

# “To Get Rich Is Not Only Glorious”: Economic Reform and the New Entrepreneurial Party Secretaries\*

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## Abstract

This article examines the profound transformation market reforms have brought to the leadership of the Chinese Communist Party’s (CCP) rural grassroots organizations. Focusing on the political rise of private entrepreneurs and other economically successful individuals who recently obtained village Party secretary appointments in a north China county, the article explores their differing promotion channels, power bases, political resources and motivations to take up the CCP’s grassroots leadership position. It demonstrates that the variety among the new entrepreneurial Party secretaries – from large factory owners to de facto farm managers – shaped the network resource, factional affiliation and socio-political capital they rely upon to exercise their newly attained power. It also shows the crucial role played by community-based endogenous forces in transmitting the power of economic liberalization into dynamics for the reshuffling of the Communist Party leadership at the grassroots level.

**Keywords:** economic reform; political reform; rural politics; institutional innovation; local governance

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Radical social transformation – whether war, revolution, political reform, marketization, democratization or industrialization – usually triggers major changes in a nation’s political elites. These changes include, amongst other things, the composition of political elites, elite recruitment, dominant ideologies and power bases, as well as the dynamic relationship between political elites and the masses. After three decades of liberal economic reform, one of the most fundamental political changes taking place in rural China today is the gradual yet significant transformation of the composition, nature and power bases of the ruling Chinese Communist Party (CCP)’s local leaders, particularly reflected in the rapid rise of private entrepreneurs and other

\* I would like to thank Elizabeth J. Perry, Rodenick MacFarquhar, Yoshiko M. Herrera, John P. Burns and two anonymous reviewers for invaluable comments and input.

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economically successful individuals<sup>1</sup> into the core leadership of the Party's grassroots organizations.

As Robert D. Putnam noted in 1976: “‘Who rules?’ has a fair claim to be the central question of empirical political science.”<sup>2</sup> Drawing upon intensive fieldwork conducted in a north China county during 2005–06, this article examines the ways in which the new economic elites managed to enter into the CCP's local leadership and to replace the once-established proletarian Party secretaries. It details the crucial variety among the entrepreneurial Party chiefs, and the dynamics, incentives and motivations behind their political rise, as well as the socio-political resources they rely upon to exercise their newly attained power. Instead of focusing on the (important) role played by central directives and initiatives, this article demonstrates that the endogenous dynamics generated by market forces and embedded in the social networks within the boundary of the local community are equally crucial in shaping the path and pattern of the political empowerment of the CCP's newly minted entrepreneurial grassroots leaders.

The study of rural elites has attracted the attention of China scholars for nearly half a century. Be they traditional gentry, wealthy landlords or village cadres with state-conferred revolutionary authority, local elites have for thousands of years governed the Chinese villages. How has China's unprecedented large-scale transition from a socialist “planned” economy towards a market system influenced the nation's rural political leaders? Previous studies provided substantially different – at times opposite – views. As early as 1985, Richard Latham reported that rural economic reforms in China not only deprived the grassroots proletarian cadres of prestige and political advantage, but also left them at an economic disadvantage and imperiled their normally secure leadership positions.<sup>3</sup> Elaborating on similar observations, Victor Nee proposed a “theory of market transition,” where he argues that the departure from a socialist distributive economy would expand the incentive and opportunity structure for entrepreneurship, and the distribution of political power will gradually shift towards those who are successful in the market rather than the social classes close to the bureaucratic distributor

- 1 In this article, “private entrepreneurs and other economically successful individuals” are defined as individuals who own and engage in private business successfully or professionals who own and run private practices for profit, which can range from self-employment to larger ventures. See Kelly S. Tsai, *Capitalism without Democracy* (Ithaca, NY: Cornell University Press, 2007), p. 11. They are the economic elites in the local communities, who share economic success in the transition to a market economy. Throughout the article, “private entrepreneurs and other economically successful individuals” are used interchangeably with “private business owners,” “entrepreneurial elites” or the “new economic elites.” In Q county's official discourse, “private entrepreneurs and other economically successful individuals” are categorized as *nengren* (capable people), *zhifu nengshou* (“get-rich experts”) or *xin shehui jiecheng* (new social stratum) to avoid possible ideological ambiguity. Also see Bruce Gilley, “The Yu Zuomin phenomenon: entrepreneurs and politics in rural China,” in Victoria E. Bonnell and Thomas B. Gold (eds.), *The New Entrepreneurs in Europe and Asia* (Armonk, NY: M.E. Sharpe, 2002) p. 74.
- 2 Robert D. Putnam, *The Comparative Study of Political Elites* (Englewood Cliffs, NJ: Prentice-Hall, 1976), p. 2.
- 3 Richard J. Latham, “The implications of rural reforms for grass-roots cadres,” in Elizabeth J. Perry and Christine Wong (eds.), *The Political Economy of Reform in Post-Mao China* (Cambridge, MA: Harvard University Press, 1985) pp. 157–73.

under socialism.<sup>4</sup> In short, as Yan Yunxiang argued, economic reforms in rural China encouraged the emergence of new elites from the more remote political peripheries.<sup>5</sup>

These views are contradicted by Andrew Walder, who, by examining the transformation of China’s post-Mao cadres, found that the shift to a market economy has had little consequence on the bases of cadre power in the countryside. He suggested that there is no indication that “the rural political elite are defecting from their posts for better opportunities in the market economy” and “the private entrepreneurs are the least likely to become cadres in any rural group.”<sup>6</sup> Akos Rona-Tas developed the distinction of the “erosion” of socialism and the “transition” from socialism. Based on that, he argued that although in the erosion phase the incumbent cadres may have little or no advantage, in the transition stage they have enormous advantage in quickly taking over the new corporate segment of the private sector and becoming the new economic elites.<sup>7</sup> In the past decade, many China scholars have also documented the continuing influence of communist cadres at all levels during China’s economic liberalization and argued that market transition has destroyed neither the bases for local cadre power nor the intrusive intervention of the state.<sup>8</sup>

Recent studies on political development in post-Mao China have shifted attention from this “structuralist” debate on the consequential political effects of economic liberalization to a more “voluntarist” focus on the Communist Party’s strategic co-optation of China’s *nouveaux-riches* in a partially reformist context. Various studies offered keen insights on the institutional links between the party-state and the private sector,<sup>9</sup> the political attitudes of different groups of

4 Victor Nee, “A theory of market transition: from redistribution to markets in state socialism,” *American Sociological Review*, Vol. 54, No. 5 (1989) pp. 663–81; Victor Nee, “The emergence of a market society: changing mechanisms of stratification in China,” *American Journal of Sociology*, Vol. 101, No. 4 (1996) pp. 908–49.

5 Yan Yunxiang, “Everyday power relations: changes in a north China village,” in Andrew G. Walder (ed.), *The Waning of the Communist State* (Berkeley: University of California Press, 1995) pp. 215–39.

6 Andrew G. Walder, “The Party elite and China’s trajectory of change,” in Kjeld Erik Brødsgaard and Zheng Yongnian (eds.), *The Chinese Communist Party in Reform* (London & New York: Routledge, 2006), p. 27.

7 Akos Rona-Tas, “The first shall be last? Entrepreneurship and communist cadres in the transition from socialism,” *The American Journal of Sociology*, Vol. 100, No. 1 (1994) pp. 40–69. For the persistent power and dominance of communist-era institutions and elites in Eastern Europe, see also Eric Hanley, “Cadre capitalism in Hungary and Poland: property accumulation among communist-era elites,” *East European Politics and Societies*, Vol. 14, No. 1 (2000) pp. 143–78; David Stark, “Privatization in Hungary: from plan to market or from plan to clan,” *East European Politics and Societies*, Vol. 4, No. 3 (1990) pp. 351–92.

8 Jean C. Oi, *State and Peasant in Contemporary China* (Berkeley: University of California Press, 1989) p. 187. For the continuing influence of communist cadres and institutions during China’s market transition, also see Sally Sargeson and Jian Zhang, “Reassessing the role of the local state: a case study of local government interventions in property rights reform in a Hangzhou district,” *The China Journal*, No. 42 (1999) pp. 77–99; Gordon White, “The impact of economic reforms in the Chinese countryside: towards the politics of social capitalism?” *Modern China*, Vol. 13, No. 4 (1987) p. 424; Bian Yanjie and John R. Logan, “Market transition and the persistence of power: the changing stratification system in urban China,” *American Sociological Review*, Vol. 61, No. 5 (1996) pp. 739–58.

9 Bruce J. Dickson, *Red Capitalists in China* (New York: Cambridge University Press, 2003); Chen Jie and Bruce J. Dickson, “Allies of the state: democratic support and regime support among China’s

private entrepreneurs,<sup>10</sup> the CCP's tactics in co-opting private entrepreneurs<sup>11</sup> and the decline of the traditional socialist order under accelerated market transformation.<sup>12</sup> More importantly, empirical research on the CCP's co-optation of China's private sector revealed the remarkable variations among the new economic elites. Drawing upon national survey data and extensive interviews, Kellee Tsai systematically explored the crucial varieties among China's emerging private entrepreneurs based on their occupational backgrounds, business size and political networks. Tsai argued in particular that "these key differences translate into varying social and political identities, as well as varying access to resources for resolving grievances"<sup>13</sup> and private entrepreneurs in China do not constitute a uniform social or class identity.<sup>14</sup>

Based on my fieldwork in Q county, this article extends these earlier studies of the politics of China's rising entrepreneurial elites into the rural scene. While most existing literature focuses on the urban entrepreneurial elites' indirect political influence through corporatist arrangements such as business associations, political consultative organs or ordinary CCP membership, this article examines their rural counterparts' decisive attainment of the key leadership positions (such as Party secretary) within the CCP's grassroots organizations, suggesting a more direct and effective channel for China's rural *nouveaux-riches* to exert political influence.

The following sections map out the political rise of the economically successful in Q county and explore the important varieties among these new local elites, detailing their diverse business backgrounds, network resources, factional affiliations and social bases, and how these variations substantially shaped their relationship with the local party-state and subsequently their journey to political power. The article then examines the incentive structure behind the new economic elites' decision to take up leadership positions within the "establishment" and the social bases upon which they exercise political power. My findings demonstrate that, in the reform era, while the CCP still maintains effective political control and vast political influence over rural politics, it does proactively encourage the adaptive transformation of its rural grassroots organs to fit into the

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footnote continued

private entrepreneurs," *The China Quarterly*, No. 196 (2008), pp. 780–804; Bruce Dickson, *Wealth into Power* (New York: Cambridge University Press, 2008).

10 Dickson, *Red Capitalists in China*; Tsai, *Capitalism without Democracy*; Chen and Dickson, "Allies of the state"; David S. G. Goodman (ed.), *The New Rich in China* (London: Routledge, 2008).

11 Zheng Yongnian, *Will China Become Democratic? Elite, Class and Regime Transition* (London: Eastern Universities Press, 2004); Minxin Pei, *China's Trapped Transition: the Limits of Developmental Autocracy* (Cambridge, MA: Harvard University Press, 2006); David Shambaugh, *China's Communist Party: Atrophy and Adaptation* (Berkeley: University of California Press, 2008); Dickson, *Wealth into Power*.

12 Walder, *The Waning of the Communist State*; Andrew G. Walder and Litao Zhao, "Political office and household wealth: rural China in the Deng era," *The China Quarterly*, No. 186 (2006) pp. 357–76.

13 Tsai, *Capitalism without Democracy*.

14 *Ibid.*

fast-changing socio-economic environment. However, the momentum generated by the central party-state’s pro-business initiatives is not a sufficient mandate for the emerging economic elites to take over the local leadership; the “complex embroidery of forces”<sup>15</sup> behind their political empowerment is rooted in the structural transformation set in motion by market reforms, driven by the party-state’s determination of contextual adaptation, and facilitated by endogenous communal forces accumulated from the daily interactions between the new elites and their fellow villagers. Each of these components – particularly the community-based forces – is indispensable in the intricate and multifaceted process.

### Rich People Taking Over

The People’s Liberation Army took over Q county, in the eastern part of the North China Plain, in the summer of 1947. Until the late 1980s, villages in Q county were under the control of typical Maoist proletariat cadres. Recruited from “among disadvantaged elements in the village,”<sup>16</sup> these cadres were conferred leadership positions based on their class rank, political performance during the revolution and loyal service in the new republic’s various mass movements.<sup>17</sup> By contrast, until the advent of Deng Xiaoping’s reform in the 1980s, people with entrepreneurial skills and the capability to prosper in a free market were marginalized in local politics. “*Wanyuan hu* 万元户 (literally, the 10,000-yuan household) were extremely cautious in politics back then,” one interviewee in Q county recalled. “They would not brag too much about their market activities even though everyone knew how they had made their family fortune. They usually managed to hide their wealth and to have the same appearance as the ordinary villagers. And there was absolutely no way for them to get into village leadership – if you were rich, you were out.”<sup>18</sup>

During the 1990s, with reforms gradually loosening the strict control of the *hukou* 户口 system, many of the rural families in Q county who had prospered in the early reform era managed to move into the larger cities while maintaining their legal residency in the village. During this period, the *nouveaux-riche* households remained politically marginalized: although their lucrative economic activities were tolerated by the central party-state, their political trustworthiness and moral standard were habitually questioned by local Party bosses and the rural communities. Nevertheless, under economic liberalization, private business owners were freed from their past socio-political status and were referred to in the Party’s official discourse as a “new social stratum” (*xin shehui jiecheng* 新社会阶层).

15 Vivienne Shue, *The Reach of the State* (Stanford, CA: Stanford University Press, 1988), p. 2.

16 John P. Burns, *Political Participation in Rural China* (Berkeley: University of California Press, 1988), p. 8.

17 See Jonathan Unger, *The Transformation of Rural China* (Armonk, NY: M.E. Sharpe, 2002).

18 Interview no. 2005-001-001.

Table 1: **When Were You First Appointed Village Party Secretary?**

Year	Number of appointments	Percentage
1949–65	2	0.95
1966–75	12	0.95
1972–76	5	2.37
1977–81	5	2.37
1982–89	25	11.85
1990–99	68	32.23
2000–06	97	45.97
No response	7	3.32
Totals	211	100

Source:

Questionnaire survey of village leaders in Q county; see Appendix.

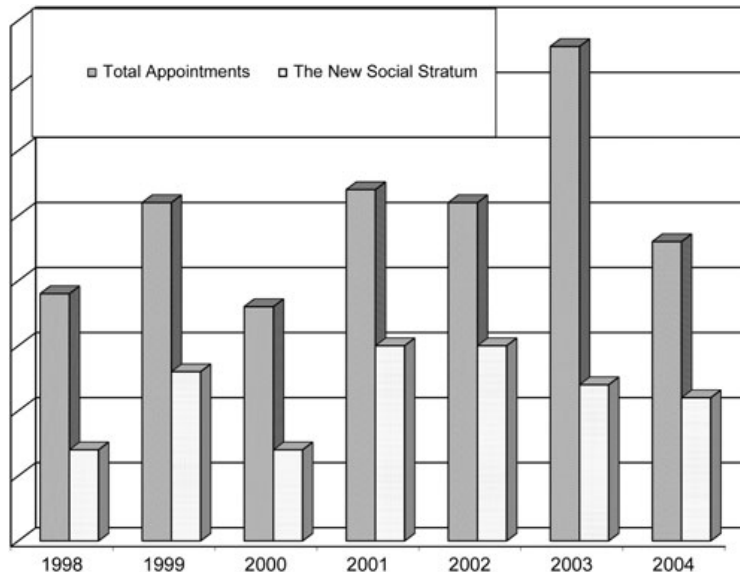
At the turn of the 21st century, village leadership in Q county experienced a major reshuffling as a consequence of both generational change and policy shift. According to a survey conducted by the author in 2005–06,<sup>19</sup> among the 211 incumbent village Party secretaries (*cun zhishu* 村支书, VPS) who responded, one-third became Party secretary during the 1990s while around 46 per cent were appointed during the six-year interval between 2000 and 2006. Some 53 per cent were first appointed to the VPS position after 1998.

Yet the generational transformation of local political elites is not the only change; more importantly, the proportion of people from the new social stratum among the appointees reached an all-time high during the past decade. The official records of the CCP's organization department of Q county showed that 189 people were appointed to VPS position for the first time between 1998 and 2004, and among them 67 (35.45 per cent) came from the new social stratum, with the percentage of such appointees peaking in 2001 and 2002 (see Figure 1). This was probably the result of the gradual unveiling of Jiang Zemin's "three-represents" theory (*san ge daibiao* 三个代表) between the spring of 2000 and summer of 2001, which legitimized the inclusion of private entrepreneurs and other economically successful individuals into the political system.

However, in both 2003 and 2004, this number declined. There are two possible explanations. First, as Q county is a hinterland county with modest development of its market economy, the supply of qualified candidates from the new social stratum for VPS appointment was limited. Given the Party's aggressive recruitment effort for entrepreneurial VPSs since 1998, the reservoir of candidates naturally shrank after the consecutive peak years. More importantly, Jiang's "three-represents" speech also "sparked renewed controversy" in the official discourse over the political qualification of private entrepreneurs. With the re-invigorated ideological dispute and the uncertainties associated with the succession of the Hu-Wen Administration in 2002, it is understandable that local

19 See Appendix.

Figure 1: Members of the New Social Stratum in the New Appointments of Village Party Secretaries in Q County



Source:  
Survey of village leaders in Q county; see Appendix.

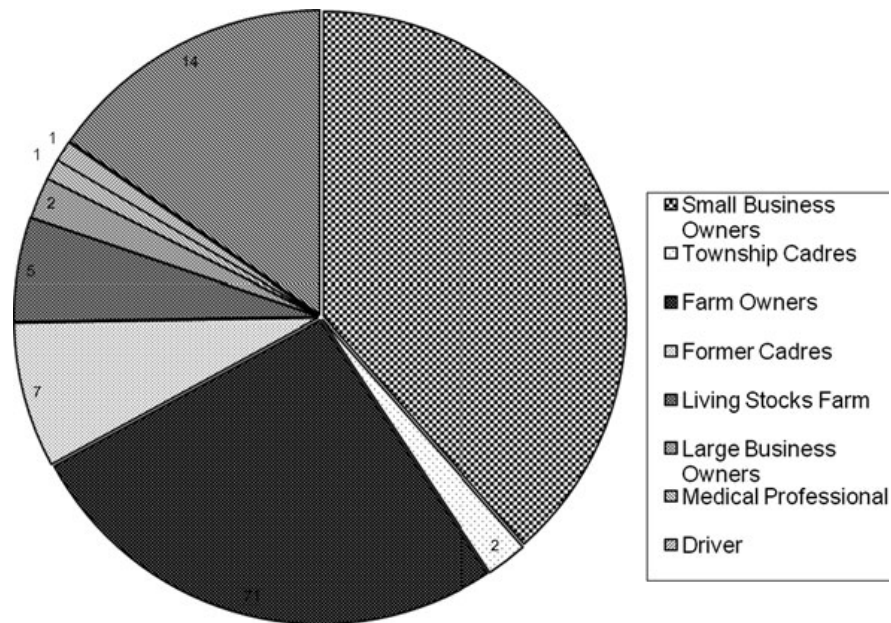
cadres opted to take a more politically cautious stance.<sup>20</sup> Despite these uncertainties and ambiguities, the local party-state remained firm in recruiting more entrepreneurial VPSs. In a speech given at a county-level cadre conference in 2005, the Party secretary of Q county re-emphasized that “it is crucial for us to continue absorbing capable leaders from the new social stratum to consolidate the Party’s grassroots leadership under deepened market reforms. And that remains the top priority for the Party’s organizational work.”<sup>21</sup>

The occupations of these entrepreneurial appointees range from private businessmen and de facto farm owners to successful professionals operating private practices. Figure 2 shows the detailed occupational breakdown of all incumbent VPSs appointed since 1998 in Q county. Among these recent appointees, small business owners and private farm owners constituted a remarkably high proportion. Next were the independent professionals such as medical doctors and professional drivers. The proportion of proletariat cadres among the newly appointed VPSs reached an all-time low.

This is hardly accidental: since the 1990s, selecting candidates with an entrepreneurial background for the CCP’s local leadership vacancies has become a

20 For the “three-represents” theory, see Bruce J. Dickson, “Dilemmas of party adaptation,” in Peter Hays Gries and Stanley Rosen (eds.), *State and Society in 21st-century China* (New York & London: Routledge, 2004), pp. 141–58; Tsai, *Capitalism without Democracy*, pp. 60–66; for the renewed controversy over co-opting private entrepreneurs after the “three represents” speech, see Dickson, *Red Capitalists in China*, pp. 98–107; Dickson, *Wealth into Power*, pp. 70–79.

21 The author’s notes taken at the Q county Cadre Conference on the Development of Rural Economic Co-operatives, September 2005, no. 2005-020-2.

Figure 2: **Occupational Break-down of the New Entrepreneurial VPSs**

Source:

Official Statistics of the Department of Organization, Q county.

guiding rationale for the Party’s organizational work in Q county. As one Party official described:

In Q County, we have to let those who know how to win in the marketplace lead the grassroots organizations [of the CCP]. Otherwise, they will not be able to attract and unite the villagers under the flag of the Chinese Communist Party; and if so, these appointments would have been unconvincing.<sup>22</sup>

The appointment of people with business success into the Communist Party’s key local leadership posts is not peculiar to Q county. For example, *Xiangzhen luntan* 乡镇论坛, a widely read policy journal edited by the Ministry of Civil Affairs, reported in 2004 that in Zhejiang province alone, 30 per cent of the newly appointed VPSs belong to the so-called “newly rich” group (*xianfu qunti* 先富群体). In places where the private sector is the government’s primary revenue source, this percentage can be as high as 60–65.<sup>23</sup> Even in the underdeveloped inland regions – as an internal Party journal reported in 2006 – 60 out of the total of 148 villages in Hejin city (a county-level city) in Shanxi province have private business owners as either the VPS or the director of the village committee

22 Interview with township Party secretaries (no. 2005-002-001).

23 Huang Feng, “Zhejiang cungan you sancheng shi furen” (“About one-third of Zhejiang’s village leaders are rich people”), *Xiangzhen luntan* (*Township Forum*), No. 5 (2005), p. 12.; Gu Zhengxi, “Woguo nongcun xianfu qunti canzheng de jili jiegou ji guifan zhidao” (“The incentive structure and regulation of our nation’s new rich people’s participation in politics”), *Tansuo* (*The Inquiry*), No. 1 (2004), pp. 38–41; Wang Zengjie, “Nongcun fu’er weiguan xianxiang toushi” (“An analysis of the ‘rich people serving in public offices’ phenomenon in the rural areas”), *Zhonggong Urumuqi shiwei dangxiao xuebao* (*The Academic Gazetteer of the Party School of Urumuqi Committee of the CCP*), No. 6 (2002), p. 16.



(*cunweihui zhuren* 村委会主任).<sup>24</sup> In a 2003 editorial, *Lingdao juece xinxi* 领导决策信息, also an internal Party publication, explicitly demanded the full “protection of the emerging trend of electing rich people [to leadership positions] at the village level.”<sup>25</sup> In the same year, an article published in a journal belonging to the agricultural department of Jiangsu province acclaimed an official slogan that bluntly suggested: “If you do not have the ability to make yourself rich, there is NO village leadership position for you!” (*meiyou zhifuzhao buneng dang cunquan* 没有致富招, 不能当村官!).<sup>26</sup>

### The New Entrepreneurial Party Secretaries

If the political rise of entrepreneurial VPS in the rural political scene is such an influential trend in rural China, it is worth exploring the politics associated with this new group of rural leaders. How are they selected? What is their relationship with the supervising township and county level communist cadres? How do they manage to attain the key leadership posts?

In Q county, the appointment of the VPS has remained a political decision made from above. After all, the village Party committee is an integral component of the CCP’s tightly controlled “democratic centralist” apparatus, rather than an autonomous organization of self-government. The selection of VPS is operated exclusively by local Party bosses<sup>27</sup> at the township level. Although in economically or politically influential villages the county-level Party committee intervenes from time to time, in most other cases the power of selecting the VPS is exercised at the sole discretion of the supervising township-level communist secretaries.

From the early 21st century, thanks to the central government’s call for “transparency in village governance” (*cunwu gongkai* 村务公开), this traditional selection process began to involve more public consultation and electoral ingredients. In a different way from the more direct “two ballot system”<sup>28</sup> implemented in other parts of China, Q county links the selection of VPS with the election of the village representative assembly (the village council). Under this institutional arrangement, to be appointed or re-appointed as VPS a candidate must win a seat in the elected village council of his or her native village, and

24 Pan Qisheng, “Toushi fuhao cunquan xianxiang” (“An analysis of the ‘millionaire village leader’ phenomenon”), *Lingdao zhiyou* (*Friend of the Leaders*), No. 3 (2006), p. 28.

25 “Cunmin xuanju de furen hua xiang yao yifa baohu” (“On the tendency of electing rich people in village elections and the legal protection of them”), *Lingdao juece xinxi* (*Leaders and Decision Making*), No. 39 (2003), p. 24.

26 Ma Hongyan, “Meiyou zhifuzhao, buneng dang cunquan” (“No ability to make yourself rich, no village leadership position (for you!)”), *Jiangsu nongcun jingji* (*Rural Economy of Jiangsu*), No. 4 (2003), p. 41. It is worth noting that the author of the article was from the CCP’s central newspaper *Peasant Daily* (*Nongmin ribao*).

27 These “local Party bosses” usually include the secretary, deputy secretaries and members of the township Party committee, of whom the secretary and deputy secretary in charge of personnel affairs have the most important say.

28 Li Lianjiang, “The two-ballot system in Shanxi province: subjecting village Party secretaries to a popular vote,” *The China Journal*, No. 42 (1999), pp. 103–18.

any incumbent VPS who loses that election will be removed from office.<sup>29</sup> Hence mechanisms of public consultation and popular approval – albeit quite limited – are introduced into the otherwise secretive VPS selection process. In Q county, the selection of VPS is run by the supervising Party committee at the township level, controlled by individual Party bosses, but it still involves veto power held by the common villagers via ballots in village council elections. In short, both the Party’s endorsement and community recognition are decisive for VPS appointment.

After appointment, the relationship between the VPS and the supervising Party bosses at the township level becomes somewhat complicated. On the one hand, the township leaders usually allow the newly appointed entrepreneurial VPS considerable autonomy because of their fundamental agreement in the goal of economic development. On the other hand, the township bosses still strive to maintain their traditional influence and rigid control over the political activities of the new VPS through various formal or informal mechanisms, including an annual VPS performance review, distribution of construction funds, allocation of scarce resources (such as the quota for People’s Liberation Army’s recruitment) or even the issuance of administrative permits. The township Party secretaries retain an important role when a complaint or impeachment is launched by the villagers against an incumbent entrepreneurial VPS. Usually an investigation will be ordered and the fate of the VPS will be decided at the absolute discretion of the township Party bosses; in extreme cases where the VPS is deemed by his or her supervisors unable or unsuitable to continue the job, a work group (*gongzuo zu* 工作组) will be dispatched to take over the duties of the entire village Party committee until the issue has been solved.

More importantly, the journey to political power of individual members of the new economic elite is shaped by the disparate nature of their private businesses and practices, as well as the diverse network resources, factional affiliations, social bases and experiences they possess. In Q county, six major categories of such elite-turned-VPS can be identified.

#### *Owners of large outside businesses*

Typical entrepreneur-cadres under this category own a relatively large private business in a major city like Beijing and Tianjin but maintain legal residency

29 According to Q county’s “Regulations on the work of village organizations,” “Party secretaries who fail in village-level democratic elections and are not elected to the village council or village administrative committee shall resign from post.” In the first village council election in 2001, only 85.4% of the incumbent VPSs in Q county won a seat and those who failed were immediately removed from office. In the second council election in 2006, the passing rate increased to 92.8%. See Zhonggong Q xian xianwei bangongshi (The General Office of the Party Committee of Q County), *Qingxian cunzhi moshi ziliao huibian* (Collection of Materials on the Village Governance Model in Q County), 2005, p. 73; Zhong gong Q xian xianwei zuzhibu (The Organization Department of the Party Committee of Q County), *Quan xian di qi jie cunmin weiyuanhui huanjie xuanju gongzuo Q kuang tongji biao* (Statistical Form on the Seventh Re-election of Village Organizations in Q County), 2006; Yan Xiaojun, “The democratizing power of economic reform: revival of a representative institution in rural China,” *Problems of Post-Communism*, Vol. 58, No. 3 (2011), pp. 39–52.

in their native village. Geographical distance spares them the necessity of building a patronage relationship with either the villagers or the local government; however, business success outside their native place ensures they are well known among the locals, especially within their extended lineages. The mere fact of being a rich businessperson allows – if not obliges – them to make regular monetary and non-monetary contributions to the community and – as an inevitable consequence – be consulted on public affairs. Their private factory in a major city provides jobs and shelter for fellow villagers who look for opportunities in the metropolises. Entrepreneurs of this category are usually invited by the township Party committee to move back and serve as VPS, anticipating that they would help develop the local economy and improve public services.<sup>30</sup> They have only minimum connections with the local party-state apparatus other than the agreement on developmental goals; their power base is more or less built upon the trust and expectation of the local community.<sup>31</sup>

#### *Local business owners with lineage seniority*

The second category of entrepreneur-cadres includes those who own and successfully run private enterprises within their native village. In Q county, most of these local entrepreneurs possess senior status in the village’s lineage networks and have a certain level of moral authority given their combination of wealth and lineage seniority. Many serve as *zongli* 总理<sup>32</sup> for one or a few extended lineages. Although their enterprises are located locally, they do not have to rely on the patronage provided by political authorities because their factories usually have high mobility and can easily be relocated to other places if the local business environment fails to meet their expectations. Also, their profitable enterprises supply the village communities with employment opportunities, cash donations and other economic welfare. Business success, moral authority and lineage seniority together serve as their solid – if not unshakable – political bases.

#### *Local professionals*

Some new VPSs are professionals, such as village doctors or professional drivers, who operate private practices for profit locally and get rich because of their knowledge or special skills. They live in their native village and provide essential services for the village community. Given the nature of their business, these

30 After accepting their appointment, these VPSs will move back to their local community to resume responsibility. Some will bring family members, while others leave their family in the cities and travel back and forth. Because of the close distance between Q county and major cities like Beijing or Tianjin, some such entrepreneurs choose to attend their businesses for two days a week and spent the rest of the week in their village.

31 Interview with the deputy Party secretary of M township (no. 2005-007-001).

32 In Q county, *zongli* is responsible for arranging weddings and funerals for members of his/her lineage(s). *Zongli*’s help is necessary for these important life events and ordinary families just cannot afford to destroy the relationship with their *zongli*. *Zonglis* are very authoritative figures in the local community.

professionals usually keep a natural distance from the supervising party-state apparatus but maintain remarkably close socio-economic ties with their native community – as their economic success relies less on the patronage of the Party bosses than on the trust and loyalty of their customers. Their long-term service to the community usually bestows on them a highly respected reputation as a benign care-taker and service-provider, which constitutes a community-based foundation for political promotion.

#### *De facto private farm owners*

Private farm owners run large-scale agricultural industry on leased land.<sup>33</sup> Agricultural commercialization requires these emerging “agricultural capitalists” to maintain an extremely close relationship with the village government and the local community where their business operates. Their success relies on the collaboration of individual households (who act as the *de facto* landlords), village governments (who possess legal ownership and issue permits) and the local party-state (who grants legality to the lease). Private farm owners usually enjoy a very cooperative relationship with the hosting village as they pay a decent rent, provide job opportunities and offer donations to public welfare. For the township government, organic agriculture based on private farming has become another rising industry that provides additional tax revenues and helps economic development. Both communal support and the blessings of the party-state can eventually become a joint force that pushes these “agricultural capitalists” to become VPSs.

#### *Former marginal cadres*

Other entrepreneurial cadres have a dual identity: former marginal village cadres and current private business owners. They are mostly demobilized soldiers who ascend to VPS position based on their business success and past experiences in public service. Having managed to join the CCP during their military service, these former soldiers are usually appointed to marginal positions in the village government after demobilization. During the 1990s, many of them made good use of the special skills they obtained in the army (like driving or mechanic manufacturing) and started their own businesses. Their success relies heavily on the patronage provided by the politically powerful, and their career paths are shaped by close ties with the local Party establishment. They win in the competition for

33 In Q county, as in other regions of China, farm land is collectively owned by the village committee and is not considered private property. Under the Household Responsibility System, rural households possess the right of use over their shares of collective farm land. However, in the 1990s, because of the excessive levies and fees charged on agriculture, many rural households decided to lease out their right of use. The land was taken over by private entrepreneurs who wanted to develop large-scale organic agricultural businesses. After a decade, in many villages these agricultural entrepreneurs now control a large portion of the farm land by lease and have become *de facto* farm owners.

the top village leadership job usually because of their dual qualifications: political trustworthiness in the eyes of the Party bosses and attractive business success in the eyes of the people.

### *Communal entrepreneurs*

Communal entrepreneurs are often selected as VPS in villages suffering from feuds or lineage conflicts. They usually emerge as influential community leaders in mediating internal fights among rival factions, lineages or ethnic groups. Their ability to settle internal disputes is drawn from their well-developed organizational skills, financial ability and connections with members of rival groups through employment, patronage or kinship. In more divided villages, the local party-state is more likely to select a VPS who can stand between the rivals, mediate conflicts in a sophisticated way and play a conciliatory role in daily politics; or, as one interviewee put it, communal entrepreneurs are selected because they “can glue the divided communities together.”<sup>34</sup>

### **Political Capital**

Seen as representatives of the dregs of capitalism, private business/practice owners in China had been on the losing side of the Maoist revolution, repeatedly becoming the usual victims of collective hatred and harsh state terror. Economic liberalization from the 1980s not only facilitated business activities but also brought back private business owners into the nation’s normal political life. In 2002, the 16th CCP National Conference finally allowed private business owners to join the Communist Party, which officially exorcised the Leninist orthodoxy on the proletariat nature of communist parties and bestowed political blessings upon China’s fledging economic elites.

Nevertheless, at the local level central directives are far from a sufficient mandate for the entrepreneurial elites to attain tangible political power. At the lowest level of the Chinese polity, the reincarnation of China’s business owners as a major political force does not come automatically at the will of the central party-state; it involves complex social and political processes within the local communities, where private entrepreneurs manage to transmit their business success, personal wealth and the momentum from high above into real prestige and power on the ground. In Q county, this process mainly comprises three components: philanthropic activities, activism in community services and business collaboration with political authorities. By engaging in these activities, the economically successful spend their cash “wisely” in exchange for communal trust, governmental recognition and eventually political appointment.

34 Interview in G village (no. 2005-009-001).

*Philanthropic activities*

China's rural economic elites are deeply rooted in their native communities and embedded in the endogenous village networks.<sup>35</sup> Based on the “localism” morality<sup>36</sup> prevailing in rural China, they take the general welfare and collective interest of their village community seriously. By sponsoring local philanthropic activities, they can project an image as “dedicated and unselfish” benefactors of the village, remove the moral scepticism surrounding them, and eventually harvest trust, support and approval from the community.

In Q county, affluent business families played a crucial role in a disparate array of village public construction projects by providing monetary support and leadership. Individual entrepreneurs helped to obtain the best bargains for construction materials; or when the budget was limited, they would offer shipping subsidies. They also granted paid leave for villagers working in their enterprises who were drafted for *corvée* labour in public projects. Direct donations to social welfare programmes – such as the provision of school dormitories, tuition or medical assistance – is also an important channel through which local entrepreneurs deliver service and obtain support.<sup>37</sup> Given the insufficient financial support from the central government, local entrepreneurs' participation has become increasingly crucial in village-level public projects since the abolishment of the national agricultural tax in the early 21st century.<sup>38</sup>

*“Noblesse oblige” based community activism*

Making a family fortune (*fa jia* 发家) is the dream of every Chinese rural household. Being the fortunate early batch of the newly rich under market reforms, the entrepreneurial elites in Q county feel not only capable but also obliged to help their fellow villagers who lagged behind to catch up. The economic elites' fulfilment of this kind of *noblesse oblige* has eventually become an important portfolio of political credentials. In Q county, the major form of such help is through employment, particularly managerial-level jobs in private enterprises. Villagers hired as managers gain, in addition to the extra income, useful knowledge and managerial skills. In addition, entry-level employment – including student internship and apprenticeship – can benefit the village youth, for whom the lack of necessary training is a major obstacle preventing them from taking manufacturing jobs in the booming Chinese cities. By providing career training as well as role models for the village youth, private entrepreneurs are generally well respected and supported by the younger constituencies.

35 See Madsen, *Morality and Power in a Chinese Village*; Burns, *Political Participation in Rural China*.

36 See Shue, *The Reach of the State*.

37 The motivations behind the donations varied. At times they involved governmental pressures; on other occasions entrepreneurs found business potential in some welfare programmes. But the different reasons for donation did not prevent the villagers from acclaiming the contribution made by the economic elites to the community's general welfare.

38 Interview with county cadres (no. 2005-011-1).

Successful early entrepreneurs in Q county have a particularly strong obligation towards members of their extended family or lineage to share valuable market information and knowledge. In some communities, the consequence of this generosity is so remarkable that many households with the same surname engage in the same business, or businesses that are supplementary to each other, demonstrating the strong snow-balling and role-modelling effect of earlier entrepreneurship.

Private entrepreneurs also fulfil their *noblesse oblige* by leading or supporting resistance campaigns in the village. These collective actions include different kinds of events from legal litigation to feud-based armed conflicts. In Q county, the entrepreneurial elites usually make quite generous donations to campaigns that concern collective interests; they also provide expert knowledge, take up leadership roles and occasionally use their outside connections to win difficult battles. Beyond image-building within the local community, collective actions can draw the attention of the local Party bosses to the entrepreneurial leaders' significant potential in mobilizing the masses, which can increase further the utilitarian value for the party-state to co-opt these local leaders into the establishment.

#### *Business collaboration with political authorities*

Political capital for local economic elites can be generated from collaboration with authorities in profitable business activities. For example, since the 1990s, village governments in Q county have gradually leased out former collective factories or the “reserved farming lands” (*baoliu di* 保留地)<sup>39</sup> to private entrepreneurs for a rent. By paying a portion of their annual profit to the village authorities, the entrepreneurs enjoy full control over the newly acquired enterprises and many dig their first barrel of gold in this form of collaboration. Sometimes there is corruption in the form of bribery or “kick-backs” between the entrepreneurs and the cadres in local industrial and developmental projects,<sup>40</sup> but even without illegal benefits, such collaboration can become a process in which entrepreneurs and the local political authorities build lucrative relationships and mutual trust. This relationship will then play a decisive role in the future selection of VPS.

### **The Motivations**

Engaging in politics is always a costly enterprise. Why are the new economic elites in Q county willing to take up the time-consuming – and at times troublesome – duties in leading the CCP's grassroots organizations?

39 Farming lands *not* allocated to individual households.

40 For discussions on corruption under partial reforms in China, see Jean C. Oi, “Partial market reform and corruption,” in Richard Baum (ed.), *Reform and Reaction in Post-Mao China* (New York & London: Routledge, 1991); Andrew H. Wedeman, *From Mao to Market* (Cambridge: Cambridge University Press, 2003).

*Rent seeking*

From the interviews, the most compelling reason I found for the business owners in Q county to accept political appointments remained economic interest. This is particularly true for entrepreneurial elites whose business relies heavily on local resources, or those who collaborate in joint developmental projects with local authorities. Indeed, becoming the key leader in the CCP's village organization almost guarantees potential economic gains and business convenience. As one entrepreneurial VPS explained,

You know, my factories and businesses are all here – right in this village. You have to deal with the village government on a lot of fronts – land, environment, workers' welfare ... Before I took over the VPS position, I had to waste a large portion of my time to deal with village cadres who know nothing about my business. But now, the job is much easier and I can concentrate on my developmental plans and on how to increase productivity. This is a win-win situation for both me and the village.<sup>41</sup>

For business owners, political status also shaped their relationship with the powerful local Party bosses. Serving as the principal Party cadre in the village is *the* most effective way to nurture a close personal relationship with the important cadres who have a say in numerous business-related affairs. Sometimes, this relationship can evolve into a patronage network that serves as strong protection of the entrepreneurs' current and future economic interests.

*Political ambition*

A political post is a source of both identity and protection under authoritarianism. Becoming VPS gives business owners the sense of being an integral part of *the* system and satisfies their desire for participation in the “only power game in town” which in addition concerns many of their interests. As one entrepreneurial cadre put it: “In the past, private business owners did not belong to the communist system; we used to be the ‘outcasts,’ ‘others’ and the untouchables. Taking up the VPS position is a way to confirm that we – as business owners – do belong to the current political system. And this is important.”<sup>42</sup>

For rural economic elites who are ambitious enough to “fly even higher” within the system, VPS appointment serves as the initial “access point.” For many, serving as VPS is a convenient stepping-stone to the local People's Congress (PC) or the Chinese People's Political Consultative Conference (CPPCC), membership of which can be crucial. For one thing, membership in the local PC or CPPCC can protect one's business and residence from unnecessary governmental harassment; but more importantly, the local PC and CPPCC provide safe forums for economic elites to express their opinions on important policy issues and valuable opportunities to socialize with officials to whom they would otherwise have little access. A 2006 survey conducted by the All

41 Interview no. 2005-015-001.

42 Interview no. 2005-106-001.



China Federation of Industry and Business (*Zhonghua quanguo gongshanglian* 中华全国工商联) shows that private entrepreneurs all over China have a serious interest in participating in national and local PC and CPPCC. Among the surveyed business owners, 28.8 per cent listed “managing to get membership in CP or CPPCC” as the “most urgent task.”<sup>43</sup> For Q county’s new elites, serving as VPS is an effective first step towards getting into the local legislative or consultative body and towards their potential political influence on a larger stage.

### *Lineage interests*

Another major incentive for the new economic elites to take up the VPS position is the desire to safeguard lineage interests in the village power structure. This is not necessarily related to feuds, although at times who occupies the key village leadership post does make a huge difference in solving inter-lineage fights. A more common scenario is that, in a village with multiple lineages, which lineage wins the VPS post can eventually become an issue of collective dignity and welfare. As one villager explained:

If someone from your “surname” wins the VPS position, it is an honour for the entire lineage (*jia zu* 家族). In this place, people have a deep sense of lineage – when one family has a wedding, every household with the same surname posts a sign of “happiness” (*xi zi* 喜字) on their door. Lineage solidarity indeed plays a role in village politics. If there is someone in our lineage with the potential of becoming the head of the village, we will do whatever we can to put him in place.<sup>44</sup>

Therefore, pursuing the key CCP position is considered the entire lineage’s collective endeavour and a successful businessperson in that lineage is hardly able to resist the pressure from his or her extended family to accept it. In villages suffering from feud or factional disputes, the peer pressure is even more visible and irresistible.

### *Social reputation*

Embedded in the local communal networks, entrepreneurial elites also deem social reputation as a compelling incentive to pursue the VPS position. In the past, merchants and business owners were ranked low in the social hierarchy led by literati officials and proletarian cadres. Ideologically, they were viewed as the “immoral” force in Confucian teachings; and the systematic social and political discrimination against the business-owner class was inherited by the Maoist revolutionary egalitarianism after 1949. Market reforms since the 1980s substantially improved private business owners’ political status, yet the socially constructed scepticism surrounding their moral character endured. The emerging business elites usually have a strong incentive to gain political status as well as social recognition after their economic success has been announced “glorious.”

43 See *Zhongguo siying jingji nianjian* (*China Yearbook of the Private Sector 2004–June 2006*) (Beijing: Zhonghua gongshang lianhe chubanshe, 2007), p. 57.

44 Interview no. 2005-037-001.

Serving as the chief cadre in the ruling CCP's village branch is an act of "gaining 'face'," a boost of their social reputation and an indicator of the much-needed moral recognition from the local community.

## Conclusion

"Changes in the composition of political elites can provide a crucial diagnostic of the basic tides of history."<sup>45</sup> The political rise of Q county's new economic elites in the Communist Party's grassroots organizations reflects vividly the profound political changes economic liberalization has set in motion in the post-Mao Chinese countryside.

Compared to the outmoded "proletariat" cadres, the new entrepreneurial VPSs in Q county are substantially different in a number of ways. First, they received more formal education and usually have more of a salient knowledge of the market than their proletariat predecessors. Technological know-how and managerial skills are some of the most needed skills for China's rural development and are in short supply. The new VPSs are by nature "development oriented" and business-friendly; in fact, many of them directly bring business capacity and potential into their native community via regular infusions of opportunity, capital and talent.

Second, the new VPSs base their power on both Party recognition and community approval. Differing from their predecessors, they count more on the preference of their community when exercising power and making decisions. While traditional communist cadres (the "local emperors") protect community interests at their own discretion without much consultation with the people they govern, the new entrepreneurial leaders' "localism morality" is much more community-oriented and they rely more on communal support and democratic procedures to complete various missions.

Third, with wide business connections with the outside world, the entrepreneurial Party secretaries usually have a more outward vision than their predecessors, which drives them to be more inclined towards eradicating the relics of past collectivism and reforming the existing systems of public service according to market principles. In many villages governed by the entrepreneurial VPSs, new welfare systems such as pooled medical insurance, mutual-aid credit union and legal aid programmes are being created, which could improve the quality of general welfare.

Fourth, although a few entrepreneurial VPSs maintain a suspiciously lucrative relationship with the supervising political authorities through bribery, kick-backs or other illegitimate benefits, many of them enjoy a more cooperative working relationship with the local party-state based on the mutual trust accumulated in business collaboration and their shared goal in developing the local economy. At the community level, the "role-modelling effect" derived from the new VPSs'

45 Putnam, *The Comparative Study of Political Elites*, p. 166.

success in business activities, activism in public service and sophistication in mediating lineage relationships has also made their leadership more persuasive and less coercive compared to that of the outmoded cadres, and consequently they rely less on coercive means in carrying out unpopular national or local policies such as family planning or funeral reforms. In Q county, leading by example has proved to be more powerful and effective than coercion.

Market reform has exerted tremendous influence on the power configuration at the grassroots level of the partially reformed communist polity in rural China. Economic liberalization had not weakened the CCP’s mandate and relevance as the most important political existence in the Chinese countryside, yet it generated sufficient societal dynamics for the CCP to transform its grassroots organization and leadership. Through the fast-pace recruitment of new economic elites and the fading-out of the traditional proletariat cadres, the CCP strived to re-strengthen its political foundation at the grassroots and re-build an alternative source of identity and political legitimacy that relies heavily upon its newly minted entrepreneurial cadres’ moral authority derived from their economic success, public spirit and community activism.

Confirming earlier studies,<sup>46</sup> this article also demonstrates that Q county’s new economic elites did not take over the rural political stage as a homogenous group sharing a uniform belief, preference or identity; rather, the intrinsic varieties among them shaped their paths to power. The six types of local entrepreneurial VPSs discussed in this article – large business owners, local entrepreneurs with lineage seniority, local professionals, private farm owners, former village cadres and communal entrepreneurs – vary significantly in terms of their occupational background, network resources and power base. Yet it was exactly this variation that led to their diverse relationship with the party-state apparatus and eventually determined the form and extent of their control over village politics. Instead of exerting influence as a social group with strong solidarity, in Q county individual members of the new economic elites are more inclined to use their own unique social resources, informal connections and “wisdom” to enter the party-state’s formal political structure, collaborate with the local Party bosses, gain communal support and grab crucial leadership posts.

The overall adaptive transformation of the CCP from the very beginning of the Deng era provided a favourable political context for the transformation of its grassroots leadership. However, my findings show that the driving forces behind the political rise of the new economic elites in Q county are mostly endogenous dynamics, embedded within the traditional communal networks that have been strengthened – rather than weakened – under the Dengist reforms. The entrepreneurial elites’ gradual take-over of the CCP’s grassroots leadership is indeed an intricate and multifaceted process that involved the new forces unleashed by economic liberalization, the overall adaptive transformation of the Party and

46 E.g. see Dickson, *Red Capitalists in China*; Tsai, *Capitalism without Democracy*.

the re-invigoration of traditional village communities after the dismantling of the people's communes. Each component in this process is indispensable.

“Getting rich is not only glorious.” The combination of authoritarian political control and market freedom provided China's rural *nouveaux riches* the ideal setting to channel economic power and political prestige via the helpful hands of the reform-minded Communist Party. Economic reforms offered the new elites enormous advantages, compared to the outmoded proletariat cadres, in the new power game that opened a whole set of novel opportunities and possibilities to them. The entrepreneurial elites' shining business success, deep involvement in local development, contribution to community welfare and collaborative relationship with the political authorities have made them outstanding in the new political arena where numerous post-reform forces compete for power. A partially reformed communist polity with high community-oriented “localism morality” provided China's rural economic elites a rich reservoir of incentives, resources and channels to transmit their economic might, managerial capacity and personal wealth into moral right and tangible political power. This might in turn enable them to play an even more salient role in China's future political development.

### **Appendix: Notes on Fieldwork**

Fieldwork was conducted in Q county, Hebei province between July 2005 and June 2006, in collaboration with researchers from the Chinese Academy of Social Sciences (CASS). Q county, which has 354 villages in total, was chosen due to local contact and access. Within Hebei province, Q county is average in terms of its economic growth, industrialization and private sector development. Fieldwork included archival research at the county archives, face-to-face interviews with village residents and a questionnaire survey on the local political elites. Interviews were conducted by the author and CASS researchers, without the presence of local officials (on our request). Helped by the County Civil Affairs Bureau, survey questionnaires were distributed in person to the village Party secretaries (VPS), directors of village administrative committees and chairpersons of the village councils in all 354 villages. Eventually, 403 questionnaires were filled and returned to us by mail. Respondents were specifically asked what position they held in the village as well as their past official post (if any). Based on that information, we identified 211 VPSs who responded to our survey. Other questions were asked about their age, education, year of obtaining Party membership and year of appointment, as well as information on any available collective enterprises in the village, private sector development, village solidarity groups and organizations, operation of public projects and social welfare programmes.