites

became commercial elites. When this was stopped, the military elites were relegated to their narrow area of expertise, domestic and international security.

The fact that my political and commercial elite informants could not refer any military elites may support the supposition that the CCP and the government have been successful in neutralizing and separating the military elite from the other PRC elites. One informant, a *taizi* member, told me: “No, I don’t know anybody whose father is in the military. They tend to keep to themselves.” Another informant told me: “Oh, I don’t know any. I never come across them. I never socialize with them. There is no overlap between our groups.”

Examining the characteristics of political and commercial elites, one discovered that school ties, blood ties, and family ties linked the different PRC elites. For military elites, they are attending military schools in the PRC and are not usually studying at international educational institutions like other elites. While several of the born elites are children and grandchildren of military elites, their elite ancestors have moved into the commercial and political sectors.

This situation is not unlike what occurred in the United States. In the early days of the United States, the political leaders were the military leaders, such as George Washington. As the country matured, political elites separated from the military elites; military elites began to reproduce other military elites. In the PRC, the first leaders were also military leaders of the Revolution. As the PRC has evolved, the succeeding generations of these elites have moved into the political and commercial sector.

The military elites are attending school with other military elites, not political or commercial elites. They are marrying into other military elites. This is compounded by the one child policy. In the past, if a military elite had three children, one child would enter the

corporate world, another would enter into politics, and a third would pursue the military. With the one child policy, the military families may be sending their one child into the military.

Further research is needed to determine the origins of the next generation of elites. According to my findings, the military elites have been separated from the other elites. Political and commercial elite families are discouraging marriages, friendships, and future relationships between themselves and the military elites by the very fact that they are not exposing their children to them.

Conclusion

As with the civilian leadership, a great turnover is expected in the PRC military leadership in the new Party Congress, which took place in fall 2012. The world is watching to see who and which faction will emerge as leader. The PLA has successfully remained out of the limelight; its elite recruitment has been kept from the public in a way that the political and commercial elite recruitment has not.

CHAPTER FIVE: SCHOLARLY ELITES

Introduction

The role of the scholar in China in the 20th century has undergone a great deal of turmoil and upheaval. During the imperial era, scholars were considered the elites of society. They were upheld as the moral and intellectual standard bearers; in their adviser positions to the Emperor, they served as the ruling and political elites. This elite status continued after the imperial era ended and through the Republican era. When the Communists founded the PRC in 1949, the position of scholars experienced a loss of status and prestige; in fact, scholars were regarded as class enemies. Consequently, they suffered extreme persecution during the many anti-intellectual purges. Hence, the relationship between elites and political leaders of the CCP has always been marked by suspicion and distrust. Recently, scholars have returned to positions of respect as CCP and government leaders seek them out for guidance and advice. While scholars have never reclaimed their prestige from the imperial and republican eras, they are experiencing a surge in respect.

Origins of Scholarly Elites

At the end of the 19th century, elite status was equated with scholars who held government positions; they were referred to as scholar-officials. Maintaining the highest ranking in society, scholar-officials held the top position followed by farmers, artisans and merchants (*shi, nong, gong, shang*). Scholar-officials “ruled over a bureaucracy of imperially appointed officials who qualified for office through state-sponsored examinations open to all, without regard for wealth or family pedigree” (Esherick and Rankin, 1993, p. 193). The state-sponsored examinations had four levels: county, provincial, national, and palace. Successfully, completing

the palace exam could take decades. Upon successful completion, these men could work as government officials; with the smartest working in the Palace.

The lives of scholar-officials were privileged. They benefited from legal and fiscal privileges such as “favorable land tax rates and immunity from corporal punishment” (Esherick and Rankin, 1993, p. 4). Scholar-officials were exempt from the labor services that all other commoners were required to perform. Scholars-officials who violated the law were only able to be arrested until a special imperial decree was pronounced. Summing up the work of Chang Chung-li, Ch’ü T’ung, and Ho Ping Ti, the Chinese elite could be viewed as a type of gentry class. Instead of owning and inheriting their title and land, they earned a scholarly degree.

In remote and rural areas, where few scholar-officials lived, the prestige of scholar-officials extended to everyone who earned any degree in the examination system. The individuals who only made it to the county degree level were accorded respect; they were allowed to wear the scholar-official robe. In areas with a great concentration of scholar-officials, the lowest degree holders were not regarded highly; palace degree holders held the greatest status.

Because scholar-officials received the best available education in the country, they were considered to be the moral and intellectual authorities in China. As such, they were regarded as the only people qualified to govern. While there was an Emperor, the country was in fact governed and administered by the scholar-officials. These men wrote and enforced the laws of imperial society.

By the mid-19th century, China was in a precarious position. It had suffered a humiliating defeat to European forces in the First and Second Opium Wars, proving how inadequate and outdated the Chinese military forces were. A drought resulted in a famine that ravaged the

countryside, which was still suffering from the effects of the war with the European powers. The Qing dynasty was viewed by the Han Chinese as ineffective, morally bankrupt, and corrupt foreigners. Rebellions cropped all around the country with the largest being the Taiping rebellion (1850 to 1864), which eventually claimed the lives of 20 million people.

The Chinese people called for a new and more modern educational system and called for the abolition of the current examination system, which was deemed flawed because it had produced the weak and powerless government officials. To appease the public and to maintain its reign, the Qing dynasty eliminated the examinations in 1905. It was not enough to save imperial rule. In 1911, the Qing Dynasty was replaced by a Republic, which, according to Cao (2004), afforded a degree of respect and prestige to scholars:

During the nationalist (Kuomintang, or KMT) government era, intellectuals with advanced training background were respected and promoted to important positions in education, economy, and even politics. (p. 10)

When the Communist republic was established, the trend turned. Scholars lost their esteemed position in society.

Following the founding of the PRC, Chairman Mao was concerned with the notion of class and class struggle. Relying on the class analysis theory, Mao was determined to ferret out his political enemies from the rest of society. In the months following the PRC's founding, the government was too busy to interfere in academic life; scholars and intellectuals were able to work in relative peace. By 1951, this environment changed. Cao (2004) provided this detailed account:

During this period, the Academia Sinica and other nationalist government-sponsored research institutes were taken over; missionary institutions of higher education abolished, and colleges and departments reorganized. The relocation of many pre-1949 intellectuals meant more than a change of institutions for them. If in the early years of the communist control, intellectuals still enjoyed certain academic freedom within universities by exercising autonomy in teaching and research and maintaining authority as professors,

they now lost the institutional shelter, the loss of which prevented them from pursuing their own interests. (p. 42)

Moreover, the government urged intellectuals to join the ideological reform campaign where those from “black” family backgrounds, such as landlords, rich peasants, counter-revolutionaries, and bad elements, were ordered to write self-criticisms to remove the taint of their bourgeois backgrounds. The CCP leadership still viewed intellectuals as potential partners in the socialist struggle, as long as they were from the “right” backgrounds and had the “right” mindset. Premier Zhou believed that intellectuals under the strict supervision of the government could produce valuable research and development that would benefit the entire country.

This is a prime example of what Wallace (1973) described as typical behavior from a revolutionary society regarding intellectuals in his work in *Schools in Revolutionary and Conservative Societies*. The role of the government official was no longer dependent on the education and knowledge of the individual; the most important criterion was loyalty to the Communist cause. Wallace (1973) wrote:

With respect to schools and schooling, one inference is paramount: that in a revolutionary society (i.e., society in the process of cultural transformation under the leadership of a revitalization movement) the primary concern of schools must be the *moral* transformation of the population. . . . The reason for this priority list – morality, intellect, and technic – is that the moral rebirth of the population and the development of a cadre of morally reliable and intellectually resourceful individuals to take over executive positions throughout the society is the immediately necessary task. (pp. 241-2)

In the early 1950s, many PRC intellectuals embraced the socialist cause, and senior intellectuals were even allowed to join the CCP. The scientific and the scholarly community as a whole was committed to the Communist Republic and its goals.

In 1956, Mao Zedong announced his “blooming and contending” policy, encouraging Chinese intellectuals to air their views on how to end the inefficiencies of the CCP bureaucracy. Many intellectuals embraced this opportunity to impart their knowledge and experience to the

CCP. While some voiced their discontent, many more showed their loyalty to the party and to the Socialist cause. The results were disastrous for the entire intellectual community. Chairman Mao felt personally attacked, and retaliation was swift. Approximately 500,000 intellectuals were labeled “rightists”. Cao (2004) wrote:

The Anti-Rightist Campaign and its aftermath led not only to a new era in the tension between the party and Chinese intellectuals. This period, one of the great trials and miseries for the intellectuals, lasted for about three years, but its influence on the intellectual community has endured. As a whole, intellectuals were deliberately humiliated, purged, became subjects of virulent attacks, were dismissed from their jobs and sent to the countryside or frontier areas for “labor reform.” (p. 45)

Following the anti-rightist campaign, China suffered an economic crisis caused by Mao’s disastrous policy, The Great Leap Forward, which was intended to modernize the agricultural and industrial production in China. In actuality, it led to widespread famine. Intellectuals were replaced at research institutes with peasants and workers because these peasants and workers seemed to embody the true Communist ideal. Or, in the words of Wallace (1973), these peasants and workers were moral intellectuals:

The moral intellectuals produced by revolutionary schools may, to conservative eyes, appear to be fanatics and theoreticians who fumble badly on technical tasks. But they are necessary, during the temporary period of revolution, in order to do the work of converting the populace, developing large plans, and adapting the code to local temporal circumstances. (p. 242)

By 1962, the Chinese economy was destroyed, and Mao admitted the Great Leap Forward was a mistake. Once again, the CCP turned to intellectuals for answers. In an attempt to curry favor with them, the CCP granted amnesty to many intellectuals by removing the rightist labels and by allowing intellectuals to assume their former positions. Research was once again desired and encouraged.

The beginning of 1966 was the start of the Cultural Revolution which was a political campaign launched by Mao Zedong as a way to regain control of the CCP. It attacked all

enemies of the party, which included high-ranking intellectuals who were accused of aiding capitalists in the destruction of the PRC and the CCP. The ten years that made up the Cultural Revolution was the worst period of persecution Chinese intellectuals had ever experienced. While the Cultural Revolution traumatized the entire nation, intellectuals seemed to bear the brunt. Intellectuals were labeled the “stinking number nine”. This label was the “lowest of the low”(Cao, 2004); as such, intellectuals were considered the dregs of society and ranked beneath landlords, rich peasants, counter-revolutionaries, bad elements, rightists, traitors, spies, and capitalist roaders.

Many intellectuals were imprisoned, tortured, and killed; their homes were ransacked and their property removed. Some were sent down to the countryside to be retrained in how to be a good Communist and to learn how to be manual laborers. Others who remained in the cities were forced to work as janitors in their former educational institutions. Simultaneously, peasants and soldiers who were not well educated were promoted to leadership positions.

While the CCP attacked the present class of scientists, it also affected future classes of intellectual elites. In 1966, formal higher education was ended. Undergraduate and graduate students were forced to stop their studies; they were sent to factories, to farms, and to the army school in order to be re-educated. While universities reopened in 1973, the Cultural Revolution and its radical policies continued. Then, Mao Zedong ordered colleges to admit students who were workers, peasants, and soldiers. While these groups had practical experience, they do not possess the remedial education needed to pursue a college degree. Many stopped their college studies to return to high and middle school. Furthermore, the curriculum at universities was affected.

Because of the Cultural Revolution, China lost one million undergraduates and 100,000 graduate students, according to some estimates. In other words, it lost an entire generation of qualified personnel (Cao, 2004).

In 1976, Chairman Mao passed away; the Gang of Four was arrested. The Gang of Four is the term coined by the press and used by the public to refer to the political faction of four PRC officials. Led by Jiang Qing, wife of Chairman Mao Zedong, the Gang of Four's other members included Zhang Chunqiao, Yao Wenyuan, and Wang Hongwen. The CCP and the PRC government labeled these four officials as counter-revolutionary forces; they were held publicly and officially responsible for the worst excesses wrought by the Cultural Revolution, which included torture, death, and unlawful imprisonment (Spence, 2001).

A power struggle emerged after Mao's death between the Gang of Four and an alliance led by Premier Zhou Enlai, Deng Xiaoping, and PLA Marshall Ye Jiaoping with Zhou, Deng, and Ye winning and taking control of China. In fact, the leader of this faction was Deng Xiaoping who as the next CCP leader, wanted to reinstate the status and prestige of the intellectual community. Scientists were once again upheld as productive members of China. The CCP gave the highest priority to the development of science and technology. An uneasy truce was forged where scientists were allowed to pursue causes which would benefit the country in return for not challenging the CCP's authority (Deng, 1994).

In the 1980s, Chinese intellectuals saw a number of policies that benefitted them: a peer review, an academic reward system, and a growing role in official state policy regarding education, science, and the economy. Still, the reform period was not without incident for Chinese intellectuals; they were also victims of several political campaigns with the biggest being the pro-democracy movement in 1989, also known as the Tiananmen crisis.

The Present

For the purpose of this research, the term, scholarly elites, refers to university presidents, party secretaries, and other high-ranking Vice Presidents, deans, and department heads. PRC scholarly elites also refer to directors of think tanks and research institutes. The term includes those who have achieved international and domestic acclaim, which can be quantified by the number of scholarly works published. Chinese think tanks have recently emerged as places to work for retired elites as well as up-and-coming elites. Li (2005 Fall, p. 7) wrote: “Chinese think tanks have increasingly become a ‘revolving door’ for past and future government officials.”

Cao studied the scientific elite, a subgroup of China’s intellectual and scholarly elite. He (2004) uses membership in the CAS (Chinese Academy of Sciences) as an objective measure to define elite status:

At the top of the scientific hierarchy are members (*yuanshi*) of the CAS, who have been renowned, nationally if not internationally, for their academic achievements. Also, the CAS Academic Division has become an honorific society which now awards the “highest academic title and an honor of life time” to those scientists “with Chinese nationality (inclusive of those who reside in Hong Kong Special Administrative Region, Macao Special Administrative Region, Taiwan province and overseas) who have made systematic and creative achievements and major contributions in the field of science and technology, and who are patriotic, honest and upright in their style of learning. . . . For every CAS member, there are about 251 full professors, 836 scientists with senior ranks . . . and 3,236 Chinese who are engaged in activities in the natural sciences and technology. Thus, it is reasonable to define CAS members as the scientific elite in China. (p. 14-15)

According to Cao, in order to gain membership to the CAS, one has to demonstrate patriotism, honesty, and uprightness as defined by the CCP and the PRC government. It raises the question: How does one juggle the requirements of being patriotic and loyal to the CCP while achieving and maintaining scholarly knowledge and expertise?

In the People's Republic of China, the regional Party Secretary leads every university in that region, even though there is a university president. McGregor (2010) explained how this system was created in the PRC:

For all its imperial antecedents, Mao's organization department replicated what was known in the Soviet Union as the *nomenklatura* system. This was a 'list of names' of party members who formed the communist ruling class and were eligible to fill prized jobs in government, industry, and elsewhere... China differs crucially from the Soviet Union in one respect: the system is far more pervasive, penetrating deeper into lower levels of government and other state-controlled institutions. China's more radical... because of the way the Chinese Communist Party exercised authority down to the lowest residential committees and schools. . . . The Party Secretary has the ability to control both party members and appointments and also oversee the curriculum, outranking the titular head of the institution, the president. (pp. 78-79)

Because universities have the ability to influence the new generations of children, at the top of every PRC university is the party affairs department, and the head of that department is the Party Secretary. One professor from a top university explained:

If you want to control the next generation and how they think, you have to control what they are being taught. Historically speaking, schools indoctrinate their students with a belief system. And, in schools, the seeds of revolution are planted. Using the Cultural Revolution as one example of many, many examples, it was the universities, the elite ones, where radicalism began and then flourished. The seeds were planted at Beijing University. The country, the government, the party, we are all aware of this. They want to prevent another situation like the Cultural Revolution or for that matter Tiananmen, from happening. Remember both are examples of student led activity. It is in the best interests of the state to have someone watching over the universities. That is the role of the Party Secretary.

For some, the Party Secretary is a tool of the CCP and is wielded by the CCP to maintain control. This was not always the case. After the Cultural Revolution and at the beginning of the reform period, there was an alliance of sorts between the CCP and the intellectuals. During the 1980s, universities experienced more freedom in hiring and firing staff since the CCP required the universities to consult the CCP on senior appointments only. The turning point was the events of June 4, 1989, the Tiananmen crisis; as mentioned above, it was a student led protest.

The CCP and the government acted swiftly to not only stamp out the protest but to ensure that no more would erupt. McGregor (2010) wrote:

By a single stroke of the Party's pen in May 1991, the *nomenklatura* list was expanded to give the department greater control over universities. Around the same time, the Party gained extra leverage over students and intellectuals, by requiring university leaders to attend an annual conference to strengthen party-building in their institutions. This last measure offered some added-value for the party, by giving it a better platform from which to recruit the brightest up-and-coming brains in the country to its ranks as new members. (p. 80)

Given the history between intellectual elites and the CCP, the CCP was determined to maintain control over research, membership, and curriculum. Consequently, the Party Secretary fills this need; that position ensured that the CCP that the universities would carry out the policies of the CCP and the government rather than following their own agenda.

During official ceremonies, banquets, and meetings, the Party Secretary is always the host and is seated prominently in the seat of honor. McGregor (2010) shared a story illustrating this point and quotes Yuan Weisi of Sun Yat Sen University in Guangdong:

Take the hundredth anniversary of Peking University in 1998. Jiang Zemin gave a speech in the Great Hall of the People, instead of at the campus itself. And the person chairing the meeting was not the president, but the Party Secretary. . . . Many of the professors there told me what a funny spectacle it was. The Party Secretary was waving his hands and moving his feet, at the centre (sic) of action, while the president sat in the corner like a mouse. (p. 79)

Reading McGregor's account reminded me of a similar incident I personally witnessed over the course of my fieldwork at one of the top comprehensive universities in China. The university in question ranks among the top twenty in China, according to official government records.

First, some background information. There are three types of universities in the PRC.

Cao (2004) delineated it as follows:

China's higher educational system is stratified. . . . Although not all have been equally prestigious throughout their history, Beijing, Nanjing, Fudan, Wuhan, Xiamen and Zhongshan Universities are now among the most outstanding comprehensive (*zhonghe*)

universities in China. They are “comprehensive” in that they offer courses in a broad spectrum of disciplines in the natural sciences, social sciences, humanities, and even engineering. . . . The second type is the polytechnic (*ligongke*) university, represented by Qinghua, Zhejiang, and Shanghai Jiaotong Universities. Some of these, such as Qinghua and Zhejiang, were also “comprehensive” universities before the 1952 reorganization of colleges and departments (*yuanxi tiaoxheng*), and have now become comprehensive universities again as a result of the reorganization of Chinese universities in the late 1990s. . . . The third category of higher educational institutions includes specialty colleges. The Beijing Geological College is an example. (p. 84)

Shanghai Jiaotong University was founded in 1896, and Beijing University in 1898. It is widely accepted that Beijing University is China’s Harvard University while Qinghua University is China’s Massachusetts Institute of Technology (MIT). The PRC also employs a ranking system. Top universities belong to a group that is referred to as China’s “key” *Zhongdian*; these schools receive a great deal of financial support from the government (Cao, 2004).

The example taken from my fieldwork involves a key comprehensive university situated in Shanghai, China. The events took place over a year beginning in the spring of 2010 and finishing in the fall of 2011. Mulan University is a pseudonym. Like all universities, it has an organization chart; the Party Secretary and her department are on the top of that chart. In that department, there are three vice secretaries and twelve standing commissioners with two individuals serving as vice secretary and standing commissioner, respectively.

At the level below the Party Secretary are the executive leaders. The highest ranked executive leader is the president, followed by the standing vice president, vice president, and president’s assistant. At the level below the president and executive leadership are the various deans and department chairs.

Mandate from Beijing – A case study

In early 2009, the central government gave the university’s president a directive to make Mulan University into the top shipping university in China. According to several vice presidents

and deans who were present at the meeting with the university's Party Secretary and the university's president, the idea was given with few details, instructions, or guidelines. One participant told me: "Beijing told us to make it happen. We are trying to do so."

After months of debating, the president of the university approached **Dr. Nicholas Ei**, a prominent overseas business and bank owner. The president explained that the university needed **Dr. Nicholas Ei**'s help to fulfill this directive. **Dr. Ei** was chosen for two reasons: his extensive knowledge of the shipping industry in the PRC and his many connections with the top government leaders of the PRC. When the president asked **Dr. Ei** to spearhead the effort, the president also offered **Dr. Ei** the title, Vice Chair. When Dr. Ei accepted, he was invited to visit the university to brainstorm with various university leaders.

On May 19, 2010, **Dr. Ei** met with university officials. **Dr. Ei** was accompanied by two of his senior vice presidents from his banking company: **Narcissa Ei** and **Natalie Eng**. Both women are overseas Chinese and earned Harvard Business School degrees. They have worked for the company for a combined total of fifteen years. In addition to **Dr. Ei** and his two associates, there were twenty-three university officials, which included several deans, standing vice presidents, and commissioners. **Natalie** described the meeting:

We enter this large conference room. It is in a modern building. Of course, as guests of honor, we are given the center seats facing the door. Behind us is the wall of windows. Across from us are around twenty officials from the university. Most are dressed in suits and ties except for one, the dean of agriculture; he is wearing a blue shirt but no tie or jacket. We are seated around a large mahogany table that seats thirty people. At one end of the room, there is a credenza. There are five women who all look identical. They are wearing cheongsam; their hair is in the bun. They spend the rest of the meeting serving us drinks and food. On top of the credenza, there are cups for coffee and tea with all the accoutrements. There is a carafe of water. This is in addition to the tea cup at every place setting on the conference table. By each place is a pad of paper and pen. In the middle of the table is the large platter of butter cookies. When we walked in, I could feel the tension emanating from the university people. I know the shipping industry. We came in with the attitude of how can we help you? Use our expertise, knowledge and experience to guide you.

From the outset, we knew we were in trouble. Do you want to know why? It's because the university had no idea what they wanted to do. They were out of their depth. And, they knew it. That's why they were all so nervous. Really, they did not know what they wanted. There were 23 high-ranking officials from the university. They had no idea what they wanted. They want to make this city and this university into an international shipping center. They only wanted it because they were told by the government to achieve this goal.

When you start asking simple questions, they have no answers. I asked: What does it mean to be an international shipping center? Are they defining it in terms of dead weight tonnage, international demand or domestic demand? I received no answer. I looked around the table and was greeted with a lot of blank stares. They had no idea how to answer my questions. I continued to push them; I asked for more details or even a guiding framework. They couldn't answer me. They didn't know. They kept saying: "Beijing wants this university to be an international shipping center." That was their mantra; they kept repeating it. Because they couldn't answer at a micro level, I decided to go macro. I asked: "What is the bigger picture? What is your purpose? What does Beijing want to accomplish? There was no reply. They had no answer. It astounds me that they did not know what they wanted but were acting blindly on directives from quote unquote Beijing.

Then, each dean is given the opportunity to say something. Each one proceeds to give a speech and pose questions. The questions are not related to the questions we posed. Instead, the questions seem to reflect the individual interests of each dean and his or her department. For example, the dean of maritime law asks: "How does the international rule of law affect marine pollution in China's waters? Another dean, the one of student affairs, asks: "How do we get the students involved? We are not a professional training school. We are a higher education institution, not a professional school. How do we reconcile the two ideas?"

It appeared to me that these deans were more interested in obtaining air time with the university administration rather than contributing to the directive set by Beijing. They only asked questions that pertained to their department. There was no overall cohesion. In fact, one dean slept the entire time and woke up to ask an irrelevant question and then promptly returned to sleep.

I remember thinking that the deans acted like feudal lords protecting the interests of their fiefdoms at the expense of the Empire. No information was shared. It was not a collegial environment.

After two hours of such discussion, the group went on to have lunch with the president at an upscale restaurant located near the university. The President, who skipped the aforementioned meeting hosted this luncheon. He sat in the seat of honor opposite **Dr. Ei**. All the university officials defer to him. They wait until he is seated. They all look to him and wait for him to start eating before they begin to eat.

When President Yang asks me (Natalie Eng) how the meeting went, **Dr. Ei** (her boss) answers that he was not sure how productive the meeting was. **Dr. Ei** states: “There seems to be some confusion on the part of the university administration about what it means to be an international shipping center.” **Dr. Ei** concludes that unless a consensus can be reached, it will be very difficult for **Dr. Ei** and his team to advise, much less move forward. President Yang concedes that there is confusion about the directive. He states: “The government, Beijing, comes and tells us they need us to do this. Make the city of Shanghai into an international shipping center. We do not know what they want or what they mean. To be honest, I am not even sure they know what they want.”

We met with the team over the next year. We never really got any closer to achieving anything. Finally, we just left the project. We told the university that once they had a concrete plan of action that we would be happy to assist in any way.

This example illustrates the dilemma that many universities face when given directives from the central government. Orders are issued from Beijing. These directives are met with trepidation and fear. Trepidation and fear are the exact words used by several university members who were present at the meeting. One dean confessed: “We don’t want to fail Beijing. If we do, we could be out of a job.” I have been told that this case is not unique; the university does not have the ability to say “no” or to ask questions.

Several deans told me that they feel that Beijing does not provide any guidance. The university president admitted to feeling frustrated. He explained that he was driven to ask for help from **Dr. Ei** and his office because he was desperate. The president confided: “I did not have any idea how to implement this objective. I was at a loss. Then, I remembered **Dr. Ei**.” The president admits he chose **Dr. Ei** because of his commercial success as a ship owner and because of close and personal ties to “Beijing”. The university president continued:

In China, it is easier to get things done if you have the ear of someone high up. It applies to business transactions. It applies to university affairs. Having someone help you is the way of life in China. Of course, part of the attraction of **Dr. Ei** is his close friendship with the current leaders. He is known to be close to many high officials. He dines with the president and premier of the PRC. **Dr. Ei** has the knowledge and the connections. That is a combination that wins in China.

As mentioned above, when the university first approached **Dr. Ei**, the president promised to award **Dr. Ei** an honorary title of vice chair. During several phone calls, the president said the position had to be authorized by the Party Secretary, but he assured **Dr. Ei** it was only a formality. The president of the university promised that the title would be forthcoming. Once the Party Secretary signed the official paperwork, the university would give **Dr. Ei** an official certificate, which would announce his new title.

At the above meeting, **Natalie** asked the vice president where the certificate was. She wanted to confirm that **Dr. Ei** was still receiving the official title. She was told that it was still “in-the-works”. During lunch, it was mentioned again; this time directly to the university president. The president equivocated and then finally admitted that he did not have the authority to make this type of staff appointment. It was the responsibility of the Party Secretary who was in Beijing. This is another example of the powerlessness of the university president.

The president of a key university in China has been reduced to a low level government worker. As one dean explained:

Working at a university means you work for the government. The government tells you what you can teach, who you can hire, what research to pursue; they control every aspect of university life. The government does it through the Party Secretary. The government is a huge bureaucracy; the left hand doesn't know what the right hand does.

As the status of scholars was separated from government officials, scholars have seen their power curtailed by the government. With the recent history of the scholarly purges of the Cultural Revolution, many scholars realize that they are government employees who serve at the pleasure of the government. The fact that the Party Secretary outranks the university president attests to that. Many professors are appalled by this system. As one professor explained:

To become a professor, I endured rigorous training. I studied hard and for a long time at higher education institutions. I paid my dues. I earned my place at this institution. Intelligence and hard work all helped me reach this goal. How does one become a Party

Secretary? It is given to someone who has demonstrated party loyalty. That person does not have to be well educated or possess any degrees. They just have to demonstrate a loyalty to the party and its way of thinking. It is getting better. At least, many party secretaries now have college degrees. This wasn't always the case. During the Cultural Revolution, janitors were promoted to become professors and deans. The whole educational system collapsed. While the situation has improved a great deal, the government has too much influence in academia. It interferes too much.

The scholarly elites that I interviewed all complained of the frustrations of dealing with the government. This case study also touches upon the debate of “red” or “expert”. Wallace (1973) stressed that countries like China, who have successfully undergone a revitalization movement, are more concerned with the “moral transformation of the population” and value loyalty to the movement over technical training (p. 241).

Out of all the elite groups in the PRC, intellectual elites have prided themselves on earning this status through achievement. One informant confided:

I am a Senior Vice President in a top tier university in China. Yet, it can be disheartening sometimes. My boss and my boss's boss have less post-graduate degrees than I do. It's hard that they are my bosses since I have more education and feel more qualified. I know many of my colleagues feel the same way. This is wishful thinking on our part. The reality is we work in the PRC. It is very important to be a member of the Party to rise. That's why I applied for membership. It was not easy. I had to work very hard. Earning a CCP membership is not a given. You have to prove I am worthy. It was worth it. I believe I can go higher in my field with a CCP membership. Politics affect every decision in this institution. That is the reality. I know if I want to be President or Party secretary of the university, it doesn't matter how many articles I publish. What is most important is that I am a party membership. This is slowly changing. During the CR (Cultural Revolution), it was obviously much, much worse. They had janitors become the University Presidents. Times have improved. To reach a high level, I do think you need some type of advanced degree. Being an expert definitely helps. You cannot discount having a CCP membership. It shows you are red and loyal.

Wallace (1973) observed that as a revolutionary society matures, its needs change; the society evolves to to the stage where it seeks out those with intellect and technical skill. As Wallace predicted, this is the case of the PRC. **Neal Endicott** confirmed:

When Deng Xiaoping called the party to unite behind these so-called experts, it was a huge turning point. During the Cultural Revolution, those who were considered experts

were imprisoned, tortured, and even executed. The party originally thought the most important quality one had to have “redness.” The CCP hired loyal members to be doctors, professors, teachers, engineers. The plan was to have them learn expertise. Of course, this did not work out. How could it? Many of these individuals did not even finish primary school. There was no possible way for them to learn advanced say-calculus. They could not become engineers because the CCP wanted them to. As China transitioned, it needed engineers. Of course, only so-called experts could fill these positions but could they be trusted to follow the party. The CCP began to concentrate on retraining experts. Because of Deng’s four modernization program, both expertness and redness were required.

The CCP began to woo the scholarly elite in hopes of turning the experts into red experts. One way the CCP accomplished this was to bestow high political honors on them. Scholar elites were accorded great prestige. The highly desired scientists were even appointed to the People’s Congress. Of course, the two biggest exceptions to this trend occurred during the Anti-Rightist Campaign (1957-60) and during the Cultural Revolution (1966-76).

The National People’s Congress (NPC) is largely a symbolic organ and does not have any influence on policy. Appointments to it are given as rewards for service to the country. When intellectual elites are nominated to the NPC, they tend to be quite accomplished; they have earned these prestigious titles and positions through their expertise. Elite scientists, especially, make-up a large percentage of the decision-making bodies, the standing committees. Cao attributed this fact to the government’s giving more responsibility and prestige to scientists than other groups. NPC appointments have also been used to rehabilitate intellectuals who were persecuted in previous campaigns. For some, this appointment is used to further their own careers. Meeting fellow scholarly elites at NPC meetings can be a wonderful networking opportunity.

CCP membership also helps the careers of scholarly elites. Since the PRC is a one-party state, the CCP holds an extraordinary amount of power. Party membership could be viewed as

more important than NPC membership; CCP membership can result in personal gain and career upward mobility.

From its inception, the CCP has recruited individuals who will help the CCP reach its goals. Scholar-elite informant, **Sondra Endian**, who works at a PRC think tank said:

If one were to study the recruitment policies of the CCP, it is quite obvious that when the CCP had a goal or directive, it recruited Chinese citizens that would feel that specific need. For example, if there was a great need for soldiers, say during some kind of gearing up for a major military offensive, then the CCP would recruit people with military expertise. When scientists were needed for various modernization programs, scientists were recruited into the party.

The number of scholarly elites with CCP membership is difficult to ascertain. Very little information is available to the public regarding occupational distribution of CCP members. Therefore, using the number of Chinese Academy of Sciences (CAS) memberships (present and future) is a reliable method in determining intellectual elites with CCP membership.

Prior to 1955, the CCP rarely allowed intellectual elites to join because of their family and educational backgrounds. Then, Zhou Enlai's speech in 1955 sparked a recruitment drive. In early 1956, approximately 2,500 leading intellectuals were invited to join. During the Anti-Rightist campaign of 1957, recruitment was again stalled. Only 37 intellectual elites joined the CCP from 1958 to 1966. At this time, the CCP recruited intellectuals who had criticized fellow "rightist" scientists. Due to the prevailing anti-intellectual environment, intellectuals were forced to "surrender their hearts" (*jiaoxin*). One way to accomplish this was to apply for CCP membership. The CCP, however, did not accept every elite scientist.

The second peak in recruitment of intellectual elites to the CCP took place after the Cultural Revolution. **Sharon Erbaiwu** recounted the difficult time after the Cultural Revolution:

During the Cultural Revolution, many intellectuals were imprisoned and tortured. The lucky ones were sent down to work in the farms and countryside. I was one of these individuals. I was sent down to work in the farm. When the Cultural Revolution ended, many intellectuals were disillusioned with the Party. People were so tired. I remember being so worn down that I just didn't care about anything. It was a very dark time. The CCP needed to revitalize the society and in particular the scholarly elites. The CCP started recruiting among the intellectual elites quite heavily. In so doing, the CCP set the example of respecting intellectuals.

For practical reasons, the CCP needed the cooperation and participation of intellectual elites, especially scientific ones, if it had any hopes of meeting the goals set by the four modernizations.

After the Cultural Revolution, CCP recruitment involved the scholarly elite. The intellectual elites who joined the CCP skewed older. Cao delineated three reasons behind the "party's interest in recruiting older scientists" (p. 152). Applicants who had previously applied but were turned down were now actively drafted. Cao (2004) summarized this CCP practice: "In doing so, it wanted to impress the younger generation of scientists that emotional commitment to the motherland and sympathy for communism could win complete political trust and genuine respect" (p. 152). Having survived the Cultural Revolution, many intellectual elites found that they did not have the appetite or spirit for political activism. Hence, their entrance into the CCP did not pose any problems. Third, some younger intellectual elites preferred not to join.

It is important to understand why the role of the party is so minor in determining scholarly elites. First, except for 1955 and 1957, it is the elite scientists themselves who have determined Chinese Academy of Science membership because they are in charge of the evaluation and nomination process. Therefore, if the CCP wanted to impose its own set of criteria for prospective members, the CCP had to persuade and influence the science members who were already members. The 1980 Chinese Academy of Science election is one example that shows the CAS ignoring government issued directives. In fact, in the past two decades, the CAS has not admitted any "star candidates" as proposed by the CCP (Cao, 2004).

From the intellectual elite's point of view, there are advantages to joining the CCP. For those who enrolled in the 1950s, they were inspired by the ideals of communism and wholeheartedly believed in the system. By the 1980s, the reality was more complicated. At the time, the departments were controlled by the Party Secretary who had the final say on everything from staff promotion to the granting of funds. These party secretaries could block or promote a scholar. Cao found that elites joined the CCP to avoid such awkward power struggles with the party secretaries. Moreover, around 25 percent of the party member elites also possessed membership of a democratic party, usually the September Third Study Society and the China Democratic League. Many scholarly elites joined a democratic party first and then were asked to join the CCP because of their outstanding scientific achievement. By the 1980s, holding dual memberships in the CCP and a democratic party provided major career enhancement. **Sondra**

Endian explains:

Many young scientists feel there is no reason to join the CCP. They think joining is an outdated concept, especially as they produce research, they feel that CCP membership is superfluous. I am older; I have lived through the Cultural Revolution. For my generation, I think we tend to act more conservatively. I think it is helpful if one wants to experience career advancement. It is important to remember that the Party Secretary is the boss who must sign off on all promotions. They still regard CCP membership positively. I try to explain this to younger scientists, but they don't want to hear it.

Question of Funding

Throughout China's history, top-tier universities have received financial assistance from the government. These "key" universities such as Beijing and Qinghua universities are paid RMB 1.8 billion over a three-year period. This endowment is not considered enough to cover many of the universities' operating expenses. They have to turn to private endowment and commercial funding. Bondiguel and Kellner (2009) detailed the situation facing universities in the following excerpt:

Even prestigious universities such as Fudan University face considerable funding problems. In most cases, university departments have to do their own fundraising for research activities and their annual budget only covers teaching activities. With only thirty annual calls at the national level for research studies for an IR (international relations) community that counts thousands of experts, the competition for funds at top universities is fierce, especially since the National Social Science Committee strives for more geographically balanced repartition of its research grants. Barring a few foreign policy stars, university professors have complained above the very low level of interaction with government officials. (p. 25)

At one top-five polytechnic university in Shanghai different from the above-mentioned one, I attended a meeting concerning the need for more funds and the search to find them.

The event was a dinner party given in honor of outstanding overseas alumni of this university; the date was August 10, 2010. In attendance, representing the university, are the university's current and former party secretaries, **Ms. Shichang Ernai** and **Ms. Sa Eng**, respectively. There is the university president, **Mr. Song Ezhai**, and various deans and department heads: **Dr. Shou Eguo**, **Dr. San Erge**, and **Mr. Shu Erxi**. The guest of honor is a **Dr. Ei**, a successful overseas Chinese who is also an alumni of this university, the class of 1948.

The location of the dinner is the university's faculty club. A typical Chinese banquet is served. Party Secretary **Shichang** is seated in the host's seat. **Dr. Ei** is seated to her right in the guest of honor's chair. Former Party Secretary **Sa** is seated to the left of Party Secretary **Shichang**.

Party Secretary **Shichang** discussed the need to transform the university into a top-tier university; the goal is to be one of the best higher education institutions in the world, not just China. She discusses the recent visit of US Secretary of State Hilary Clinton in the winter of 2009; they debated and negotiated the number of student visas their governments would give. Party Secretary **Shichang** said she wanted more American students at her university. A goal had been set to make the university more international, and one way to accomplish this was to

increase the number of international students. Expressing disappointment that Chinese students wanted to do groundbreaking research in the United States, she acknowledged that the quality of Chinese research was not equal to the work in Europe and the US/Canada. She railed against the politics of the Nobel Prize and said the reason why no Chinese scientist had won one was because the West wanted to make China pay for being Communist. In her opinion, many PRC scientists had deserved it but had been denied because of geo-politics.

She reiterated the desire to become a leading university in the international arena. Funds were needed to attract top professors and top students; this university had to compete against other key universities for limited government funds. The goal was to approach wealthy overseas alumni and have them contribute. The university was trying to replicate the success of universities in the United States. Harvard's endowment of 35 US billion was discussed.

Department Head **Shan Erbaiwu**, in charge of overseas affairs, spoke at length about the funding deficit and possible solutions to rectify this situation. **Prof. Shan** lamented:

It is hard for universities like ours to attract and to retain superior students and faculty. For faculty in particular, the university is losing top-tier talent to the private sector because of salary issues. Without qualified professors, students do not want to attend the university. If we want to attract more students, we need to get more financing from the government.

When **Prof. Shan** was directly asked how much of the government budget covers faculty salaries, **Prof. Shan** did not know the answer. This idea of funding is detailed in the following conversation between **Prof. Shan** and my-self:

Grace: The government provides money. Where is it going?
Prof. Shan: Well, it goes...you know where it goes. Tee hee.
 Grace: Actually, I'm not sure what you mean. Where does it go?
Prof. Shan: You know...
 Grace: No, I don't know. Please explain.
Prof. Shan: Well, to the administration.
 Grace: Which means what?

- Prof. Shan:** Don't make me say it. Alright, there is enough money from the government but maybe it is not being spent in the right places.
- Grace: What are the right places?
- Prof. Shan:** To hire and to retain faculty and students. I really can't say anymore.

Prof. Shan then refused to comment any further despite my repeated request. Even though PRC universities are funded by the government, obtaining enough funding is a major concern. As **Prof. Shan** finally admitted, in his opinion, the university is receiving enough money from the government but the administration itself is not spending it where he thinks it is needed. The struggle over funding exists among the various deans and their departments within the university. It also exists among the different universities and the government. Each university has to compete with other universities for government and private funds; this same fight is being fought within the universities among the departments.

The Rise of Think Tanks

Another area teeming with scholarly elites is Chinese think tanks. As the range of participants in the policymaking process in the PRC has grown, policy decisions are no longer made in a vacuum and are no longer the sole domain of CCP leaders (Huang, 2000). Glaser and Medeiros (2007) summarized: "Whereas past Chinese debates were principally internal deliberations among a narrow elite, current debates increasingly possess a more public dimension, with multiple inputs from actors not commonly involved in these traditionally insular processes" (p. 291). These referred-to actors are the scholars who work in China's think tanks. Tanner (2002) concurred: "Since their emergence in the early 1980s, China's growing networks of government affiliated research institutes (colloquially referred to as 'think tanks' by most foreign analysts) have become some of the most important windows through which foreign analysts can observe China's usually opaque policy-making system" (p. 559).

Brief History of China's Think Tanks

Think tanks have existed in some form since the times of Confucius. Bondiguel and Kellner (2009) noted: “Some authors point out that expert groups and think groups were already around at the time of Confucius. The latter and his disciples indeed called themselves ‘counselors of the prince’”(p. 5).

Tanner (2002), Glaser and Saunders (2002), and Li (2009) all agree that think tanks in their more modern incarnation can be traced to the Yan’an period of the late 1930s with the majority of China’s present think tanks created in the 1950s and 1960s; these think tanks are referred to as the first generation. Bondiguel and Kellner (2009) noted: “In the Mao Zedong era (1949-1979), research institutions created by the state and linked to relevant ministries were gradually set up” (p. 5). Tanner confirmed the mission of these early think tanks: “They were modeled on Soviet-style research institutions, and were tightly bound to particular ministries and their institutional missions. The primary goal of the think tanks during this time period was to support the CCP and the government’s policy process through propaganda and providing theoretical interpretation of legitimacy” (Zhu and Xue, 2004, p. 455). Scholarly Elite informant,

Sondra Endian shared:

When Chinese think tanks were first established in the Mao era, they were solely concerned with international relations. They were modeled on the Soviet think tanks; they were tied to a government department. The think tanks in the PRC were part of the infrastructure of that ministry. Basically, the government would request something, then the PRC think tanks would respond. Since the government controlled these think tanks, nothing that was not official, recognized policy was published. The PRC think tanks were formed to support Maoist ideology and policy. Because of this, think tanks and their published findings did not affect policy. In fact, policy affected findings.

In the early days of the PRC, the most important feature of a PRC think tank was loyalty to Chairman Mao and the CCP.

During the Cultural Revolution (1966-1976), many intellectuals were persecuted, and think tanks were closed. Shambaugh (2010) described the landscape of the Cultural Revolution

as follows: “During this chaotic time, all International Relation (IR) institutes and universities were closed, the Foreign Ministry essentially ceased to function, and personnel were sent to May 7th cadre schools in the countryside” (p. 587). The one exception was the CICIR (China Institute of Contemporary International Relations), which was allowed to remain partially open; it continued to act as a current intelligence agency for the senior leadership. It maintained a core but small staff (Glaser and Saunders, 2002).

After the Cultural Revolution ended in 1976, Deng Xiaoping, Hu Yaobang, and Zhao Ziyang all pushed for the reestablishment of think tanks in order to receive advice for the planned economic reforms. Since these institutes received government funding, they provided enthusiastic support for the party directives. Zhu and Xue (2004) concluded: “Therefore, the primary function of the 1980s think tanks was to provide full support to the decision-making and planning process of the Party and the government” (p. 455). According to Li, think tanks gained more credibility with the government under Zhao Ziyang in the 1980s. **Sharon Erbaiwu** confirmed:

During Zhao Ziyang’s tenure as premier, Zhao really encouraged think tanks to offer different opinions. Zhao worked tirelessly to fight bureaucracy and corruption; he really tried to streamline the infrastructure of the PRC. One of his goals was to encourage think tanks to work on eradicating corruption and stagnation. Zhao worked closely with intellectuals and think tanks in urban planning.

In 1977, CASS (Chinese Academy of Social Sciences) was founded. Shambaugh (2010) wrote:

Until the 1990s Chinese IR (International Relations) analysts still subscribed largely to categories of analysis and paradigms they had learned and adapted from the Soviet Union. The “Sovietization” of Chinese international relations research and discourse began to change appreciably only in the early to mid-1980s, with a move away from the ideological dictates of Marxism-Leninism in favour of more empirical, neutral and descriptive analysis. This was particularly the case in the new study of the United States, Japan, and the former Soviet Union. Nevertheless, analysis still often had to support policy, rather than vice versa. (p. 578)

Despite growing autonomy, IR (International Relations) think tanks for the most part still upheld government policy.

Naughton (2002) determined that by the 1980s, think tanks were divided into two groups. On one side were the brash youngsters who had new ideas; on the other side, were the “seasoned intellectuals” who had extensive knowledge about the socialist economy. As the government enacted economic reforms think tanks represented by the “young economists” seemed to prosper. The 1980s saw the accommodation of a wider range of views (Naughton, 2002, 2007, 2008 January). Tanner (2002) also found that China’s think tanks in the 1980s offered a window into the policy-making process in China:

The unclear organizational ties and funding sources of these second generation think tanks were often a source of puzzlement to Western analysts trying to assess the policy influence of their views. The new think tanks were certainly more autonomous from traditional Party-state departments than their first generation predecessors, but solid proof of links between their policy proposals and specific central patrons often remained frustratingly elusive. (p. 561)

It is the ambiguity of the think tanks’ status that contributed to their growing power. Tanner (2002) explained:

Of course, that was the point. It was the very ambiguity of their status that permitted the think tanks to play their pivotal, innovative role in the highly fluid policy-making process of the 1980s, when they added that element of flexibility that is essential to the politics of any great reform movement. In the well-known alternating policy cycles of “opening up” and “clamping down”, reformist leaders like Zhao Ziyang needed a place where bold, risky policy innovations could “incubate” until the political mood and balance of power were favorable for pushing them forward. The think tanks thus became havens for “policy entrepreneurs who were unable to promote their reform proposals within the traditional ministry system.” (p. 561)

As China became increasingly involved in global current events and the demands for a more analytical type of research and consultation became harder to ignore, the first generation of think tanks began to change and to evolve. These first generation foreign policy and defense think tanks moved away from a Marxist ideological view to a more interdependent view of world

politics (Glaser and Medeiros, 2007; Glaser and Saunders, 2002; Li, 2009; Naughton 2002, 2008, August; Shambaugh, 2002; Tanner 2002)

In 1989, in the aftermath of the Tiananmen Incident, a two-year silence permeated the community as many economic and foreign policy think tanks were closed. **Sharon Erbaiwu** shared:

While I wasn't in China during the aftermath of the Tiananmen Incident, I have many colleagues who were. At first, there was a real fear that there would be a return to the Cultural Revolution persecution of intellectuals. Many intellectuals left. Think tanks were closed. For the most part, fortunately, it was not a repeat of the Cultural Revolution. Many analysts stayed in the PRC. After a two-year hiatus, the think tanks were reopened, and many former analysts returned. The ones that left soon after the Tiananmen Incident read the writing on the wall. They knew they had angered the CCP and government. It was best that they left the country.

It is important to point out that not all think tanks suffered the same consequences.

Sondra Endian said:

After Tiananmen, one has to remember that not all think tanks were affected. The think tanks that were shut down were the ones associated with political and economic reform – because I believe the CCP regarded these think tanks as being potential political hotbeds and maybe even have contributed to the rebellion. Of course, the think tanks associated with Zhao Ziyang were shut down. When he was purged after Tiananmen, anything associated with him was tainted and had to be removed – that was the thinking of the CCP. For think tanks that concentrated on public security, they were obviously affected after Tiananmen. How could they allow this to happen? Wasn't their purpose to prevent situations just like this? I know some think tanks that were not affected at all by Tiananmen; these think tanks are the ones involved with the military, international relations and foreign policy. The think tanks concerned with economic and political reform were the ones that had the most to lose.

For economic think tanks, many smart and promising analysts remained. These analysts were in a perfect position to assist in the economic reforms of the 1990s.

As the economic reform of 1992 was being implemented, the political landscape in China displayed a growing openness. Different kinds of think tanks were beginning to surface. The

influence of think tanks grew as a result, too. The 1990s also saw the start-up of several civilian and private think tanks in China.

As a whole, the third generation think tanks were much less dependent on government and CCP leadership patronage. Tanner (2002) wrote:

Nearly all these authors note how the marketization of employment, income sources, housing, international travel, publication and information sources has radically reshaped the context in which think tanks function. It is now far easier for analysts to get published, or even build entirely autonomous scholarly lives outside their government think tanks. Even for institutions that remain subordinate to traditional bureaucracies, these socio-economic changes have greatly lengthened the organizational “leash” that controls the scholar that works in them. (p. 562)

As more think tanks are opened, the existing foreign policy and international relations think tanks began facing unheard of levels of competition. In order to remain viable and relevant, the think tanks began to evolve and to offer dissenting opinions. These new type of think tanks were referred to as third generation think tanks.

As the number of international relations think tank increased, they have been forced to develop more international points of view. **Sharon Erbaiwu** stated:

The old, what is typically described as the first generation think tanks – the ones modeled on the Soviet style and the ones that were mouthpiece for the CCP and their ideology were gradually being joined by think tanks that were more sophisticated, more international. The PRC was beginning to show interest in joining the WTO. As a result, more think tanks with international knowledge and focus were needed. The PRC had to deal with such international institutions as the United Nations, the IMF, the World Bank; they needed experts who were familiar with these bodies and who could offer sound advice on dealing with them.

As the PRC developed an international focus, foreign countries were showing interest in the PRC. Consequently, many American think tanks established branches in China. In 2004, the Carnegie foundation opened a Chinese language website. In 2008, the Brookings Institution opened a Beijing office and also opened a Chinese language website.

Chinese international relations think tanks are even approaching fellows from American think tanks to open think tanks in China. **Neal Endicott** stated:

I think there is a great deal of interest from Chinese research institutes in producing the same amount of scholarship as US think tanks. It is difficult because China's think tanks are so different from US ones. I have been approached to start a foreign policy think tank. When I explained that it could not be associated with the government, I was told that so-called independent think tanks are small and have no say on the policy process. If I wanted my research to be read by top PRC officials, I would have to be associated with a government affiliated research institute. When I asked if I would be able to choose my own topics of research, they told me that I may have some leeway. When I pushed, they conceded that there were some guidelines from the government on what topics I could research. There were certain topics that I was told to avoid such as freedom of religion and press. I then asked why I was approached. The reply was because I was a former high-ranking official; and that past expertise would give status to the think tank. It didn't really appeal to me; I passed on the project.

The fact that the proposed think tank was government funded/sponsored led to doubts on whether any research produced could be unbiased and accurate. In the end, **Mr. Endicott** did not feel it was appropriate (his words) to open a think tank in China or to work at one.

Third generation think tanks have developed a number of characteristics. Even though many think tanks are still dependent on the government for funding, they have still found a way to be critical of government politics. One case involved a think tank heavily criticizing the country's health policy. As many semi-official think tank experts join the government in leadership positions, the group has been recognized throughout the PRC as being policy experts. The most famous example is Zhu Rongji, previously Office Director of Industrial Economy Research of the Chinese Academy of Social Sciences. China's think tanks have also widened their areas and topics of research; new directions for research include the high-tech industry and the problem of unemployment. Zhu and Xue (2007) wrote:

The development of civilian think tanks has posed challenges to the traditional framework of policy consultation. This is particularly evident in the field of international relations research. Civilian (or nonmilitary) international relations research institutes have become a weighty part of the Chinese government for foreign policy decisions and

information and analysis as well as an increasingly important link between Chinese government officials and foreign experts. . . . In addition, they are also able to advocate their opinions through domestic mainstream media and overseas media in a freer manner. (p. 456)

As different think tanks take different positions on the same topic, both sides are asked to contribute to the official governmental discourse.

It should be noted that not all think tanks evolved in this same fashion. Economic think tanks are the best examples of third generation think tanks. **Sondra Endian** commented:

In the PRC currently, economic think tanks are the most internationally focused. They suffered the greatest backlash after Tiananmen. At the same time, they also were altered by the market reform and the opening of the Chinese economy. Now, these economic think tanks have greater access to essential documents, records, and files. They are free to travel with fewer constraints, especially compared to the International Relations think tanks. Because there is such a great deal of international interest in developing business in the PRC, economic think tanks have an audience outside of China that is very interested in what they are producing and publishing. Now, these economic think tanks are no longer dependent solely on the government for financing; they can go outside. Since they do not require financing from the government, these economic think tanks can offer more independent research. They no longer have to publish what the government wants. There are now think tanks that are practically private and have no relationship with the governmental infrastructure which is itself astounding. The only downside is that these “private” think tanks have very little influence on policy. That is the price.

Economic think tanks do not contribute as much as international relation think tanks to China’s policy making process.

In the past, leaders of China’s think tanks and research institutes helped earn elite status because of their influence on policy and the administration. According to Cheng Li (2009), a new trend is emerging:

Detailed analysis of the composition of Chinese think tanks, with a special focus on the newly established CCIEE (China Center for International Economic Exchanges), reveals several important developments. The most notable is that three distinct groups of elites – current or retired government officials, business leaders, and public intellectuals – have become increasingly active in promoting their personal influence, institutional interests, and policy initiatives through these semi-governmental organizations. In present-day China, think tanks have become not only an important venue for retired government

officials to pursue a new phase in their careers, but also a crucial institutional meeting ground where officials, entrepreneurs and scholars can interact. (p. 2)

Former high-ranking officials, political elites, are now joining the leadership of think tanks and are being transformed into scholarly elites. PRC think tank head, **Neal Endicott** observed:

In the United States, there has always been the trend for retired government officials to work on think tanks. Because they had insider access, they can provide a great deal of details and aid in research at their think tanks. Look at the biggest think tanks – Council of Foreign Relations, Hoover Institute, Heritage Foundation – they all employ former officials. Now, the Chinese think tanks are following suit. Because of the strictly enforced age retirement limits, there are many previous high ranking officials. Working at a PRC think tank adds prestige to the think tank, and the officials are still accorded respect. It works out for everyone.

Simultaneously, think tanks have become a stepping-stone in elite upward mobility.

In 2002, Shambaugh wrote and studied the growing phenomena of Chinese international relations (IR) institutes or think tanks; he found that they had been steadily expanding since his first fieldwork in 1983-85. **Sharon Erbaiwu** revealed:

When China was in its isolationist phase during the late 1960s to 1970s, the government did not care about the world outside of China. That has changed. What happens beyond China's borders very much affects China. One great example is the fact that the PRC holds so much US debt. Hence, the Chinese leaders need people to be bridges to the outside world. Hence, this is how Chinese think tanks play a role.

While think tanks have existed for years, recently a demand has been created for “in-depth research and analysis to aid Chinese leaders in making informed foreign policy and national security decisions” (Glaser and Saunders, 2002, p. 597). Zhu and Xue (2007) seemed to think that this is happening: “To Chinese leaders, think tanks are useful instruments to promote rationality and democratization in the policy of decision-making process” (p. 1). Shambaugh (2002) concurred with these assessments: “Ministerial-level officials also increasingly turn to their affiliated think tanks for policy research and advice” (p. 575). As think tanks (*zhiku* or *sixiangku*) begin to grow in number and influence in the PRC, the scholarly elites who run them

and serve as instrumental advisers to senior CCP and government officials are becoming a newly developed sub-group of scholarly elites. **Neal Endicott** said:

Now, you have government leaders seeking the advice of various think tanks. Ministers have such a wide range of issues that they have to be knowledgeable about; it would be impossible for them to have the breadth and depth needed. They seek out think tanks because think tanks are known to have experts.

The definition of think tanks in general is ambiguous and debatable. Of course, think tanks in China have a different working definition than think tanks in the United States and Western Europe. Zhu and Xue (2007) explained:

Think tank is a popular term for organisations serving as “external brains” of the government. Western scholars have thus emphasized independence from government, political parties and other interest groups and nonprofit status as defining organizational features of think tanks. . . . China, however, cannot simply copy the western concept of think tanks. Strictly speaking, there are no such organisations in China due to China’s one party dominated system—though organisations providing policy research and advice to the Chinese government have existed for decades. (453)

Thus, according to Zhu and Xue, a think tank is independent of the government while, for Shambaugh 2002, think tanks conduct policy research and influence public policy and public understanding.

Bondiguel and Kellner also try to define think tanks. They (2009) state:

There is no standard definition of a think tank. . . . In general, [Chinese think tanks] are permanent, policy-oriented structures with their own research staff who regularly publish and communicate the results of their studies to officials and to the public, albeit to a lesser extent than their Western counterparts. They all strive to achieve greater freedom of research and to contribute to the public good, although these orientations are of course bound by the red lines set by the government and by the need to respect the primacy of the CCP in their policy solutions. As to whether they represent private interests, it is hard to know for sure given the opacity surrounding the budgets and the functioning of most of these institutions. Finally, none or very few of these think tanks provide academic training or grant diplomas. (p. 12)

Another difference is that Chinese international relations (IR) think tanks are required to avoid sensitive political topics such as Tibet and the Uigher movement. For less politically taboo topics, Chinese IR think tanks have a great deal of leeway.

One of their greatest benefits is their close connection to the government (Liao, 2006). Since completely private international relations think tanks in China are very rare, the government does not have many think tanks to choose from for advice and counsel. The few IR think tanks benefit from this small supply. Furthermore, the PRC government has little desire to seek advice outside of these traditional institutions. Another main difference is the issue of funding. The overwhelming majority of Chinese think tanks are funded by the government. This is especially the case for Chinese IR think tanks.

Classification of Think Tanks

In order to understand the diverse nature of Chinese think tanks, a classification system is necessary. Liao Xuanli (2006) separates think tanks into three categories: government think tanks, specialized academic think tanks and think tanks affiliated with universities. The government think tanks are linked to the State Council or other ministries and departments. They are fully funded by the government, and their research is directed by government mandates. Scholar elites who work at these think tanks are regarded as average civil servants and are paid commensurately. To sum it up, they serve the government and provide any necessary advice, guidance, and counsel. These government think tanks have benefitted from being so close to the decision-making center and have developed more channels to high-ranking officials. Their policy recommendations are heard at many ministerial levels and at higher levels of political leadership. As such, they are among the most influential think tanks and research institutions.

The second category is specialized academic think tanks. They are mostly the international relations institutes under the auspices of CASS (the Chinese Academy of Social Sciences). CASS was founded in 1977. The CCP and the PRC government designated CASS as the administrative equivalent of a Ministry; as such, it is under the direct authority of the State Council. CASS is a huge umbrella organization. Under the auspices of CASS are thirty-one research institutions and forty-five research centers. Their range of topics number over three hundred. Approximately thirty-five hundred (3,500) researchers are currently listed as employed by CASS; they are responsible for the publication of over a hundred academic journals. CASS has regional sections in various provinces and municipalities; the State Council controls them all (Bondiguel and Kellner, 2009). CASS research is published for purely academic purposes; they do not wish to pursue policy. Consequently, they exert less influence on national policy.

The third category is university-affiliated think tanks. Because of their distance from Beijing and the academic nature of their research, these think tanks carry the least amount of influence. Liao (2006) suggests some university-affiliated think tanks have more influence than others because of their special ties to the government, such as academic think tanks linked to the Ministry of Foreign Affairs.

Utilizing the PRC's formal legal organizational identities, Zhu and Xue (2007) divided China's think tanks into 'semi-official' and 'civilian' think tanks: "China's think tanks can be classified into two categories, that is, (1) public institution ('semi-official') think tanks and (2) think tanks centered on civilian nonprofit legal persons, enterprises, and university-run research institutes ('civilian think tanks')" (p. 454). While semi-official think tanks are not completely independent from the government, they do have more autonomy than official policy research institutes.

Civilian think tanks have even fewer ties to the government. However, a few civilian think tanks have a supervisor unit, some of which are also government departments. The relationship between supervisor units and civilian think tanks is quite tenuous. Another point that differentiates civilian think tanks is their acceptance of funding from different sources. Civilian think tanks have several different sources for funding, such as companies and foreign foundations. Civilian think tanks employ well-respected and active academics.

Since funding research and paying operating costs is a major concern for these independent think tanks. A new source of funding has emerged: the entrepreneur. This can be seen in the case study of CCIEE (China Center for International Economic Exchanges.) **Neal Endicott** offered this account:

The CCIEE is a special case. I think it may be how think tanks do business. The CCIEE announced it was raising a total of 500 million yuan (approximately USD 80 million). They hope to rely on the government for only one percent. The operating costs are supposed to be covered by funds that are raised. If you look at the donor list, it is an impressive list of Hong Kong billionaires. However, the board consists of not only Hong Kong billionaires but many of the top-ranked leaders of PRC state banks and other profitable SOEs. This has caused some controversy. Are the Hong Kong billionaires “donating” money to this think tank in exchange for insider access to some very important decision-makers in the PRC? It certainly appears like that is the case.

In the past, China’s heads of state banks and SOEs were marginally linked with China’s think tanks. This has changed, as is seen in the CCIEE case. Now, Chinese entrepreneurs, along with political and scholarly elites, are beginning to form the leadership of China’s think tanks; these Chinese entrepreneurs are providing much needed funding. One major difference between Chinese think tanks and Western think tanks is the Chinese desire to be close to the government nucleus of power. **Sondra Endian** opined:

I attended a think tank symposium hosted by the Brookings Institution. I was with several peers from several different PRC think tanks. We were speaking with some colleagues who worked at the Brookings Institute. We were discussing the upcoming Presidential election. The Brookings people were explaining to us that Brookings

remains impartial and does not take sides. It had no official opinion on the election. My colleagues and I were astonished. One of my peers asked: “Why does Brookings act like that? In China, we want to be close to government leaders; in fact, we try to develop such relationships.” The Brookings people replied: “Doesn’t that influence your work?” We replied: “Of course, it does, that’s good.” The Brookings people were shocked and couldn’t understand our point of view. On the other hand, we laughed about their *naviete*. Why would a think tank want to be impartial? Part of our strength is our relationship to the government and its leaders. Neither side could understand the other.

Presently, there are three types of elites all converging on China’s think tanks; they are, according to Li (2009), “current or retired government officials, business leaders, and public intellectuals” (p. 2). Think tanks have become a convenient meeting place where all three groups interact. Furthermore, Li suggests that three trends deserve further study. The first group contains the increasing numbers of government and CCP officials who work for China’s think tanks during and after their tenure in the government. The second group contains business leaders from large SOEs and domestic (including Hong Kong) private companies. This group also provides funding. The third group contains scholarly elites; the individuals who received their doctorates from foreign institutions are especially desired. Li (2009) wrote: “Indeed, to a certain extent the once-clear distinction between officials and scholars is now blurring as foreign-educated returnees become government leaders” (p. 3). Given the complicated history between the CCP and scholarly elites, this is indeed an interesting trend.

Cheng Li (2009) described the return of the foreign-educated Chinese returnees which are colloquially referred to as “sea turtles” (*haigui*) since “returnee” and “sea turtle” are pronounced similarly: “Returnees have also come to dominate prominent research centers in the field of China’s studies. This trend is most strikingly on display at the China Center for Economic Research (CCER) at Peking University. . . . All of them studied abroad and all received doctoral degrees, mainly from universities in the United States” (p. 16). The CCER has been a key source of advisers for economic policymakers. Many CCER faculty members have joined and continue

to join the government in leadership roles, an example of the power of returnees in influencing PRC economic policy.

Think Tanks and Patronage

In the Brookings Symposium on think tanks in 2008, Li said: “The influence of think tanks has largely depended on the top leadership” (5). This can become problematic as in the case of Zhang Ziyang. He was a strong advocate of think tanks; when he was purged after the Tiananmen incident in 1989, many think tanks associated with him were closed. Another problem with a patron-client relationship is that the client, in this case the think tank, is beholden to its patron. It must continually curry favor with that patron, who can decide to use the think tanks as consultants or just as easily decide to ignore and disregard them. **Sharon Endian** explained:

It is a double-edged sword. The presence of one particular leader as a benefactor can be problematic. For example, I know of a case where Jiang Zemin needed some policy advice. A colleague of mine was summoned at 11:00 pm to Zhongnaihui to consult with Jiang. My colleague stayed there for three hours and then spent the rest of the night writing a policy paper that Jiang needed first thing in the morning. Of course, my colleague successfully completed this task and handed in an advice paper. Jiang then told him that the paper was no longer needed. While Jiang and other type leaders are willing to seek advice, they are just as willing to disregard that advice for whatever reason. This is understandable. In the end, it is Jiang’s neck on the line, he has to feel completely confident.

Both the Shanghai Centre for International Studies and the Shanghai Institute of International Studies consulted and advised former President Jiang Zemin during his tenure as Shanghai mayor and as PRC president (Shambaugh, 2002).

As China became increasingly involved in world economic affairs, it needed experts to help form policy. Hence, Jiang Zemin, Zhu Rongji, and their generation of technocratic leaders consulted think tanks more than the previous generations of Chinese leaders. Li (2009) described this trend:

It has been widely noted that in the early 1990s Jiang Zemin often received advice from scholars at Shanghai-based institutions. . . . Indeed, over the course of the 1990s several prominent young scholars with experience in the field of foreign studies moved from Shanghai to Beijing, where they worked closely with Jiang in areas such as policy planning, propaganda, Taiwan affairs, and foreign relations. (p. 4)

Zhu Rongji also relied on the advice of several economists in the 1980s and early 1990s.

When President Hu Jintao became President of the Central Party School, he turned that institution into a “promising” think tank. Under Hu’s leadership, the influence of think tanks continues to grow. At the Brookings Institution in 2008, Li (2008) detailed the contemporary history of think tanks in China:

Under the leadership of Hu Jintao, university-based think tanks in Beijing have become increasingly influential. After Hu Jintao became Secretary General of the CCP, he has since regularly invited think tank members to give lectures to the Politburo Study Sessions. Thus far, fifty-two of these lectures have been given, and this does not include Politburo Policy Reviews by the members of think tanks. (p. 7)

Li found that some of the closest advisers to CCP and government leaders play the dual role of scholar and official. The most famous are Wang Hunin and Li Junru; they worked closely with Jiang Zemin. Two others are Zheng Bijian and Wang Jisi; they worked with Hu Jintao. Their close relationship with the country’s leaders raised the profile of their personally affiliated think tanks and the entire field of think tanks.

Another important role of think tanks is the role their personnel play. The personnel act as brokers and messengers between China and other nations in Western Europe and North America. **Sharon Erbaiwu** confirmed:

In my capacity as head of a PRC think tank, I have acted as a go-between for the government and for foreign countries and companies. Sometimes, it is inadvisable for the government to get involved. As a think tank analyst, I can broker a deal because I have experience with both sides.

Criticisms of China’s Think Tanks

One of the recurrent issues regarding China's think tanks is their lack of independence from the PRC government and the CCP. Some critics state that independent think tanks, especially international relations ones, do not and cannot exist in China. Shambaugh (2002) wrote:

The universe of China's IR think tanks must be understood in its bureaucratic context. First, it is important to understand that there is no such thing as an "independent" IR think tank in China, although many profess such independence. All (with the possible exception of the China Society for Strategy and Management) operate within administrative hierarchies under a State Council ministry, a Central Committee department, or one of the general departments of the People's Liberation Army (PLA). A few have more than one line of institutional authority.

Neal Endicott provided this perspective:

I have read criticisms that PRC think tanks are not similar to the think tanks in the United States because PRC think tanks are too closely aligned with the CCP. I think this was definitely true in the past and for the first and second-generation think tanks. As the private think tank industry develops and receives more funding from the private sector, I think this will change. You are already seeing the very beginning of this.

For Shambaugh (2002), China's IR (international relations) think tanks are too intertwined with CCP and government bureaucracy:

Chinese think tanks/research institutes remain creatures of the Soviet system, all nested firmly within vertically hierarchical bureaucratic systems (xitong). The fact is fundamental to understanding the severe bureaucratic "stovepiping" that permeates the system. This is a system that structurally enforces extreme compartmentalization and redundancy of research and analysis and impedes horizontal communication. (p. 580)

In foreign affairs, each main ministry has its own think tank; Chinese Academy of Social Sciences (CASS) has nine think tanks alone. Moreover, each ministry also has think tanks whose sole purpose is to research and to study the exchange of personnel with foreign countries (Shambaugh, 2002).

Like Shambaugh, Tanner is concerned with the lack of horizontal exchange of communication. Tanner (2002) asserted that China's think tanks have not completely shed their past. There is still much work to be done:

Notwithstanding the increasing openness of the external media, many organizational habits of Chinese think tanks die hard. For instance, our authors on military, international relations and foreign policy think tanks all note the continued bureaucratic tradition of "stovepiping" of official research, that is, that research tends to be held only within the system of the institute's superior department. Evolution toward more regular horizontal ties among fellow researchers at other think tanks or universities is proceeding very slowly, and relatively free-wheeling Western-style policy communities are still far off. These authors find that the resulting research continues to be compartmentalized, redundant and steeped in the biases of individual bureaucracies. (p. 563)

Glaser and Saunders (2002) also agree that too much stovepiping occurs, though they are more optimistic about the progress of China's think tanks. Even now almost ten years later, the same criticisms continue to be made. Speaking to several officials associated with the Council of Foreign Relations, Heritage Foundation, and the Brookings Institute, I have heard many discussions detailing the lack of opaqueness in PRC think tanks of all areas.

It is important to point out that many Chinese think tanks are still reliant on individual experts and their personal relationships (*guanxi*); this is the opposite to what occurs in the United States where strong brand name institutions like the Brookings Institution and the Council for Foreign Relations are far more famous than individual advisers. It also important to keep in mind that influence varies by issue and industry; as Tanner and Shambaugh both have written, international relations (IR) think tanks have far more say than economic institutions.

A think tank's influence is directly attributable to the *guanxi* of its director and staff members. These connections are extremely useful to navigate and to circumvent China's governmental bureaucracy. Glaser and Saunders (2002) made an even stronger case for personal relationships and called it one of the most important sources: "Personal relationships with policy

makers are arguably the most important source of policy influence in the Chinese system and also the hardest to document” (p. 612). This personal network could result from geographical, school, work, or family ties.

One of my informants is the director of one of the largest economic think tanks in Shanghai. **Sharon Erbaiwu** shared with me her experience and her ideas about having an official as a patron:

In China, it is unfortunate but true. Think tanks with official patrons get ahead. They have their papers published. They get the ear of the government. It doesn't matter where your think tank is located. I think there are pros and cons to our being located in Shanghai. For me, there was no question but to open the think tank in Shanghai. I had worked with many members of the Shanghai government. I think being outside of Beijing allows a modicum of intellectual freedom. We are outside the radar. We have a little more distance and can write things that would not be allowed in Beijing, like being critical. Also, we are an economic think tank. Since Shanghai is the economic capital of China, it made complete sense for us to work here. How much say do we have? To be honest, for the big issues, we don't really have that much say. Still, it is very top down. We get our research mandates from Beijing. We produce research and send it back to Beijing. On more minor issues, we have more say. I think in the heyday of President Jiang Zemin and Premier Zhu Rongji, Shanghai institutes as a whole were more powerful. Directors were flying to Beijing to consult and to advise. The most famous is Wang Daohan. He was a famous adviser to President Jiang. Wang was a close, personal friend to Jiang. And, Jiang trusted Wang implicitly. Wang would advise; Jiang listened. This extended to Wang's institute and to all the Shanghai think tanks. They all benefited. Also, Jiang and Zhu were part of the Shanghai Gang and had deep roots here. It made sense. I think under President Hu, well you know, I think he wanted to make a name for himself. He wanted to create something separate from Jiang. Hu wanted to get out from Jiang's shadow. Then the power shifted. It left Shanghai and went to the Central Party School where Hu had run. Foreign policy shifted away from Shanghai. Economic policy was still here because it is Shanghai but not as much. Like Hu, Wen Jiaobao also wanted to create his own stamp and his own imprint. He definitely would not want to use the connections in Shanghai because so many were used by Premier Zhu. Many think tanks were still loyal to Premier Zhu. You know, you can read it in the paper, there is a great deal of animosity between Zhu and Wen. I don't blame Wen; Zhu has been too critical of Wen and Wen's policies. Definitely, Wen would not consult with Shanghai think tanks. Hopefully, we will be called upon in the future. We employ many Ph.d.s from top foreign universities; they have knowledge and expertise. It is needed. There is a global meltdown. Panic. The Euro. The American bank crisis. People are looking to China for stability. The government needs our advice. It remains to be seen to what extent they will consult with us. Economic think tanks in general were blamed for Tiananmen. Many good scholars left the country. Some were imprisoned. We are still building our

way back. I mention it. As years pass by, the Tiananmen effect lessens. We have young staff members coming in; they were 3 or 4 in 1989. They have no recollection. I think the bigger issue is that Premier Wen Jiabao has some definite and clear ideas about how the Chinese economy should work. I think he relies on think tanks that work in Beijing; those think tanks are completely at the beck and call of Beijing.

It is interesting to see how important *guanxi* is for the scholarly elite, especially in their dealings with political elites.

Conclusion

During the imperial era, scholars were considered the elites of society. They were upheld as the moral and intellectual standard bearers; in their adviser positions to the Emperor, they served as the ruling and political elites. This elite status continued after the imperial era ended and through the Republican era. When the Communists founded the PRC in 1949, the position of scholars experienced a loss of status and prestige; in fact, scholars were regarded as class enemies. Consequently, they suffered extreme persecution during the many anti-intellectual purges. Hence, the relationship between elites and political leaders of the CCP has always been marked by suspicion and distrust. Recently, scholars have returned to positions of respect as CCP and government leaders seek them out for guidance and advice. While scholars have never reclaimed their prestige from the imperial and republican eras, they are experiencing a surge in respect.

The position of the scholar has seen a great deal of turmoil and change during the establishment of the PRC. Fortunately, scholarly elites have recently reclaimed their influence through their relationship with the political elite. In the PRC, political elites provide elite status to other elite groupings.

CHAPTER SIX:

BORN ELITE

Introduction

During my research, I met individuals who did not hold any occupation or title in the CCP or government hierarchy. Nevertheless, these individuals are considered to be PRC elite. For these individuals, their elite status derives from their bloodlines. They are the Born Elite.

Born Elites are *taizi*; they are children of high-ranking officials. Moreover, since Xi Jinping is about to become the next President and is a *taizi*; the group as a whole has garnered a great deal of attention. These PRC elites are truly hyper-elite and deserve further study. The *taizi* lead dramatically privileged lifestyles that are unobtainable to the rest of the population. While this economic disparity is not unique to China, the fact that this is occurring in a communist country reveals the paradoxes of the Chinese communist system. With the advent of the internet, these lavish lives have been publicly displayed; that would have been unthinkable a decade ago. Previously, the *taizi* lived their exceptional lives in private. **Neal Endicott** described the phenomenon:

There is a category of Chinese people who are born into an elite life. They are accused by the public and the press of hiding away behind walled compounds. They are driven around in blacked out cars. They usually wear black suits. Hence, they are derogatorily referred to as the “black-collar” class. Previously, these individuals lived and behaved or misbehaved in private. This has changed with the internet. Consequently, the general public has expressed outrage at the disparity between *taizi* and the rest of society.

The Origin of the Born Elite

The recruitment of elites based on nepotism and family ties occurs throughout the world. It is especially problematic in one-party countries like the PRC. Li (2007, Oct. 17, para. 2) explained: “In an authoritarian regime such as China where leaders are selected rather than

elected, however, the top officials who come from privileged backgrounds are generally suspected of having reached their high positions primarily because of political nepotism.”

Coupled with the fact that the top priority of President Hu’s and Premier Wen’s administration is to increase social harmony, the large presence of born elites living lavish lives contradicts the official government message.

The luxurious lifestyles of the PRC born elite underscore the divide between them and the rest of the population. Born elites enjoy drinking expensive wine and collecting art; they are invited to make their debuts at international debutante balls. Referring to Veblen’s (1994) theory of conspicuous consumption, people emulate the lifestyles of their social superiors. In the PRC, born elites rank near the top of the social hierarchy. As such, they establish a trickle down consumption pattern, which is then replicated by those below them in the social hierarchy. Similar to those described by Veblen, PRC born elites are known for their ostentatious display of their wealth.

Bourdieu (1982) studied taste and distinction: “Taste is an acquired disposition to ‘differentiate’ and ‘appreciate’ . . . to establish and mark differences by a process of distinction . . . (ensuring) recognition (p. 466). For Bourdieu the crass consumption of goods was crude and unsophisticated, a better marker is distinction which excludes more people. Distinction and taste are products of one’s childhood. Being exposed to the arts such as opera at an early age gives that individual a cultural advantage over someone who hears opera for the first time as an adult (Bourdieu, 1982, 1993).

Referring to the works of Veblen and Bourdieu, it is important to study the consumerist lifestyles of the Born Elites. Their lifestyles are emulated by almost a billion people. Their effect is quite influential (McKinsey Company 2011, October).

Educational Background

As mentioned in the previous chapters, *taizi* who descended from the second generation of leaders have enjoyed privileged lives from birth. They grew up in the walled compounds of Beijing and attended elite primary schools. *Taizi* born in the 1960s and 1970s attended prestigious Chinese universities like Harbin Military Institute or Qinghua University. An overseas degree is an elite marker for those in their 30s and 40s. The degree is usually a graduate degree, either a Masters or a Ph.D. For those in their 20s and younger, the elite marker is now an overseas degree from a highly-ranked boarding school and/or university. J. Page (2011) described the phenomenon:

For the first few decades after Mao's revolution, the children of Communist chieftains were largely out of sight, growing up in walled compounds and attending elite schools such as the Beijing No. 4 Boys' High School. . . . In the 1980s and '90s, many princelings went abroad for postgraduate studies then joined Chinese state companies, government bodies or foreign investment banks. But they mostly maintained a low profile. Now, families of China's leaders send their offspring overseas ever younger, often to top private schools in the U.S., Britain, and Switzerland, to make sure they can enter the best Western universities. (p. C2)

Earning a degree from an international institution solidifies the family's status and superiority. **Barbara Eng** commented:

For these officials, it is a great moment to send a child to a top boarding school in the United States or the UK. In the end, they all want their children to go to Harvard. In fact, there are three *taizi* who are matriculating at Harvard currently. It is a point of pride that they can get their child into the school. It proves that they are superior in intelligence and have first-class family connections. You have to understand they are not competing against Westerners or overseas Chinese but against other Chinese officials. Nothing is guaranteed. They want to their child to study at Harvard to prove their superior status to other princeling families. These families are quite competitive.

Even though the costs of an international education are skyrocketing, it is a price elite families are willing to pay, which is quite similar to the majority of Chinese families who are willing to sacrifice for their children's educations (Zang, 2001, 2006; Zhiyu, 2007, 2007 September, 2008).

It is interesting to note that there is a distinct difference between children of the 3rd and 4th generation political elites and the grandchildren of the 1st and 2nd generation leaders. One taizi who wished to remain unnamed shared this:

I think for the grandchildren of some of these leaders of the second generation; they are very entitled. They expect so much more than people even like my-self. Yes, my father is a high-ranking official. I don't go around expecting favors. For example, I know there are a few grandchildren of CCP veterans who attend schools like Harvard. My generation would never have expected to attend this school. It was a huge privilege to attend school in the United States. For this generation – usually in their 20s – they expect it. They think it is their birthright.

The topic of education has garnered a great deal of news coverage since many ordinary Chinese citizens are unhappy with the quality of schooling in the PRC. The fact that the elite are sending their children abroad for education confirms, for some, the perceived weaknesses of the educational system in China (Li, 2011; Page, 2011 August).

Another point of contention is the exorbitant costs of sending a child abroad. **Neal**

Endicott explained:

The money trail is one of those issues that garnered a great deal of news attention. When it came out how much Bo Guagua's education could have cost – it was, if I remember correctly, over US half million dollars. First, Bo Xilai says it's from his wife's career. Then, some news comes out that according to her tax returns, it can't be. Then, Bo Xilai says his son received scholarships. All his schools deny giving him scholarships. Where does the money come from? When Bo Xilai is forced from the Politburo, his allies are lined up. Now, it turns out that a close ally, Xu Ming, a friend from Bo's days as Mayor of Dalian. Xu Ming is rich, according to Forbes Xu Ming is the eighth richest man in China. He supposedly helped pay for the son's education. That explanation leads to more questions – what did Bo Xilai give to Xu Ming in exchange for paying his son's school's funds.

The idea that only corrupt officials can afford to send their children abroad to receive a superior education is unsettling and contributes to the debate on corruption.

Marriage Ties

Marrying into *taizi* or intermarriage among them is another major channel linking the different elites. The media has picked up on the practice of members of different elite groups marrying each other. Chen Xiaodan (also known as Sabrina) and Bo Guagua are members of *taizidang* because they are the children of Chen Yuan, governor of the China Development Bank, a minister level position, and Bo Xilai, former party secretary of Chongqing, respectively. News of their personal relationship became public in the summer of 2011 when pictures of their vacationing together appeared on the internet and in international papers. News media referred to their relationship as a “royal romance” and “China’s William and Kate.” They have since ended their romantic relationship in the fall of 2011. Because of the public fascination with this *taizi* romance, I asked an informant about the marriage patterns of the *taizi*. **Barbara Eng**, who is a member of *taizidang*, confides:

I know my father and my mother want me to marry someone who is nice and who treats me well. I don’t think they are conspiring to match me up with someone of a similar background. I am descended from two generals and my parents are both officials. Yes, I come from a family of privilege. There is no formal matchmaking. My parents, which are very similar to other parents of their level let us choose our own husbands. It is more modern this way. Don’t forget many of my parents’ generation, people like my father who was born in 1944, this generation lived the Cultural Revolution. At that time, many of these so-called children of privilege were forced to marry children of peasants. My father grew up in Shanghai; his father was a top city official. During the Cultural Revolution, he was forced to marry someone from the countryside and to live in rural poverty to atone for his privileged birth. As soon as it ended, he divorced and married my mother whom he calls his one love.

Several of my informants agreed that their parents did not play matchmaker; they choose their spouses for “love” and not political gain. This is not to say that all *taizi* marry for love. Cheng Li determined that intermarriage among the *taizidang* is a major channel to form *taizi* status. While some senior leaders may allow their children to choose their own spouses, there are many others who view marriage as career advancement. This is another example of how heterogeneous and diversified the group as a whole is.

Debutante Balls

A recent trend that has gained much news coverage in and outside of China is the participation of *taizi* at international debutante balls. In 2003, Bao Bao Wan was the first Mainland Chinese citizen to be invited to make her high society debut at the Le Bal Crillion in Paris. A granddaughter of Wan Li, the former chairman of the Chinese National People's Congress and executive vice-premier of China as well as the daughter of Wan Jifei, chairman of the China Council for the Promotion of International Trading, Baobao is one of most famous socialites in China (Page, 2011).

In 2006, Chen Xiaodan (also known as Sabrina Chen) was presented at this event. Xiaodan is the granddaughter of Chen Yun, one of the Great Immortals, and daughter of Chen Yuan, Governor of China Development Bank, a ministry level position. She is also a graduate of Harvard Business School. McGregor (2010) recounted Ms. Chen's debut at the Crillon Ball in Paris:

The annual debutante ball traditionally features the offspring of European royalty, multinational industrialists and Hollywood movie stars. That year, the ball was also graced by a representative of the globe's newest power player, The Chinese Communist Party, in the form of Ms. Chen. All the debutantes were decked out in haute couture loaned to them for the evening. Ms. Chen wore an Azzedine Alaia pink cotton dress, which, if she had to pay for it, would cost as much as her father's official cash salary for a few months. Her appearance at the ball nonetheless neatly symbolized the trajectory of her family, and of the Communist Party along with it. (p. 66)

Ms. Chen's debut could be seen as much a triumph for China as for the Chen family, confirming the status of both as members of the global elite.

McGregor (2010) has expressed outrage at the duplicitous lifestyle. He has accused the Chinese leaders of being hypocrites:

The Chen that I chanced across in the foyer of the Peninsula Hotel may have been unique in dressing like an old-style cadre for a meeting with rich and powerful foreigners. These days, Chinese leaders usually reserve their Mao suits and army attire for party and

military occasions, respectively. Still, Chen's style and his family's trajectory were redolent of how top Chinese officials have learnt to speak out of both sides of their mouth. No matter how rich and powerful they have become, they are masters at calibrating their support for Marx, Mao or the market, depending on who is listening. The dexterity of officials in this respect remains one of the truly dizzying things about China Inc. The same official who one minute will be lecturing you about how the west should abide by the strictures of the market, a spiel usually delivered in defense of China's competitively priced exports, the next minute will be assuring a Chinese audience of the horrors of unfettered capitalism and his or her deep belief in Marxism. The change of political attire is akin to a Wall Street banker disappearing Clark Kent-like into a phone box, and emerging swiftly a few minutes later dressed as Karl Marx. (p. 66)

McGregor is thus hypercritical of communist leaders' descendants participating in such an elitist ritual.

The third *taizi* to make her debut at this ball was Jasmine Li. The year of her debut was 2009. Jasmine Li is the granddaughter of Jia Qinglin, currently the No. 4 person of the Politburo Standing Committee. During Jia Qinglin's tenure as governor of Fujian province, a US\$6 billion dollar fraud case occurred involving the customs bureau. Many officials were jailed and executed for their participation. While never officially charged, Jia Qinglin and his wife were accused of being complicit in the corruption in the court of public opinion. As a close and personal friend to former President Jiang Zemin, Jia's political allies protected him. It was widely speculated that Jia would lose his seat on the Politburo Standing Committee. In fact, he remained and became the defacto leader of the Shanghai Gang after Jiang stepped down.

McGregor observed with great irony that this high-ranking Communist with a checkered past has a granddaughter who made her debut at one of the fanciest balls in the worlds.

One of my informants, Dr. **Curtis Enyuan**, expressed surprise at these turn of events. He said:

When I first heard about this, I was astonished. What's interesting is who is participating in these debutante balls. Not people who are wealthy; entrepreneurs who have struck it rich in China, but actual descendants of the founding families of China. All these women have fathers and/or grandfathers who hold quite important, high profile positions.

Jasmine Li's grandfather is a permanent member of the Politburo Standing Committee, the highest political organ in China. I don't know what to think that these scions of Red Nobility are participating in such an ancient form of tradition. Do debutantes even exist? I didn't know. I am still confused at the contradictions of having communist "royalty" who participated in unabashedly elitist traditions. Then, I am reminded of the quote by Chen Yuan (father of debutante Chen Xiaodan.) Chen said: "We are the Communist Party, and we will define what communism is."

Informant **Neal Endicott**'s musings took a different direction:

I am not surprised at all. The Chinese, especially, the elite want the best of everything, the best the world has to offer. In this case, they want to launch their daughters into high society. From what I understand, I don't think the desire is coming from Jia Qinglin; he is far too busy dealing with his own political affairs to care about his granddaughter and her social prospects or standing. I know all the young ladies that made their debut. I worked with their fathers and grandfather. I do think the real motivation is the daughters themselves. They want the chance to play dress up and attend balls like you see in Disney movies and read about in romance novels. These families are also competing with other elite families and trying to one up each other. I also think their parents may be influenced. Bao Bao Wan's parents are notorious for their social climbing. I think to outsiders being a Red Prince seems glamorous, but inside that world, there is a great deal of competition. These elite families are all jockeying for power.

In the world of *taizi* or red nobility, each family is trying to gain some fortune for themselves and their family. This kind of oneupmanship is apparent in the lifestyles that many elites chose to pursue.

Collecting Fine Art

In addition to wine, Chinese elites have been collecting art. Many are buying art from Chinese artists. Crow (2011, Oct. 7) reported:

Fueled by the country's economic boom, Chinese patrons are now some of the art world's most powerful collectors – and they are placing their biggest bets on the art of their homeland. Bill Ruprecht, Sotheby's Chief Executive, said the Chinese are spending about \$4 Billion a year on Chinese paintings worldwide. That's more than Sotheby's and Christie's sales last year of Impressionist, modern and contemporary art combined. . . . "Someday soon a Chinese ink painting is going to outsell Picasso." . . . That's where we're headed. (D1)

These Chinese collectors are notorious for outbidding all of their competitors. Several US and European billionaire collectors have publicly stated, like Hyatt Chairman billionaire Tom Pritzker, that they “can’t compete” with Chinese buyers (Oct. 7th, 2011, p. C2).

It is unfortunate that the Chinese consumer has become synonymous with overspending and spending for the sake of spending. For example, several informants told me this joke:

A Chinese billionaire goes up to his friend. He points to his tie. He tells his friend that he bought it for \$10,000 dollars at the store next door. His friend replied: What a pity. You could have bought the tie for \$20,000 dollars at the store down the street.

It is this obsession that has spurred on sales of luxury goods. Companies like Hermes, Louis Vuitton, Chanel, and Gucci all have reported their best-selling stores are located in China (Page, 2011).

Internet – Game Changer?

Until recently, the lives of PRC’s elite have remained hidden to the general public. The arrival of the internet has changed that. One example is the press coverage of Sabrina Chen’s debut in Paris; while not covered in the official state media, millions of Chinese learned about it through the internet.

A scandal took place in September 2011. A fifteen-year-old son of a PRC general smashed his BMW into another car. Then, he and his passengers beat up the occupants of the car he hit. When they were finished, they threatened the crowd of bystanders with physical violence if those bystanders called the police. Some brave onlookers surreptitiously videotaped the incident and then uploaded it onto the web. It became a viral sensation with major news outlets like CNN picking-up the story. Public outcry followed. The driver was sentenced to a year in a police correctional facility. When I discussed this incident with **Barbara Eng**, she said:

I think this case is outrageous. Obviously, I am just as offended as any human being would be. It is this type of misbehavior that makes all of us who were fortunate to born

into families look bad. I am glad he was caught and punished all because of the internet. We are members of a certain group of individuals . . . those individuals have been chosen by the people and by the State to aid in the ruling of the country. We are under a great deal of public scrutiny. Now, with the internet, it is hard to clamp down. Before when the state controlled all the news media, like newspapers and TV, bad behavior like this would not get out. Now, anyone with a phone can be an amateur news reporter. I think that many people like this young man have not realized the changing landscape of China. Even people in high positions are not safe anymore. Everything is out in the open.

Another public scandal involved Zeng Wei who is the son of former Vice Premier of the PRC, Zeng Qinghong. According to land records in Australia, Zeng paid US\$32.4 million for a home on Australia's Wolseley Road which was categorized as the ninth most expensive residential street in the world in a Financial Times survey. Because Zeng wanted to raze the former house and to build a new house, designs of his proposed house were filed with the local building and zoning agency. Consequently, it was leaked to the public, and the world learned how luxurious Zeng's house would be.

The fact that it is hard to determine the source of Wei's wealth (or the wealth of his wife Jiang Mei) complicates the matter. According to McMahon (2011):

Ms. Jiang, 39, studied at the Beijing Dance Academy, and following a stint in television, started working for the Chinese property developer Renhe Group. There she is "responsible for assisting . . . executive directors to formulate . . . strategies" and is a board director, according to the 2010 annual report of Renhe's Hong Kong-listed unit, Renhe Commercial Holdings Co. Last year, the report says, she was paid 817,000 yuan (\$128,000). Both Ms. Jiang and Mr. Zeng are also directors of an Australia-registered company called Fruit Master International Ltd. Public documents don't disclose what the company does, and its accountants declined to comment. The company's four other board members include one of China's richest men, Renhe Chairman Dai Yongge, his wife, and his sister, Xiuli Hawken, with whom he helped to found Renhen. Ms. Hawken, now a U.K. resident has been ranked by Forbes as the 15th richest person in the U.K., worth \$2.2 billion. (p. C2)

In earlier times, the Chinese media would never have reported the purchase. The majority of the Chinese population would have been oblivious to Zeng's wealth.

With the internet, it is much harder to keep hidden one's wealth and lifestyle. While the PRC government tries to block certain words, the government has been unsuccessful in its efforts and cannot keep up with the new generation of tech savvy citizens. **Neal Endicott** said:

In the beginning of the year (2012), there was another case of a teenaged son of a general; he was involved in a fatal car accident and killed two people. Driving a Ferrari, the teenager also tried to leave before the police arrived but was detained by the crowds. After the incident, the CCP tried to block the word "Ferrari" to prevent the spread of this news story. However, various people were able to get around this embargo by using a play on words in Chinese. Hence, the news still got out. The CCP was helpless to stop it.

Betty Eng agreed and stated:

I think the real game changer is the internet, and the fact that so many people have access to it. Historically, the Chinese have hidden their lives – their excesses and their sacrifices behind walled compounds. Think of the Forbidden City or Chairman Mao's life. All are hidden. While these fortresses remain – I mean look at Zhongnaihui, it is basically a walled fortress for officials and their children. With the internet, people and their behavior which . . . used to be gossiped about . . . is now there for public consumption. I also believe that a lot of people don't realize that their lives are public fodder. They think if they are out of the country, they are safe. In the past, this was true. Official state media would never report on such events. With the internet, you can access newspapers and news reports from around the world.

Taizi are also trying to use the internet for their benefit. One prominent *taizi*, Bo Guagua, maintains a Facebook page, which is open to the public. On his page, it states he is a "public figure." While Bo does not accept friend requests, he does use his page to combat negative press about him. A picture of him working at his NGO is featured prominently. There are links to two articles: "Why Bo Guagua is so popular in China" and "Bo Guagua: Hoping for understanding, but relishing misunderstanding." It could be interpreted that Bo is trying to clear up any misunderstandings about him while presenting an image of a hardworking and charitable individual. Moreover, his rumored girlfriend, Xiaodan Chen, also maintains a Facebook and LinkedIn Page. It is unclear who the intended audience is since Facebook is not allowed in

China and is not accessible to the PRC population. This was not lost on critics of the government as seen in the following excerpt:

Isn't it ironic? . . . The grandchildren of our founding Communist Party leaders using Facebook, which is banned by their grandparents. They were spoiled by the advantages of the resources provided by their grandparents.
(<http://www.independent.co.uk/news/world/asia/chinas-royal-romance-stirs-online-gossip-2221720.html>)

Difficulties facing *Taizi*

One of the greatest difficulties facing *taizi* is their future after their family official retires. While Deng's children have remained solidly entrenched, they are the exception. The name Deng Xiaoping still exudes influence and status; it has a lasting power that few other PRC officials have, save Chairman Mao himself. The fate awaiting *taizi* is more similar to the children of Jiang Zemin and Zhu Rongji who both suffered a loss in authority, status, and prestige when their fathers retired.

Several informants pointed to the recent pattern where current leaders investigate and terminate the business transactions of their predecessors' children and their associates. **Dr.**

Curtis Enyuan stated:

It happened in the 1990s. When Jiang Zemin came to power, he closed several companies and incarcerated several known business associates of the Deng children. When Hu Jintao became President, he ordered an investigation into the Shanghai party secretary. Don't forget Shanghai is Jiang's powerbase; it's called the Shanghai Gang. This party secretary went to jail; along with him, several real estate developers were also imprisoned. Many of those jailed were close allies of Jiang's son. What does this mean for the children of the present leaders? I have heard grumblings about the private equity dealings of one *taizi*; that he leveraged his father's position in his private equity dealings and struck gold. It should be interesting to see what happens to him when his father steps down from office.

Some books on Chinese politics have published reports accusing some *taizi* of holding foreign passports. Officially, no high-ranking official can hold a passport in another country, although this rule does not apply to the spouse or children. While certain members of the press,

like Richard McGregor, have painted the holding of another country's passport as a sign of disloyalty and corruption, it can also be interpreted as a pragmatic safeguard against the unknown future. **Sharon Erbaiwu** shared:

I am familiar with a few children or descendants of many high-ranking officials, people who are on the Standing Committee of the Politburo and in the Politburo, who hold passports from other countries.

I think many officials make sure their children are taken care of. Just in case, something goes terribly wrong. Political warfare in China can be bloody. Especially for these high ranked officials. For many of these top officials, they know that once they are out of power, their enemies could retaliate by going after their sons and daughters. To protect them, they procure passports that will enable them to live safely abroad, outside of China and out of harm's way. It is hard to understand since we are used to American and European politics. In China, politics is a death match.

The life of the born elite is one of much privilege and benefit. It can also be a life dodged by political conspiracy and competition.

Conclusion

One of the major drawbacks of conspicuous consumption is the neverending need to consume. Trigg (2001) explained:

The search for status through consumption is never ending. What at one time may confer status may later be acquired by all and confer no status. People must always try to acquire new consumption goods in order to distinguish themselves from others. . . . This drive for conspicuous consumption is the main force behind the consumer boom that was starting to gain pace in the United States. (p. 101)

For PRC born elites in the 1990s, attending school in the United States and Western Europe was enough of a status symbol. The university did not have to be top-tier as long as it was in the United States or Europe. By 2012, PRC born elites needed college degrees from the top universities in the United States and Europe. No longer would a degree from University of Oregon suffice; now, born elites had to graduate from Harvard or Stanford. Additionally, this generation of born elites began obtaining an international education at a younger age, attending

top-tier boarding schools in the United Kingdom and the United States. In a country obsessed with name brands, an international education has become another status weapon used by the elites to distinguish themselves from the rest of society.

PRC elites across the elite spectrum have encountered the issue of possessing elite status in a communist country. For born elites, this is especially difficult to balance. For some born elites, they act in such a way that causes deep resentment. A prime example is disgraced Politburo member, Bo Xilai, whose son Bo Guagua became the poster boy for what's wrong with China. To outsiders, it appears that these born elites have a sense of entitlement; it has been written that these born elites feel it is their responsibility and birthright to rule China. The CCP tries to discourage this in their speeches, praising individual achievement and ambition. In reality, born elites are given unfair advantages from birth.

The born elites are quite eager to join the global elite community. They are partaking in elitist activities such as debutante balls and fine art auctions. They are acquiring educations at international institutions of prestige, consuming name brand goods, and living a global elite lifestyle while adhering to ultra-nationalism. This is not as contradictory as it first appears. Born elites derive their status from their connections to the CCP and to the government. It is very important to maintain the rule of the CCP and its government.

CHAPTER SEVEN: ARTISTIC ELITES

Introduction

Artistic elites, out of all the other elite groups presented in this research, are on the periphery of elite status in the PRC. They do not wield much influence among the other elites. In the PRC, I define artistic elites as authors, painters, conductors, composers, and assorted musicians who earned international renown and recognition. The musicians are the conductors of major orchestras and symphonies; they are invited to be guest conductors in countries all over the world. The artists have earned international acclaim. I measure this by the selling price of their paintings and the number of foreign exhibits and galleries. However, artistic elites do hold a unique position that allows them to study the consumptive patterns of the other elites. Furthermore, they are participating in a global elite lifestyle. They sell art to PRC elite as well as to the global elites as Chinese art has become quite trendy and desirable in the international art markets.

Origins and Characteristics

After enjoying great prestige and status during Imperial times, Chinese artists were forced to leave China when the Qing Dynasty ended in 1911. A mass exodus of artists took place, and they relocated to foreign countries such as Japan, the United States and Europe, where the Chinese artists joined foreign artists in art-making collaborations. As guests in a foreign land, many Chinese artists immersed themselves in the artistic way of life in their host countries; consequently, they were invited to show at international venues. When these artists returned to China during the 1920s to early 1930s, they injected new and fresh ideas into Chinese art; they applied the new techniques that they had learned abroad. Consequently, Chinese art was

influenced heavily by Japan. Many Chinese artists were impressed with how Japan was able to incorporate Western influences with Japanese tradition. The Sino-Japanese War from 1937 to 1945 ended all collaboration with the Japanese. The museums that were opened housed national treasures from bygone areas. There were very few private galleries showcasing modern Chinese art (Li, 1989; Belk 1995; Sullivan; 1996).

Also by the 1920s and 1930s, Chinese art itself shifted from painting and calligraphy towards realism, cubism, impressionism, surrealism, and fauvism. This was a direct result of Chinese artists incorporating European and American artistic trends with Chinese customs. In 1929, the first official art exhibition was staged in Nanjing. Exhibitions continued throughout the 1930s where many exhibitions showcased Western-inspired art. Shanghai became the epicenter of art in China because of its huge international population and its position as a cultural broker. While there were plans to build and to open a national gallery, these plans never came to fruition because of the pending civil war. Even so, art was taken from the private domain of the cultural elite and was given to the wider Chinese public as exhibitions were held in hotels, university auditoriums, gymnasiums, and office buildings.

When the Communists came to power in 1949, state-owned enterprises (SOE) swallowed up private galleries; these SOEs were mainly publishing houses that then proceeded to publish art but only by state-sanctioned artists. Art was used as a tool to disseminate socialist ideals to the public; the idea of art for art's sake was largely ignored. Artistic value was tied to the socialist message it depicted (Andrews, 1994; Cohen, 1987). As a result, the art system was systematically dismantled and then destroyed. The Communists forbid the usage of traditional art styles and older artists were re-educated and retrained. The new artistic generation was

taught in a new style of painting that idealized the Communist cause. Joy and Sherry (2004) noted the rationale for this re-training:

According to Mao, the transformation of the individual under socialism could only happen by eliminating private property and remolding values and beliefs through education, media, literature and art. . . . In a system that promulgated egalitarianism and mass participation, markets were viewed as evil. (p. 318)

In 1953, Mao hired Jiang Feng to reorganize the Chinese Artists' Association (CAA); its new directive was to recruit, organize, and re-educate artists who were to serve the PRC by using their artistic talents. The Central Academy of Fine Art in Beijing was established as a way to introduce art to the common persons. The Central Academy was tightly controlled and supervised by the government; all other academies were based on it.

In 1965, the government opened the China National Art Gallery. It was originally under the auspices of the Propaganda Department but is now under the Ministry of Culture. It was used to showcase art that supported socialism and its ideals.

The Artistic elite, like the scholar elite, at first enjoyed freedom during the first years of the PRC. Then, artists were accused of being rightists during the Anti-Rightist Campaign of 1957. Of course, the culmination of political persecution against the artistic elites took place during the Cultural Revolution. Artists were jailed, tortured, imprisoned and killed during the Cultural Revolution. Joy and Sherry (2004) described this horrific experience for artists:

The Cultural Revolution was a reign of terror: the country experienced a 10-year hiatus in art creation, and history and artists of every ilk came under scrutiny and were punished. . . . Well-known artists . . . would destroy their own works before the Red Guards (Mao's volunteer army of mostly young students) did. As a result, a whole generation of artists was indoctrinated into socialist realist art and grew up with very little knowledge of and training in traditional Chinese art. . . . Mao's deification in paintings and exhibitions was characteristic of the period, and anything that countered such veneration was suspect. A key painting that has since acquired historical significance, *Chairman Mao Goes to Anyuan*, by the artist Liu Chunhua, is an example of socialist realist art: portrayed alone, Mao looms large over the landscape. This painting was used as a pedagogical tool for propagating socialist principles because it received Mao's official endorsement. Nine

hundred million copies of this painting were eventually printed and distributed around the country. (p. 320).

Illustration 7.1



Chairman Mao Goes to Anyuan by the artist Liu Chunhua (1968).

During the Cultural Revolution, the Ministry of Culture, the Central Propaganda Department and various government departments in charge of art affairs were disbanded. The Red Guard promoted art that supported their cause; they decided who could become an artist, what subjects were painted, and whose art could be exhibited. During this period, there was no market value attached to any painting in keeping with the egalitarian goals of communism. A painting was considered good when it espoused socialist rhetoric.

After the Cultural Revolution ended and Mao died, Deng Xiaoping became the paramount leader of the PRC. Artists were rehabilitated, and their professional status was restored by 1978. In the intervening years between 1978 and 1989, Deng Xiaoping alternated between allowing and clamping down on artistic freedom. In 1989, the first major art exhibit of dissident art took place in Beijing very soon after the Tiananmen incident. Sandler (1996) cited this event as the turning point; Chinese art began attracting international attention. Westerners and the Chinese began buying contemporary Chinese-made art. This soon stopped as the PRC government clamped down on artistic activity; the CCP and government blamed the artists for contributing to the Tiananmen riots. As a result, many Chinese artists fled from China.

In 1992 when Deng Xiaoping made his southern tour and endorsed economic reform, avant-garde works resurfaced. As the government sponsored more exhibits and fairs, a new and more lenient attitude towards art surfaced. As a result, foreign galleries and museums were invited to participate at an art fair in Guanzhou. Artists were allowed to price their pieces. A market for contemporary Chinese art was slowly starting to emerge. As China opened its markets to foreign investment, Chinese artists were gaining international recognition. From the 1990s to the present day, Chinese art has quickly grown into a multimillion dollar industry (Nove, 2011, Nov. 4th).

The Present

In April 2011, at the Sotheby's Spring Sales in Hong Kong, a new record was set for contemporary Chinese art. A triptych by Zhang Xiaogang, the father of contemporary art movement in the PRC, was sold for HK\$79 million which equals more than USD10 Million. The painting was called *Forever Lasting Love*; it sold for more than twice the pre-sale estimate. (Please see a picture of the triptych on the next page.) This was not an isolated incident. In fact, the entire collection sold for more than four times pre-sales estimate; the sales made more than HK\$427 million (approximately USD54.9 million). Other strong sales were seen from Zhang Peli, Geng Jianyi, and Yu Youhan; their paintings sold for more than nine times, twelve times, and thirty times the pre-sale estimate, respectively. On the second day of the Sotheby's art sale, another Zhang Xiaogang painting sold for more than HK\$56 million (USD7.26 million). In 2008, Zeng Fanzhi's painting, Mask Series 1996 No. 6, sold at auction for USD9.7 million. (Please see next page to view the painting.) In fact, Chinese contemporary artists are topping the best-selling Artist lists. Artprice published a press release stating:

There were four Chinese artists in the Top-10 ranking of global artists by auction revenue for 2010 (vs. 1 in 2009), the lowest of who generated \$112 million dollars during the year. Qi Bashi was in 2nd place ahead of Andy Warhol and ahead of his compatriot Zhang Daqian; Xu Beihong took 6th place with a total of \$176million and Fu Baoshi was 9th. (sic) The younger generation of Chinese artists is now imposing itself even more forcefully than their older counterparts: More than half of the 2010 global Top 10 Contemporary artists are Chinese (Zeng Fanzhi, Chen Yifei, Wang Yidong, Zhang Xiaogang, Liu Xiaodong and Liu Ye) Compared with just three Americans (Basquiat, Koons, and Prince). (p. 2)

A seismic shift is taking place in the art world.

Illustration 7.2

On Sunday April 3, 2011, this above painting sold for USD10.1 million dollars at Sotheby's auction in Hong Kong. It is a triptych by Zhang Xiaogang who is considered to be one of the foremost artists of the Chinese contemporary art movement (Barboza, 2005).. This sale set a record art auction price for a contemporary artwork in China.

Illustration 7.3



In May 2008, this painting, *Mask Series in 1996 No. 6*, was auctioned for USD9.7 million in Hong Kong. It set a new record that was then broken in 2011 by Zhang Xiaogang's painting, *Forever Lasting Love*.

ILLUSTRATION 7.4

This is a representation of paintings created by Cai Guoqiang. Using gunpowder to create the art piece, he has created works that have been shown in museums all over the world. In 2007, Cai Guoqiang sold a series of his gunpowder works similar to the one shown above for approximately USD 9,000,000.

For the first time, China is ranked first in terms of Fine art auction revenue. When this news was published, one informant, **Nicole Eggert** who works at a major art auction house told me:

I have been teaching at my company's MBA Program in Art and Business and this news just sent shock waves through the art market. No one can believe how much Chinese contemporary art is selling for. It is going through the roof.

She emailed me the 2011 Artprice news release. It stated:

China now ranks first, ahead of the USA and the UK. According to Thierry Ehrmann, founder and CEO of Artprice, world leader in art market information, "this unprecedented news represents a turning point in the history of the global art market: China is now the number 1 in terms of Fine art auction revenue". It took just three years for China to jump from third place (previously occupied by France) in 2007 to first place in 2010, ahead of the UK and the USA, the grand masters of the market since the 1950s. To reverse the polarity of the global art market from West to East, China has done without artifices such as hypothetical figures from art galleries (an opaque market compared to public auctions) or even that of furniture or traditional Chinese art objects (prices of which are shooting up worldwide). Since the 1950s, the reference ranking for the art market has been that of Fine Art at Public Auctions. In 2010, China accounted for 33 percent of global Fine Art sales (paintings, installations, sculpture, drawings, photography, prints), versus 30 percent in the USA, 19 percent in the UK, and 5 percent in France. (p. 2)

One of the reasons why Chinese fine arts sales are so high is the growing number of Chinese multimillionaires and billionaires who want to buy Chinese art. Art collector and informant,

Narcissa Eng, surmised:

As an overseas Chinese, I understand the nationalistic tendencies of the super-rich in China. They see themselves and China as the new world power. Hence they want to buy Chinese art, which has become quite trendy and popular. I think they saw Westerners snatching up Chinese-made; they said to themselves: "Why should the Westerners have it? It is like colonization all over again. This time it is our art they are taking, not our land." To stop them, Chinese became serious art collectors. They saw how beautiful Chinese art is and decided to support it. They wanted to make sure Chinese art lands in Chinese hands.

Another informant, **Ao Edu**, who is an art dealer based in China has a differing interpretation and opinion. **Ao Edu** observed:

I think for a lot of these newly arrived rich, they want to show they have good taste. They are your typical *nouveau riche*. When they first made money, it was gold everything. Now, they are more sophisticated. They want to show they have class and taste, too. They buy art to show how cultured they are. They are buying a lot of Chinese contemporary art. They are pushing up the prices. I have advised several American business people who want to buy art. The Americans say they can never win against Chinese bidders because the Chinese take their bidding personally. They hate to lose. I have heard this from many Western millionaires and billionaires.

Consequently, many have said that the Chinese collectors are driving-up the market for

Contemporary Chinese artists.

Joy and Sherry (2004) also observed the different segments in the Chinese contemporary avant-garde market and compiled a list ranking the different categories of art buyers. There are the champions, risk-takers, art historians and collectors, systematic collectors, occasional buyers, dealers/collectors, *nouveaux riche* collectors. Champions are “generally knowledgeable about art but are not always collectors” (p. 337). Risk-takers buy art for investment purposes; they buy art that shocks because they believe it will fetch a higher price. Art Historians and Collectors are quite knowledgeable about art and make “discerning choices” about their art. Systematic collectors “search meticulously and gradually amass a large and well researched collection” (p. 337). Occasional buyers tend to follow trends and buy popular pieces, but their decisions are constrained by their finances. Dealers/Collectors usually work for businessmen so they tend to have a great deal of money. Because they can persuade their bosses concerning what is “good work,” they make bold decisions. *Nouveaux-riche* collectors “have money and want to enhance their status through collecting contemporary art and are generally not knowledgeable about the art trends and styles; depend on other collectors and art dealers to learn” (p. 337). With all these personalities buying Chinese art, it is no wonder that studying art collectors reveals so much about Chinese consumers.

Nicole Eggert has dealt with many both American/European and Chinese art collectors competing against each other to buy certain desirable art pieces through her work at the auction house. She reported:

These Chinese millionaires are very cosmopolitan. They attend meetings in boardrooms all over the world in Japan, in France, in Brussels, in New York City, and in London. They see art, famous and expensive art, being displayed on those walls. They think in order to be taken seriously by these international businessmen, they must collect art too. If they want to reach that level, they need to be considered art collectors; that title gives them instant credibility in the business community.

There is also the consideration that they need to subscribe to a specific standard of behavior.

There is worry that this art collection may be a bubble; that many of these same individuals are speculating. **Nicole Eggert** said:

While it's absolutely true that the art market is booming in China, this is only partly the result of more people with deep pockets beginning to appreciate art. Another reason is that artworks have become a favorite of speculators who are seeking to make a quick buck by buying and flipping them. In fact, the authorities in Tianjin are trying to figure out how to deal with a peculiar new entity there – a sort of “stock exchange” where artworks are traded like stocks, and buyers mainly discuss how much each piece is likely to appreciate in value, rather than its artistic merit. One bizarre idea is for buyers of very expensive pieces to then list themselves on the real stock market, counting the pieces as their assets. Then people who buy shares of these “companies” would in turn own, for example, one millionth of a famous painting. This phenomenon is due in part to a shortage of good investments, and perhaps also to a propensity for speculating. In the past couple of years, there have been sudden sharp rises in the price of Puer tea, of garlic, and of real estate. Pity art seems to have been added to the list.

Ms. Eggert suggested that the Chinese are still viewing art collecting as a way to make money rather than as a way to appreciate the art.

Another point of view is that Chinese collectors are buying art for their own taste and reasons. Crow (2011, Nov. 4th) lent support to this view:

It amounts to a sea change for the international art establishment, which in the past has watched Europeans and Americans set trends and prices for Chinese art. Now, Chinese buyers are making decisions informed by their own cultural upbringing rather than taking their cues from the West. Take the skyrocketing prices being paid for 300-year-old brush-pots and ink stones, elements once key to China's intelligentsia. “Nobody in the

West really goes for that work,” said New York dealer James Lally. Chinese collectors do, he says, because the scholar is a legendary Chinese archetype. (p. D1)

Another example of Chinese art being bought for its own sake and on its own terms is the popularity of Wang Xhijie’s Little Girl Series; the paintings feature bulbous headed young girls in seductive poses. It is quite popular among Chinese collectors but not among Westerners. Please see a painting from Wang Xhijie’s Little Girl Series on the next page.

These paintings of the Little Girl series measure 6 ft by 4 ft; they currently retail for approximately USD 7,000 to USD 8,500. Their prices are nowhere near the prices of Zhao Xiaogang’s work (sold for USD10.1 million, on page 234), but they are still expensive. The huge popularity of these paintings disproves the theory that Chinese art collectors only buy what the Western trends dictate. These pictures help prove that the Chinese are buying what they like.

As Chinese collectors become more learned and informed about Chinese art, it remains to be seen to see how this will affect the art market. Crow (2011, Nov. 4th) continues:

If the Chinese value Ming vases over Claude Monet, how long will it take before the rest of the world follows suit? . . . China has the power to decide which artists it values most now but will the West go along with it? There is still a big cultural gap, but the West needs to start studying up. (p. D1)

The art industry is trying to catch up with the Chinese. White Cube, Ben Brown Fine Arts, and the Gagosian Gallery have all tried to capture market shares by opening up branches in China.

The London and New York offices of Christie’s have announced they are looking to hire more Chinese speakers. In 2011, one-fifth of Christie’s total global sales were made-up of art purchases from PRC collectors. Chinese auction houses are also becoming more internationally focused. China Guardian, one of the most successful auction houses in China, will open offices in London and New York.

All three paintings are from Wang Zhijie's Little Girl Series (2007 and 2008).

Illustration 7.5



As these artists work in the international arena, the artists tend to be internationally focused and have incorporated what they have learned in the West with their distinctly Chinese experiences.

Anran Ershi whose art pieces sell for millions of US dollars shared this:

I have read the entire works of Nietzsche, Camus, and Kafka. They have always fascinated me. Of course, I went through the Cultural Revolution. I was sent down to a commune for a few years. I had to do hard manual labor; I was separated from my family. All this angst and emotional turmoil that I read about in these books by these authors resonated with me. I knew how they felt. I too had gone through my own trouble. I was full of angst. I was able to pour that into my art. My paintings show my feelings of anguish.

While his paintings obliquely criticize the Cultural Revolution experience, he does not criticize the current regime. He confides: “I want to keep painting. So, I paint what I want but I make sure it also stays within what the government wants. I have been through the Cultural Revolution. I have no desire to fight the government.” For many of the artists I interviewed, they preferred to keep the government as an ally. Consequently, they preferred to work within the system. One dealer, a curator of the national gallery gave this assessment:

I have never had a problem with the government. I have worked very hard at this. I have built up a lot of good will. This does not mean that I compromise my integrity. I believe you can have meaningful art without creating political controversy. Of course, for these collectors who come to me and say they want art that is controversial and banned, they do not appreciate the art for itself but just because it is banned. I, on the other hand, really appreciate art for art’s sake. I understand it. When I put on a show, I make sure there is nothing too controversial. Once in 1996, I opened a show. It showcased an artist who made political statements. The art I was showing was not controversial. The local ministry of culture department closed it down. Immediately, I called up my friend who is at the Beijing branch of the ministry of culture. I tell him the art is harmless. He says: “XXX (her name), I trust you.” He opened my gallery that afternoon. I am one of the few curators who have never had an exhibition closed by the government. I am proud of it.

Many of the artistic elite that I interviewed all told me they create art that is both palatable to them and to the government. Another artistic elite informant, **Ancang Ernai**, said:

It’s not hard not to piss off the government. I don’t feel it is a compromise. I feel as an artist I am beyond the amateur tricks of a youngster. Many of these so-called new and

political artists are more politicians than artists. I am critical of certain events in Chinese history, like the Cultural Revolution. It shows in my art.

The artists I interviewed all agreed that it is better to work with the government instead of fighting it. Some had learned a hard lesson in the Cultural Revolution; they had no desire to land on the wrong side of the government. This could also be a characteristic of my sampling. My informants all work within the government structure. While there are many dissident artists, I had no way to contact them. Moreover, the artists I interviewed tended to be the most successful artists in China. Maybe their success is related to their view on art and the government. The fact that they are so politically savvy has contributed to their artistic success.

Conclusion

As the prices of contemporary Chinese art rise higher and higher with each auction, Chinese collectors, as a whole, are being studied for information about Chinese elite consumers. Furthermore, Chinese artists are also dealing with worldwide demand for their art. They understand that while the world may demand their art, they have to work with the PRC government. As survivors of the Cultural Revolution, many of my artistic elite informants have learned the hard lesson that the art market in China is still determined by the CCP.

Like Scholarly elites, artistic elites can claim that their status is derived from real talent as opposed to nepotism, cronyism, and favoritism. Artistic elites still require the acceptance of the CCP and government in order to present their work in China and outside of China. The artistic elites are situated far from the core of power in the PRC. Their art is commanding and being sold for exorbitant prices among the international elite. These artistic elites act as cultural ambassadors.

CHAPTER EIGHT:

CONCLUSION

Beginning my fieldwork in Beijing in 2008, I set out to determine who held elite status in the People's Republic of China (PRC) and to determine how elite status is maintained. My time in the PRC uncovered many findings that both confirmed and contradicted my initial suspicions and basic assumptions about elite status in the PRC. Using the ethnographic tools of participant observation, I was able to examine and analyze how the PRC elite lived, worked, and played.

One of the fundamental points to understanding elite status in the PRC is to understand how influential and pervasive the Chinese Communist Party (CCP) is. In this one-party communist country, one's position in the CCP determines whether you can be considered elite or not. Who is elite? The men and women who hold leadership positions in the CCP and government; this includes political, commercial and military elites. These individuals wield the most power in the PRC.

Membership among the political and military elites was especially fluid when the PRC was established in 1949. In the early years following the founding of the PRC, the leaders of the country were the military leaders like Chairman Mao Zedong and Deng Xiaoping; these men like George Washington and John Adams fought and won the revolution. They were, in the words of C. Wright Mills (1956), men who could take the part of "legislator and merchant, frontiersman and soldier" (p. 269). The situation was akin to the early history of the United States, as described by C. Wright Mills:

During the first – roughly from the Revolution through the administration of John Adams – the social, economic, and the political and military institutions were more or less unified in a simple and direct way: the individual men of these several elites moved easily from one role to another at the top of each of the major institutional orders. (p. 269)

Political elites were military elites; they decided and determined political, military, and economic policy. At this point, people involved in commercial enterprises were considered enemies of the state. As the PRC matured and evolved, Deng Xiaoping decided in the 1980s to institute economic reforms. One of his goals was to make the PRC economically viable with the rest of the world. Deng's economic reform set the stage for the emergence of commercial elites.

By the year 2012, the PRC economy was dominated by state capitalism. State Owned Enterprises (SOE) had evolved into hugely profitable entities. In 2009, revenues from two State Owned Enterprises: China Mobile and China National Petroleum had greater revenues, more than the 500 most profitable private companies combined. In addition, the majority of foreign investment was funneled to State Owned Enterprises, which also dominated the stock market (Something old, something new, 2012, January 21).

Heading these State Owned Enterprises are commercial elites. First, all are members of the CCP, and thus, they work for the CCP, the ultimate majority shareholder. Second, they are installed by the CCP to gain valuable economic experience and are being groomed to be future political leaders, such as provincial chiefs and/or ministers. For a fortunate few, being President can lead to the ultimate prize, a seat on the Politburo and even the Standing Committee. The CCP is quite aware that in order to maintain its one-party control, it must continue growing and increasing China's revenue and GDP. Hence, the path to political leadership can include time spent helming a state owned enterprise. Wang Qishan, who was recently appointed to the Politburo Standing Committee in November 2012, "spent many years, almost a decade in the leadership of China's banking and financial sectors" (Cheng, 2008, p. 21.)

During my fieldwork, one of my PRC Elite informants, who headed a major media company, received a promotion. He was elevated to a leading political position within the

Communist party. This individual case demonstrates the easy fluidity between the political and commercial elites. While the commercial elites still provide a pool of candidates for political leadership, they are definitely subordinate and subject to the wishes of the CCP. In fact, heads of State Owned Enterprises who forget this lesson suffer the consequences. For example, the heads of the three major state-owned airlines discovered one morning that they had been transferred to their direct competitors; they had no advance warning. It is akin to the CEO of United Airlines waking up and finding him/herself CEO of American Airlines. The CCP and government, the political elites, never hesitate to assert their dominance.

The status of military elites has also changed. From the founding of the Republic when the military and political elites were one and the same, the environment has evolved to one where military elites play a supporting role to political elites. To be clear, the People's Liberation Army (PLA) is the military arm of the CCP and remains a key interest, and gaining military support is essential for any President and leader of the PRC. However, in a country whose main concerns are economic, the military has seen the erosion and institutionalization of its influence. Military power has been institutionalized in order to ensure that the CCP remains the foremost authority over the military. The Central Military Commission (CMC) is the leadership body of the PLA; it has eleven members plus one CMC Chair who is the acting head, even though he is a civilian. The CMC Chair also holds the positions of PRC President and CCP General Secretary. Though a civilian, the CMC Chair makes the final decision while the rest of the CMC provides counsel. Zheng (2006) described the position:

The CMC Chair has the ultimate power to make key decisions. All other CMC members assume only an advisory role in a critical situation, such as the Tianamen confrontation in 1989. . . . This command responsibility system grants the civilian CMC chair unchallenged personal power of appointing top brass, controlling troop deployment, the nuclear buttons and budget. . . . To a soldier the Central Committee (CC) is an empty

idea, while the CMC (Central Military Commission) is where the real and highest authority comes from. (p. 65-67)

Hence, though a civilian, the chairman of the CMC is the figure that commands the greatest authority for military leadership.

While the political, military, and commercial elites form the membership of the national leadership bodies such as the Central Committee, the Politburo, and the Politburo Standing Committee, other elites exist, namely in the form of scholarly and artistic elites. While these two appear to be situated on the periphery of decision-making power in the PRC, scholarly elites, especially, have been working on the sidelines and undertaking advisory roles on policy issues for the political, commercial, and military elites through work associated with universities and think tanks. As think tanks attract and employ retired high-ranking officials from the political, commercial and military arenas, these think tanks grow in influence for the PRC government and the international community at large (Anderson, 2011).

For artistic elites, these men and women are examples of the mass participation of PRC elites in the global community. As PRC and European/American elites purchase their art, the artistic elites become ambassadors of PRC culture. They participate in art fairs outside of China where they attract attention on an international level. They introduce the aesthetic sensibilities of China to the international art market; while in turn, they have been influenced by the artistic movements of Europe and North America. Using their unique experiences of living in Communist China and of surviving the Cultural Revolution, they are able to produce art that reflects these experiences. These works are then sold to international and national audiences. An exchange occurs between these artistic elites and their audiences on a global basis.

As with all other PRC elites, scholarly and artistic elites are dependent on the CCP and the government. Scholarly elites who want to achieve policy advisory positions require the

patronage of the CCP and government leadership. The closer the relationship is between scholarly elites and the CCP/government, the more influence the scholarly elites wield; moreover, the closer the employees of a think tank are to the CCP/government, the more influential the think tank is. However, achieving scholarly elite status requires a superior set of skills that definitely distinguishes them from the rest of the population. This fact contributes to the correct assumption that scholarly elites have “earned” their status rather than solely depending on cronyism, favoritism, and nepotism. Artistic elites also display a certain skill set. They are reliant on good relationships with the government. Without the government permission, they can not participate in international art fairs and exhibitions. They need the government’s agreement in order to spread their art inside and outside of China. Like the scholarly elites, artistic elites must possess superior artistic talent, which attracts the attention of important decision-makers in the art world, both domestic and international.

With the passage of time, the number of elites has also grown. New elites have emerged; they are referred to as Born Elites. They are descendants through blood and marriage of high-ranking officials and revolutionary veterans; their elite status is confirmed by this connection not by their own title or position. In fact, some born elites are not involved in the government at all. Of course, the individuals who have parlayed their birth status into high-ranking positions are the elites with the most influence.

Membership of the Global Elite

Across the PRC elite spectrum, the majority of PRC elites are choosing to become global elites. Following China’s example when it joined the WTO, Chinese political, commercial, and scholarly elites are traveling abroad to participate in conferences and symposiums, some as exclusive as the World Economic Forum in Davos, Switzerland.

While many PRC Chinese send their children abroad for education, the born elites are sending their descendants to the most prestigious educational institutions at the secondary school and university levels. This evolution makes sense considering Thorstein Veblen's theory of conspicuous consumption. In the 1990s, many born elites studied at international institutions, albeit second-tier ones. As the rest of the PRC population grew rich, they too sent their children to study abroad. In order for the established elites to differentiate themselves from the newly arrived rich, they needed to send their children to the best universities like Oxford, Stanford, and Harvard. Moreover, to up the ante, they began sending their children to prestigious secondary schools like Harrow, Marlborough, and Eton in the United Kingdom and to Choate, Exeter, and Andover in the United States. Trigg (2001) summarized:

This search for status through consumption is never ending. What at one time may confer status may later be acquired by all and confer no status. People must always try to acquire new consumption goods in order to distinguish themselves from other. (p. 101)

According to the theory of conspicuous consumption by Veblen, people on a lower tier in society emulate the people in the tier above them. While some critics point out that status is now conveyed through more sophisticated channels, in the PRC, conspicuous consumption is still very applicable. A prime example is the overseas education. While Veblen applied the theory of conspicuous consumption to luxury goods, it can also be applied to education. While education is obviously a much more worthwhile endeavor than the search for consumer goods; in the PRC, obtaining an overseas Ivy League education provides status for individuals and their families akin to name brand clothing.

A PRC minister earns an annual salary of approximately US\$22,000 (Page, 2011). Yearly tuition at Harvard University begins at US\$40,000, and yearly tuition at Oxford University begins at US\$25,000. Full year fees at the Harrow School, an elite boarding school in

the United Kingdom, begin at US\$48,000 (Page, 2011). If one argues that the general population is blissfully unaware of these high costs, I would disagree and cite the case of Bo Guagua, the son of disgraced PRC leader, Bo Xilai. International newspapers, internet blogs, and television news channels all reported the price of Bo Guagua's overseas schooling. According to The Wall Street Journal, the total cost of Bo Guagua's overseas education exceeded US\$600,000 (Page, 2011). I paraphrased what Orville Schell said at a speech at the Center on U.S. China relations at the Asia society in New York on June 12, 2012:

A Harvard degree is the ultimate status symbol. . . .In China, everyone is obsessed with brand names. Just as they want to wear Hermes or Ermenegildo Zegna, they also want to go to Harvard. They think this puts them at the top of the food chain.

Bourdieu (1984) in *Distinction: A social critique of the judgment of taste* defines taste as a product of social conditioning, upbringing, and education. Habits, habitus, lifestyles, dispositions, and expectations are crafted and cultivated, consciously and subconsciously, to showcase the social distinction of that individual. Both Bourdieu and Veblen view taste as a way the different classes differentiate themselves. Using the accumulated cultural knowledge gained during privileged childhoods, established members of the upper class create a distance between themselves and their social inferiors. Lack of cultural knowledge can bar one from climbing the social ladder. According to Bourdieu, one's taste is determined by one's place in the social hierarchy. Bourdieu (1984) wrote: "Taste is an acquired disposition to 'differentiate' and 'appreciate'...to establish and mark differences by a process of distinction...(ensuring) recognition (in the ordinary sense)" (p. 466). In addition to cultural capital, economic capital is also important. Economic capital refers to the economic resources one has. Those possessing the greatest amount of economic or cultural capital dominate those with less capital and try to impose a hierarchy supporting, upholding, and maintaining their higher status.

The PRC elite, especially those political and commercial elites, are also quite comfortable dealing in business and social transactions with other members of the global elite. Consequently, they have decided to live like the global elite. They own homes and properties all over the world. While China may still be the base of operations, they have vacation homes in Europe, Latin America, Southeast Asia and North America, like many other members of the global wealthy.

Multiple home-ownership could be an example of competing with their international peers. Ownership is a status symbol and also serves the practical purpose of providing a home away from home when PRC elites travel all over the world for pleasure and business. It is also an example of Veblen's conspicuous consumption. For the most part, the homes they are building are usually multimilliondollar (USD) homes. Maintaining vacation homes costs far more than the initial purchase price; the yearly maintenance is exorbitant, especially for these types of dwellings.

In addition to owning multiple homes, the PRC elite own multiple passports. While PRC CCP and government officials are not legally allowed to own non-PRC passports, their families usually do. Having a passport allows the holder to leave the country at a moment's notice. This fact underlines the precarious situation faced by many elites when their time in the government and CCP ends. Even though political leadership succession has been somewhat institutionalized, Chinese politics, especially at the top levels, remain dominated by personalized struggles between strong personalities and among strong political factions. When a new leader assumes Politburo membership or higher, a pattern has been established where the descendants of the previous leader have been criticized and their power curtailed (Li, 2001, December). If one's

descendants hold foreign passports, they are assured of an escape in case the worst-case scenario is realized.

Predictions for the Future

In the fall of 2012, the members of the 18th Politburo and its Standing Committee were announced. It ushered in the new Presidency of Xi Jinping and the new Premiership under Li Keqiang replacing former President Hu Jintao and former Premier Wen Jiaobao. President Xi Jinping is the son of former Politburo and vice president, Xi Zhongxun who was one of the major architects of the Special Economic Zones. While Xi Jinping is a princeling, since the princelings are so diverse and not a cohesive political faction, it is more important to note that Xi Jinping is a protégé of former President Jiang Zemin and served as Party Secretary of several coastal areas: Fujian Province, Zhejiang Province and Shanghai. New Premier Li Keqiang has close ties to former President Hu Jintao through their work at the Chinese Communist Youth League. Li Keqiang served as party secretary for Henan (which is located in the middle to eastern section of China) and the coastal area of Liaoning Province.

More importantly, the Politburo Standing Committee has decreased its number from nine people to seven people for the first time since the 16th Politburo in 2002. Pundits like Prof. Susan Shirk wrote that a smaller Politburo Standing Committee is more effective because it will be easier to reach a consensus. Moreover, a small Standing Committee can act more decisively in the hopes that it will not get mired in internal politics (Shirk, 2007, 2012).

In terms of political factions, the new Politburo Standing Committee has five members out of seven who claim princeling ties. Only two members claim CCYL or Tuanpai experience; they are Premier Li Keqiang and Liu Yunshan. One of these individuals, Liu Yunshan, is actually quite close to former President Jiang Zemin (Li, 2012). In actuality, Premier Li Keqiang

stands “quite alone” in the words of Li Cheng during a CNN Interview on November 16, 2012.

Consequently, in China where personality drives policy, studying the personalities of the leadership is quite revealing. While the election process for the Central Committee has become institutionalized, the Politburo Standing Committee has not. Li Cheng (2012, November 16) explained:

The makeup of the Politburo Standing Committee, China’s top ruling body, will do much to determine the direction and pace of the next phase of economic reform, as well as the arc of sociopolitical change in the country. In Beijing, perhaps even more than in Washington, personnel *is* policy (Cheng Li’s emphasis). To understand politics in China therefore requires looking at all aspects of this historic change, from its overall process to the means of selection to the resulting factional balance of power. (para. 4)

In a country like the PRC, which operates in a top down hierarchy, studying the leadership of its top ruling body can predict future policy. The selection process for the Standing Committee remains hidden and obscured from the public, and it is a result of political networking and backdoor dealings. The only clue scholars have is to examine the leadership, their personalities, and their previous policies. Fortunately, four members: Xi Jinping, Zhang Dejiang, Yu Zhengsheng, and Wagn Qishan have all displayed high levels of competence in finance and economics (Li, 2012, p. 5). A table explaining their histories follows:

Table 8.1 18th Politburo Standing Committee

RANK	Name	DOB	Faction	Experience In China	Based on previous leadership experiences, policies expected to be⁶
1	Xi Jinping	1953	Jiang Zemin protégé /son of former Politburo member & Vice Premier who	Governor and Province Secretary of Fujian and Zhejiang Province	Market friendly/pro-SOE monopoly

⁶ Obviously, this is a prediction and is in no way a guarantee of how they will vote.

			headed up Special Economic Zones	both coastal Party Secretary Of Shanghai in 2007 Served as a mishu to Minister of Defence	
2	Le Keqiang	1955	CCYL/ Hu Jintao protégé	Governor of Henan (Eastern Center of China) & Liaoning Province (coastal area)	Increasing Employment/ More affordable housing/ basic health care//balancing regional development/ Promoting green technology
3	Zhang Dejiang	1946	Jiang Zemin protégé/Son of former PLA Major General	Vice Minister of Civil affairs, party secretary of Jilin and Zhejiang Province (both coastal)	Pro-SOEs/ State Monopolies/ Economic protectionism
4	Yu Zhengsheng	1945	Jiang Zemin protégé/ son of an early CCP member, son of party secretary and mayor of Tianjin ⁷ which is the port that feeds Beijing & Northern China. Yu's father was also first husband of Jiang Qing, Mao Zedong's wife & leader of Gang of Four Yu's wife is the daughter of a major General.	Party secretary in Shanghai, Qingdao City, Shandong Province, coastal area. Minister of Construction	Promotion of private sector, urban development, social reform
5	Liu Yunshan	1947	Close to Jiang Zemin/CCYL/Liu's	Deputy Party Secretary of	

⁷ Like Beijing, Shanghai, and Chongqing, Tianjin is a directly controlled municipality. Hence, although it is a city, it ranks as a province. Party Secretary and Mayor of Tianjin are equal to Party Secretary and Governor of a province.

			Son is CEO of private equity firm	Inner Mongolia, Deputy Director of Propaganda Department	
6	Wang Qishan	1948	Jiang Zemin and former Premier Zhu Rongji protégé /Son-in-law of Politburo Standing Committee member and vice premier	Governor of China Construction Bank/Vice governor of Guangdong/Party Secretary of Heinan Province/Mayor of Beijing (all economic advanced regions)	Promotes Foreign Investment & Trade/ liberalization of China's financial system/ tax-revenue reform.Strong ties to SOEs.
7	Zeng Gaoli	1946	Jiang Zemin protégé	Governor & Party Secretary of Shenzhen (Special Economic Zone), and Tianjin, Shangdong Province all economic advanced regions.	Pro-market economic policy.

It is important to note that at the next Congress in 2017; only President Xi Jinping and Premier Li Keqiang will remain on the Politburo Standing Committee. The other five members will have reached the mandatory retirement age and will retire. For those who predict the political demises of former President Hu Jintao and former Premier Wen Jiabao, this prediction may be premature. In five years, there could be a resurgence of leaders with CCYL/tuanpai backgrounds. Presently, six of the seven Politburo Standing Committee members are aligned with the princeling or Jiang faction. In the previous Politburo Standing Committee, the balance of power was more evenly split between the princeling/Jiang and the CCYL/tuanpai faction.

While the Politburo Standing Committee is solidly filled by Jiang's protégés, the Politburo, Central Committee, and the Central Military Commission have all maintained a balance between the two factions (Li, Cheng, 2012, November 16). The fact that Jiang Zemin can exert so much influence even though he is retired reveals an inherent weakness in the succession plan of the top PRC leadership. Li Cheng (2012, November 16) explained:

There appears to have been no intra-party multiple-candidate election for the Politburo and its Standing Committee. These leaders are still selected the old-fashioned way: through behind-the-scenes deal-making, a process that retired leaders still influence heavily. Introducing intra-party multiple-candidate elections at this level would provide a new source of legitimacy and enhance elite cohesion. (p. 3)

A Standing Committee with strong ties to Jiang Zeming suggests future economic policies similar to the economic reforms of the President Jiang Zeming/Premier Zhu Rongji era. This could mean foreign investment is strongly encouraged; government funds could be funneled to economically strong areas such as the coastal provinces and the centrally controlled municipalities. This is especially likely since five of the seven Standing Committee members have earned their economic expertise in these areas. The one member who has experience with the inner regions of China is Liu Yunshan; he has a close relationship with Jiang Zemin and is more likely to side with the Jiang majority. Consequently, there could be less political attention and economic resources spent on the inner regions of China. Hu's and Wen's work on increasing subsidies to the health sector could also decrease. Moreover, Hu and Wen's loose monetary policy will most likely end since it was criticized for creating the property bubble. The Politburo Standing Committee will emphasize economic growth in order.

Even though President Jiang and Premier Zhu championed the privatization of State Owned Enterprises, State Capitalism will remain strong and constant under President Xi and Premier Li. The CCP and government will continue to support and to promote these huge State

Owned Enterprises as national champions; the government will assist them in competing against foreign corporations. In the PRC, State Owned Enterprises constitute 80% of the value of China's stock market; they attract one-third of the world's foreign direct investment; three Chinese State Owned Enterprises are among the top ten most profitable companies in the world. As the largest shareholder in the country's 150 most profitable and largest companies, the government manages the currency, directs money to favored companies and guides them in their operations in China and outside of China. President Xi Jinping and Premier Li Keqiang will continue this trend as long as these enterprises remain profitable.

State capitalism is a prime example of China trying to meld seemingly disparate and even contradictory points of view. In this case, the PRC is trying to combine "the power of the state with the powers of capitalism. It depends on government to pick winners and promote economic growth. But it also uses capitalist tools such as listing state owned companies on the stock market and embracing globalization" (The visible hand, 2012, January 12, p. 3). PRC Elites, specifically the political, commercial, and born elites, are eager participants in a global elite lifestyle. Consequently, they try to obtain status and prestige by acquiring money, attaining foreign degrees, consuming status goods, and flaunting the spoils of the elite way of life. Simultaneously, PRC Elites also display ultra-nationalistic tendencies in support of the policies of the CCP and the government.

The PRC elites and their descendants derive their status from the CCP. Political, commercial, and military elites claim elite status by their position in the CCP and government hierarchy. Born elites gain their status from being related via blood or marriage to political, commercial, or military elites. Artistic and scholarly elites derive their status from how closely

they are aligned to the CCP and government. Understandably, these PRC elites have a vested interest in maintaining the rule of the CCP in this one party state.

It is also essential to note that these PRC elites are still reinterpreting how to reconcile these two seemingly contradictory themes as they wish to end up as neither Russia nor the United States. Instead, the CCP and the PRC government are trying to invent a uniquely Chinese system on the path that was started by Deng Xiaoping. They are in the midst of this evolution. To be certain, one way to determine the future of China is to study the paths of the PRC elite.

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http://www.cucas.edu.cn/HomePage/2009-03-22/page_77.shtml - List of Project 211 universities

<http://www.usnews.com/rankings> - Rankings of universities in America.

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Biographies of PRC officials. Retrieved throughout 2009-2012.

APPENDIX A
MAP BY PROVINCE OF
People'S Republic of China



APPENDIX B

Schedule for Interviews

Time _____
Date _____
Location of Interview _____
Respondent _____
Interview No. _____

- 1) Where were you born? Your spouse? Your children?
- 2) What is your occupation? Your spouse's? Your children's?
- 3) What languages do you speak? Your family? Can you read or write other languages?
- 4) What kinds of schools do your children attend: Private, Mandarin-speaking, international?
- 5) Where do you live? Is this where you want to live?
- 6) Can you describe Chinese society? Please choose three words that best exemplify your thoughts.
- 7) Where do you place yourself and your family within Chinese society? What is your basis?
- 8) Who would you want your children to marry and why?
- 9) How did you choose your business parties? How do your children?
- 10) What do you do for social events?
- 11) Who are the elites? What do they do to make them elite? Which Chinese words would you chose to best describe elites? Why? What are the physical boundaries of elitedom in China?

APPENDIX C

Schedule for Life History

1. Can you describe life before 1949? How did it change? Where were you living?
2. Can you describe your participation in 1949? Where was your family in 1949?
3. How did you meet your spouse? How close were your families?
4. Where did you attend primary school? How many of your current friends are still in your life?
5. If someone outside of the PRC wanted to understand growing up in the PRC, how would describe your childhood? Is there a typical? How does this differ from the childhoods of your parents?
6. Can you describe the rest of your education? What degrees did you earn? From where?
7. Can you describe your university life?
8. Where did you raise your family? What compromises did you make for your career?
9. Can you describe your career path? Is there one incident or incidents that you can recall that helped you get where you are today?
10. Did you have a mentor?
11. Can you explain and describe the different factional affiliations in your career?
12. What career advice would you give future generations?

APPENDIX D- LIST OF INFORMANTS BY CATEGORY

For simplicity sake, the Chinese AND English names are listed by Personal Name Family Name

INFORMANTS -- POLITICAL ELITES

NO.	NAME Personal Family	DOB/GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
1	Pai Enuo	1920s/M	Central Committee Member	1946	BS, Engineering	Jiangsu Province
2	Pao Ezha	1920s/M	Central Committee Member	1949	BS, Engineering	Hunan Province
3	Pan Erguang	1920s/M	Minister	1949	BS, Engineering	Jiangsu Province
4	Paishe Ewai	1940s/M	Central Committee Member	1964	BS, Engineering	Anhui Province
5	Paizi Enuo	1940s/M	Central Committee Member	1965	BS, Engineering & Post Grad	Hebei Province

INFORMANTS -- POLITICAL ELITES-Continued

NO.	NAME Personal Family	DOB/GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
6	Pang Ertong	1940s/F	Central Committee Member	1961	Central Party School	Hebei Province
7	Pangzi Eryu	1940s/M	Vice Minister	1971	BS, Engineering	Zhejiang Province
8	Panbian Emu	1950s/M	Provincial Leader	1976	BA, Political Science	Shandong Province
9	Panju Ezujou	1950s/M	Central Committee Member	1973	BA & J.D.	Gansu Province
10	Penfa Exing	1950s/M	Central Committee Member	1975	BS, Engineering	Jiangsu Province
11	Pian Eran	1950s/M	Vice Minister	1979	BS, History	Jiangsu Province

INFORMANTS -- COMMERCIAL ELITES

NO.	NAME Personal Family	DOB/ GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
12	Chan Erguang	1940/M	Retired, CEO of Industrial SOE	in his 20s	BS, Engineering	Fujian Province
13	Cemu Emeng	1940s/M	Retired CEO of Industrial SOE	in his 20s	BS, Engineering	Jiangsu Province
14	Caibao Echuan	1940s/M	Retired, SVP of Industrial SOE	In his 20s	BS, Engineering	Hubei Province

15	Canyu Eryu	1940s/M	Retired CEO of Manufacturing SOE	In his 20s	BS, Engineering	Liaoning Province
16	Caili Ezhou	1950s/M	Party Secretary of Manufacturing SOE	In his 20s	BS, Engineering	Liaoning Province
17	Caizhu Eqing	1950s/M	CEO of Insurance SOE	In his 20s	BA, Masters	Hebei Province
18	Christopher Erzhai	1960s/M	CEO of Industrial SOE	In his 30s	BA, History & Masters	Jiangsu Province
19	Canmou Emei	1960s/M	CEO of Industrial SOE	In his 30s	BS, Engineering	Hebei Province

INFORMANTS -- COMMERCIAL ELITES – Continued

NO.	NAME Personal Family	DOB/ GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
20	Cezhong Exing	1960s/M	CEO of Industrial SOE	In his 20s	BS, Engineering	Hubei Province
21	Cha Ezha	1960s/F	SVP of Industrial SOE	In his 20s	BS, Engineering	Hubei Province
22	Cai Eyu	1950s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
23	Changkong Enuo	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province

24	Changshi Emao	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
25	Changdu Ezuaju	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
26	Chu Ezi	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
27	Chang Eng	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
28	Chai Edu	1960s/M	VP of Industrial SOE	In his 20s	BS, Engineering	Jiangsu Province
29	Changtu Esha	1950s/M	Factory Owner	In his late teens	None	Yunnan Province

INFORMANTS -- COMMERCIAL ELITES – Continued

NO.	NAME Personal Family	DOB/ GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
30	Chengren Eyao	1950s/M	Factory Owner	In his late teens	None	Gansu Province
31	Curtis Enyuan	1950s/M	Computer Entreprene ur	Not	BS, Physical Sciences Ph.D. Physics	Hebei Province
32	Chushi Erbianfeng	1960s/M	Venture Capitalist	Not	BA, Masters	Hunan Province
33	Chi Ercong	1960s/M	Venture Capitalist	Not	BA, MBA	Jiangsu Province
34	Chuanbo Eryu	1970s/M	Private Equity	Not	BA, MBA Northweste rn	Hebei Province
35	Chan Enai	1970s/F	Banking	Not	BA & MBA	Hebei Province
36	Caizhu Eng	1970s/M	Banking	Not	BA, MBA Cornell	Jiangsu Province

INFORMANTS – SCHOLARLY ELITES – Continued

NO.	NAME Personal Family	DOB/GEN DER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
37	Sa Eng	1950s/F	Retired Party Secretary, University	1976	BS	Jiangsu Province
38	Shichang Ernai	1950s/F	Party Secretary, University	1978	BS	Fujian Province
39	Song Ezhai	1950s/M	President, University	1985	BS, Masters	Jiangsu Province
40	Shiye Ezha	1950s/M	President, University	1980	BS, Ph.D.	Jiangsu Province
41	Shou Eguo	1960s/F	Deputy President	1992	BS, Ph.D.	Jiangsu Province
42	San Erge	1960s/F	SVP, University	1998	BS, Ph.D.	Hebei Province
43	Shu Erxi	1960s/F	VP, University	Not	BS	Fujian Province
44	Segui Er	1960s/F	VP, University	Not	BA	Fujian Province
45	Siwen Ertong	1960s/M	Dept. Head, University	Not	BS, Masters	Hebei Province
46	Shan Erbaiwu	1960s/M	Dept. Head, University	Not	BS, J.D.	Hebei Province
47	Shansha Eba	1960s/M	Dept. Head, University	Not	BA, Masters	Jiangsu Province
48	Shangcai Enhui	1960s/M	Dean, University	Not	BA, Masters	Jiangsu Province
49	Shang Egun	1960s/M	Dean, University	Not	BA, Masters	Jiangsu Province

INFORMANTS – SCHOLARLY ELITES – Continued

NO.	NAME Personal Family	DOB/ GEND ER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
50	Shaoshu Ehua	1970s/ M	Dean, University	1993	BS, Ph.D.	Hebei Province
51	Sharon Erbaiew	1950s/ F	Head, PRC Think Tank	Not	BA, MBA	Jiangsu Province
52	Sara Erqie	1950s/ F	Head, PRC Think Tank	Not	BA, Masters	Jiangsu Province
53	Sondra Endian	1950s/ F	Head, PRC Think Tank	Not	BA, MBA	Hebei Province
54	Samuel Exin	1960s/ M	Distinguishe d Fellow, PRC Think Tank	Not	BA, MS	Gansu

INFORMANTS – BORN ELITES – Continued

NO.	NAME Personal Family	DOB/GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
55	Barbara Eng	1980s/F	VP, PRC Bank	Not	BA, MBA	Hebei Province
56	Bets Er	1980s/F	VP, PRC Bank	Not	BA, MBA	Singapore
57	Bonnie Ewai	1970s/F	UNICEF executive	Not	BA, MBA	Hebei Province
58	Blythe Erge	1970s/F	VP, PRC Bank	Not	BA, MBA	Hebei Province
59	Betty Erzi	1970s/F	Jewelry Designer	Not	None	Jiangsu Province
60	Beebee Ernai	1970s/F	Jewelry Designer	Not	BA	Jiangsu Province
61	Bettina Erguang	1980s/F	Clothing Designer	Not	BA	Jiangsu Province
62	Ben Erzi	1980s/M	Analyst, US bank	Not	BA	Jiangsu Province
63	Betty Ershou	1980s/F	Graduate School	Not	BA, MA	Hebei Province
64	Bi Eqing	1980s/M	Student	Not	BA, MA	Hebei Province
65	Bo Exi	1980s/F	Student	Not	BA	Hebei Province

INFORMANTS – ARTISTIC ELITES – Continued

NO	NAME Personal Family	DOB/ GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
66	Ao Edu	1960s/F	Museum Curator/ Gallery Owner	Not	BA, MFA	Hebei
67	Aogu Ewa	1950s/M	Artist	Not	BA	Sichuan Province
68	Aoman Erxin	1950s/M	Artist	Not	BA	Sichuan Province
69	Aoqi Erliuzu	1950s/F	Artist	Not	BA	Hebei Province
70	Anran Ershi	1950s/M	Artist	Not	BA	Hebei Province
71	Ancang Ernai	1960s/F	Artist	Not	BA	Hebei Province
72	Ang Erbaiwu	1960s/M	Artist	Not	BA	Jiangsu Province
73	Aiwei Ermu	1950s/M	Composer	Not	BA	Hebei Province
74	Aidai Erguang	1950s/M	Composer	Not	BA	Jiangsu Province
75	Aiqing Eryu	1950s/M	Conductor	Not	BA, MFA	Jiangsu Province
76	An Er	1960s/F	Musician	Not	BA	Hebei Province
77	Aimei Eqing	1970s/F	Musician	Not	BA	Hebei Province
78	Aiyue Emao	1950s/F	Author	Not	BA, Masters	Hebei Province
79	Aida Esha	1950s/M	Author	Not	BA	Sichuan Province

INFORMANTS – NON-ELITES – Continued

NO	NAME Personal Family	DOB	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
80	Dr. Nicholas Ei	1920s	Chair, US Industrial Company	Not	BS, MBA	Jiangsu Province
81	Narcissa Ei	1970s	Dep. Chair, US Industrial Company	Not	BA, MBA	NY, USA
82	Natalie Eng	1980s	VP, US Industrial Company	Not	BA	Gansu Province
83	Nadine Eggars	1970s	SVP, US Bank	Not	BA, MBA	CA, USA
84	Nathaniel Edwards	1960s	Partner, VC Firm	Not	BS, MBA	MA, USA
85	Nancy Elgin	1960s	Art Dealer/Gallery Owner	Not	BA, MFA	IL, USA
86	Narcisco Elgin	1950s	Art Dealer/Gallery Owner	Not	BA, MBA	NY, USA

INFORMANTS – NON-ELITES – Continued

NO	NAME Personal Family	DOB	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
87	Nolan Emmerson	1940s	Retired, Investment Banker	Not	BA, MBA	NH, USA
88	Niles Eggleston	1970s	Computer Science Entrepreneur	Not	BS	Washinton DC, USA
89	Nig Ebersole	1950s	Hedge Fund Owner	Not	BA, MBA	NY, USA
90	Nathaniel Ebersole	1990s	Charity Head/ Consultant	Not	BA, Masters	NY, USA
91	Neal Endicott	1960s	PRC Think Tank Head	Not	BA, Masters	IL, USA
92	Neville Er	1960s	Venture Capitalist	Not	BA, MBA	Gansu Province
93	Nate Elgon	1960s	US Think Tank	Not	BA, Masters	NY, USA
94	Ned Eans	1960s	US Investment Banker	Not	BA, MBA	NY, USA
95	Nina Eldrige	1960s	Art Consultant	Not	BA, MFA	WA, USA
96	Nicole Eggert	1960s	Art Auction Consultant	Not	BA, MFA	TX, USA
97	Natasha Evans	1970s	Art Auction Consultant	Not	BA, MFA	CA, USA
98	Nan Eads	1960s	Stay at Home Mom	Not	BA, MBA	CA, USA
99	Nora Egan	1960s	Stay at Home Mom	Not	BA, MBA	CA, USA

INFORMANTS – NON-ELITES – Continued

NO.	NAME Personal Family	DOB/ GENDER	POSITION	YR JOINED CCP	EDUCATION	BIRTHPLACE
100	Nysa Eames	1970s	Stay at Home Mom	Not	BA, JD	CT, USA
101	Numa Eisensmith	1970s	Stay at Home Mom	Not	BA, JD	NJ, USA
102	Neda Ehrich	1970s	Stay at Home Mom	Not	BA, MBA	VT, USA
103	Nell Egnor	1970s	Stay at Home Mom	Not	BA, MBA	CT, USA
104	Nikka Ellery	1970s	Stay at Home Mom	Not	BA, JD	NH, USA

APPENDIX E- BRIEF BIOS OF ELITES QUOTED

Brief Bios on informants who are quoted several times or more are presented below.

[Please note all names are pseudonyms. All detailing information about them has been changed to protect their confidentiality.]

POLITICAL ELITES

Given the sensitive political nature of the PRC, I did not write a brief bio on any political elite informant to avoid uncovering the identity. The details of each individual are so specific; if I wrote a brief bio, it would be easy to figure out their true identity. If I were to write a brief bio that obscured their details, their bio would be rendered useless since the details in their political ascent are so crucial. When I used a quotation, I would just refer to an unnamed high-ranking official.

COMMERCIAL ELITES

DR. CURTIS ENYUAN

Dr. **Curtis Enyuan** was born in was the Hebei Province. He graduated from a top 50 PRC university and received a BS. Then, he went to an US Midwestern school and received a Ph.D. in Physical Engineering. He worked at several international banks in New York, San Francisco, and London. During the 1990s, he worked as Vice President in a private equity fund. He met the governor in 1990s. In 2000, he returned to the PRC as a visiting scholar to a top fifty PRC university and also opened a software engineering company in Beijing. Currently, he is a partner of his own software company specializing in cloud computing.

MILITARY ELITES

As mentioned in the Introduction and Chapter Four on military elites, I was unable to secure access to any military elites. Therefore, there are no military elites among my informants. The information about the military elites came from other political, commercial, and scholarly elites.

SCHOLAR ELITES

SONDRA ENDIAN

Sondra Endian was born in the 1950s in Hebei Province. Her father was an official in the State Ministry. She attended a top tier PRC university and then received her MBA from UCLA. She is now head of an economic think tank in the PRC.

SHARON ERBAIWU

Sharon Erbaiwu was born in the 1950s in Jiangsu Province. She received a BA in a top tier PRC university; she then pursued a MBA at a prestigious university in the US. Presently, she heads a top International Relations Think Tank in the PRC.

SHAN ERBAIWU

Shan Erbaiwu was born in the 1960s in Hebei Province. He attended a top tier university in Beijing, China where he graduated with a BA in History and then graduated with a JD from the same university. He has worked in universities his entire career. Currently, he is the Dept. Head of overseas affairs in a top tier PRC university based in the Jiangsu province.

BORN ELITE

BARBARA ENG

Barbara Eng was born in the 1970s in Hebei Province. Her father was a CEO of a large industrial SOE while her mother was a well regarded chemist. She graduated from a top tier PRC university and received her MBA in Europe. She currently works at as a VP of PRC Bank.

BETSY ERSYOU

Betsy Ershou was born in the late 1970s in Hebei Province. Her grandfather was a member of the Politburo during the 1980s. She graduated from a top tier PRC University and received her Masters degree from an Ivy League Institution. She is currently pursuing her doctoral degree at an Ivy League institution.

NON-ELITES

NATALIE ENG

Natalie Eng was born in Gansu Province in the 1980s. She was accepted into a top tier university in the PRC. She emigrated to NY in 1994. She started as a manager and has worked her up to Vice President of an international industrial multiconglomerate based in the United States.

NEAL ENDICOTT

Neal Endicott is a non-elite. Born in 1967, **Neal Endicott** was born in the New York. He attended Georgetown University in the United States where he studied International Relations and then received a MA in government relation at the same university. After graduation, he worked for a major consultancy group and worked in the Shanghai office. He then worked for President Clinton from 1992-2000 and worked in the State Department at the Beijing office. From 2000-to the present, he works at a United States think tank based in Shanghai, China. His specialty is CCP leaders.

NICOLE EGGERT

Born in the 1970s, Nicole Eggert is a non-elite; she is Caucasian. Born in New Hampshire, she attended an Ivy League university and majored in Art History. Then, she graduated with a MFA from another Ivy League University. She has worked in several art auction houses in London, New York, Hong Kong, and Paris. Presently, Nicole is the SVP at a major auction house and specializes in Chinese art.

NILES EGGLESTON

Niles Eggleston, a non-elite, was born in 1970 and in the United States. He earned a BS in Engineering from MIT. He currently runs a software engineering company with five offices in China.

NIG EBERSOLE

Nig Ebersole was born in the United States during the 1950s. He attended a local community college and then an Ivy League business school. He opened his own hedge fund. Additionally, he also provided funding for a charity in China which his son founded and continues to supervise.

NILES EGGLESTON

Niles Eggleston was born in the United States during the 1970s. He graduated with a degree in Engineering in a top ranked US university. After graduation, he built several software companies. His latest venture is a cloud computing joint venture based in China.

NOLAN EMMERSON

Nolan Emmerson was born in the United States during the 1950s. He attended Dartmouth College and then Harvard Business School. After graduation, he worked at an investment bank.

In the 1990s, he was the head of foreign investment in China for a major US banking conglomerate. He worked in China from 1990 to 2001. He retired in 2002.

APPENDIX F

Teachers College, Columbia University

INFORMED CONSENT

DESCRIPTION OF THE RESEARCH: You are invited to participate in a research study on how elite status is formed in the People's Republic of China. You may be asked to be interviewed and observed. You may be asked to have your interview audio-taped. The audio tape will be used for transcribing purposes only, and the tapes will be destroyed before the researcher exits the country. The data from the tapes will be used for the researcher's dissertation. Each participant is given a pseudonym; your name will not be used. All transcriptions and data collected will use the pseudonym. Since I am using pseudonyms, I want to convey that I am quite serious about maintaining confidentiality for my informants.

The research will be conducted at the location of your choice which can include but is not limited to a private home, an office, museum, art gallery, government facility, book store, coffee shop.

At any time during this process including before, during, or post interview, you may withdraw your name and all corresponding data gained from this research study. If you become distressed or uncomfortable, you have the right to stop the interview and I will provide counseling references. I have included several pamphlets and cards for counseling services in Shanghai, China.

RISKS AND BENEFITS:

Any risk associated with this study involves any negative commentary and/or criticisms of PRC elites and the Chinese Communist Party's role in the process of elite status formation, certification, and maintenance. By assigning each individual with a pseudonym, the Principal Investigator hopes to maintain confidentiality and thereby minimizing risk of exposure.

There are no direct benefits to participants anticipated.. The participant hopefully may gain some personal insight about the inner workings of PRC society and how the invisible structures of power and influence affect his- or her-self. In addition, the participant may gain some personal satisfaction that s/he is contributing to the understanding of PRC society.

To reiterate what is mentioned above, at any time during this process including before, during, or post interview, participants may withdraw their names and all corresponding data gained for this research study. Before publication, I will check that they still agreed to be included in my dissertation. If you become distressed or uncomfortable before during, and after the interview, you have the right to stop the interview. You also have the right to withdraw from the study after the interview is concluded. If you feel distress, I will provide counseling references. I have included several pamphlets and cards for counseling services in China.

DATA STORAGE TO PROTECT CONFIDENTIALITY: Interviews, field notes, and focus group data will be kept in a locked file cabinet in my home which is locked at all times. Each individual will be given a pseudonym. Each individual is given a pseudonym; your name will not be used. All transcriptions and data collected will use the pseudonym.

TIME INVOLVEMENT: The study is expected to take place over twelve months. How much your participation will take is dependant on the type of participation and is described as follows:

For interviews: One hour, three times over the course of the study

For participant observation: Time is dependant on the duration of the specific event.

HOW WILL RESULTS BE USED: The results of the study will be used for the Principal Investigator's dissertation. The data may also be used for any conference regarding said dissertation and may be published in journals or articles or used for educational purposes. Before publication, I will check that they still agreed to be included in my dissertation

Teachers College, Columbia University

PARTICIPANT'S RIGHTS

Principal Investigator:

Research Title: _____

- I have read and discussed the Research Description with the researcher. I have had the opportunity to ask questions about the purposes and procedures regarding this study.
- My participation in research is voluntary. I may refuse to participate or withdraw from participation at any time without jeopardy to future medical care, employment, student status or other entitlements.
- The researcher may withdraw me from the research at his/her professional discretion.
- If, during the course of the study, significant new information that has been developed becomes available which may relate to my willingness to continue to participate, the investigator will provide this information to me.
- Any information derived from the research project that personally identifies me will not be voluntarily released or disclosed without my separate consent, except as specifically required by law.
- If at any time I have any questions regarding the research or my participation, I can contact the investigator, who will answer my questions. The investigator's phone number is (646)339-2633.
- If at any time I have comments, or concerns regarding the conduct of the research or questions about my rights as a research subject, I should contact the Teachers College, Columbia University Institutional Review Board /IRB. The phone number for the IRB is (212) 678-4105. Or, I can write to the IRB at Teachers College, Columbia University, 525 W. 120th Street, New York, NY, 10027, Box 151.
- I will be able to read a copy of the Research Description and this Participant's Rights document.
- If audio taping is part of this research, I () consent to be audio taped. I () do NOT consent to being audio taped. The written and audio taped materials will be viewed only by the principal investigator.
- The participant can stop audio-taping at any point during the interview. The participant can ask for the audio-tape to be destroyed at any point during or after the interview.
- The tapes are for transcribing purposes only; they will be destroyed before the Principal Investigator leaves the country.
- Written and/or audio taped materials () may be viewed in an educational setting outside the research. () may NOT be viewed in an educational setting outside the research.

- Each individual is given a pseudonym; your name will not be used. All transcriptions and data collected will use the pseudonym.
- My verbal consent means that I agree to participate in this study.
- At any time during this process including before, during, or post interview, I may withdraw my name and all corresponding data from this research study. If I become distressed or uncomfortable, I have the right to stop the interview. Counseling references will be provided to me in the form of pamphlets and cards from counseling services in China.
- Before publication, I will check that you still agree to be included in my dissertation.

Investigator's Verification of Explanation

I certify that I have carefully explained the purpose and nature of this research in age-appropriate language. He/She has had the opportunity to discuss it with me in detail. I have answered all his/her questions and he/she provided the affirmative agreement (i.e. assent) to participate in this research.

Investigator's Signature: _____

Date: _____

SCRIPT for
Informed Consent and Participant's Rights

Dear Participant,

Please read the following Informed Consent and Participant's Rights Forms. For your safety, I advise that you, the participant, do not keep a copy of either form. I am doing this so that there will be no paper link between you and this study.

Of course, if you have any questions, please do not hesitate to ask me. At any time during this process including before, during, or post interview, you may withdraw my name and all corresponding data from this research study. If you become distressed or uncomfortable, you have the right to stop the interview. Counseling references will be provided in the form of pamphlets and cards from counseling services in China. Before publication, I will check that you still agree to be included in my dissertation.

By giving verbal assent to the above Informed Consent and Participants Rights, you are allowing me to include you in my research study. Your participation is voluntary. You can withdraw anytime without penalty.

Thank you very much for agreeing to be included in my research study on Elite Status in the PRC.