Workshop Memo
Meg Rithmire, Harvard Business School
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What have we learned about how the CCP manages economic elites?

In Robert Dahl's classic characterization of regimes, authoritarian regimes are distinguished by their limited contestation among elites and limited participation by the masses. Maintaining authoritarianism, then, means managing the demands of both elites and masses for greater contestation and participation. One way to think about "authoritarian resilience" in China is to consider how the Chinese Communist Party has prevented, channeled, and diffused these demands. In this short memo, I will focus on what the field has gleaned about how the CCP manages elites (as opposed to the masses or public at large).

"Elites" may derive their status from several sources. "Political" elites, usually used more or less in the sense of regime insiders, are the most commonly discussed in political science literature and within the China field. These are followed by "economic" elites, who may also be regime insiders, and "social" elites, who derive status from celebrity or culture and who are less frequently studied by political scientists.[1] One useful way of dividing elites is by distinguishing regime "insiders" from "outsiders," which in the Chinese case means asking how the CCP manages elites outside of the regime separately from how it manages those within the party itself. Here, I take the opportunity to discuss some ideas about what we have learned about how the regime manages economic elites.

A key way of managing economic (or social) elites is to turn them from outsiders into insiders— that is, to incorporate them into the political system. In most cases, this means incorporating elites into a ruling party and usually granting them access to spoils or rents in exchange for political fealty. Blaydes, for example, has argued that "electoral authoritarianism" in Mubarak's Egypt allowed the Egyptian business class parliamentary immunity and the opportunity "to engage in illegal profiteering with little fear of prosecution" (Blaydes 2011: 230).

In the Chinese case, scholarship on the CCP's embrace of private enterprise has coalesced around the party's "co-optation" of economic elites as a partial explanation for the political docility of the private sector. This co-optation has occurred both formally and informally. In the formal realm, recent work has demonstrated that economic elites participate in formal institutions such as the National People's Congress and local people's congresses to secure their property rights and improve their business prospects (Hou 2017; Truex 2014). These studies demonstrate the benefits to economic elites for participating in formal political institutions, but we know less about how the regime

[1] Given recent trends in democracies (the US) and non-democracies alike, political scientists may pay greater attention to the power of celebrity. Social elites in China include people like Jackie Chan and Zhang Yimou, who have leant their artistic credibility and celebrity endorsement to the CCP, or people like Han Han or Hu Shuli, who are given space to criticize the CCP within limits known to them.

makes use of economic elites and what exactly the CCP seeks from the private sector. For example, Blaydes argues that Egyptian elections helped NDP elites make difficult resource allocation decisions by providing information about which members of the "broad, rent-seeking elite support base" were most powerful. Furthermore, "investing" elites in corrupt activity makes these elites vulnerable in the case of regime collapse, "binding" the highest levels of the regime and the elite class (11).

In the Chinese case, there is no evidence that the CCP uses these formal institutions as mechanisms for allocating resources among elites or as power-sharing platforms. More importantly, the Chinese case differs from others because the CCP's formal institutions cannot be convincingly said to solve the "credible commitment" problem of how dictators commit to not "abusing their 'loyal friends'—those who choose to invest in the existing autocratic institutions rather than in forming subversive coalitions." (Magaloni 2008: 1). As is abundantly clear amidst the Xi Jinping administration's historic anti-corruption campaign, connections to and within the party are subject to sudden change and these formal institutions do not restrain top leaders. Manion (2015) finds that the CCP benefits from tapping local knowledge from the grassroots to improve local governance, but we have a good deal to learn about how the CCP interacts with and restrains elites, especially economic ones.

The field has also accumulated knowledge about informal interactions between economic elites and the state. Many scholars have documented how economic elites rely on informal means of problem solving, including tapping personal networks or kinship ties (Wang 2015; Tsai 2007). The most common informal relations between business owners and the CCP function like clientelism: state bureaucrats recruit businesses as investors in a particular jurisdiction and then function as their "patrons," solving problems for businesses in exchange for either personal kickbacks or political credit for securing investments or both (Pearson 1997; Ang 2016). Many have pointed to these informal relations, in which the Chinese bureaucracy has been organized to "serve business," as the explanation of how China has produced remarkable growth in the last decades despite a lack of formal institutions that are typically "requisite" for economic growth (such as secure property rights, contract enforcement, and so forth) (Ang 2016; Hsieh 2016; for a different take, Lü 2000). Indeed, the availability of these adaptive solutions may explain low demand for institutional changes such as rule of law (Wang 2015).

Although it is clear that the CCP and China's economic elites have shared interests over the past few decades, it is not at all clear that "co-optation" or "political integration" (Dickson 2008) could survive a divergence of those interests. If the CCP were to, for various reasons, cease "serving business" or affording the private sector sufficient autonomy to function, it is not hard to imagine an end to the private sector's political docility. In this sense, Chinese economic elites are, to adapt Bellin's (2000) term, "contingent communists," supportive of the CCP so far as their continued profits are ensured but unlikely to support the regime when their interests are endangered.

One possibility worth considering is whether the alignment of interests between the business class and the CCP was a temporary arrangement that is not destined to survive in the medium to long term. Whether or not a local official's economic performance translates to advancement within the party in actual practice (see discussions in Shih et al 2012 and Xu and Lorentzen 2014), it is clear to most scholars doing research on local governments that local officials have historically had incentives to foster economic growth, whether to meet their performance targets or simply to enrich themselves. But that arrangement seems to be in doubt as the party under Xi emphasizes mobilizational and political objectives, possibly signaling a change in the "mode of governance" (Wallace 2015). If the party–state hierarchy is no longer primarily rewarding growth or if local officials increasingly find that they can enrich themselves without necessarily "doing well for business" (e.g. by liquidating the land rather than attracting investment), it is easy to imagine how business–state relations could become more predatory and extractive and less "crony" (Dickson 2008) or "entwined" (O'Brien 1994).

From the current state of research, it may be hard to predict or even observe if such a moment may arrive for two reasons. First, our knowledge about the conditionality of the CCP's embrace of the private sector and the private sector's dependence on the CCP is insufficiently precise. We know that economic elites seem to benefit from participation in CCP institutions, but we don't quite know how: does membership signal safety? Help cultivate lucrative ties? Help evade cumbersome regulation? Admittedly, these mechanisms are hard to study, especially with large-scale quantitative data, but an understanding of what exactly business gets from its closeness to the state would certainly enrich our knowledge of how stable that closeness is. Second, because we do not know enough about what the CCP seeks from economic elites, we may not observe when the bargain is broken. A good deal of the existing research on whether China's entrepreneurs are likely to effect political change looks at whether they have a coherent class identity (Tsai 2007; Tsai 2005) or whether they act democratically, i.e. by demanding accountability through formal institutions. When business has been a party to regime change among "late developers," however, it has not required democratic action or even coordinated action on the part of capitalists. To spell the end of Suharto's Indonesian New Order, for example, capitalists simply felt threatened enough to withdraw most of their capital, precipitating economic collapse and endangering the regime's supporting coalition (Pepinsky 2009). With a richer and more precise understanding of how business serves the regime and how the regime serves business, China scholars may be better able to identify the contingencies in elite management and make a larger contribution to comparative politics literature on class relations and authoritarian regimes.

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