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The Nexus of Democratization: Guanxi and Governance in Taiwan and the PRC

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### Author

Solinger, Dorothy

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# CSD Center for the Study of Democracy

An Organized Research Unit  
University of California, Irvine  
[www.democ.uci.edu](http://www.democ.uci.edu)

The topic assigned for this paper was “The Sociopolitical Consequences of Economic Development in Taiwan and China.”<sup>1</sup> Its focus was to be, more precisely, “the implications of the rise of a middle class and a bourgeoisie for civil society, political culture, and related phenomena”--presumably for democratization, given the thrust of the meeting. Shifting the target just a bit, I chose to tilt my inquiry toward the extent to which, and the ways in which, the rise of one specific segment of the middle class, the bourgeoisie, that is, a property-owning capitalist class, in Marxist jargon--contributed (in Taiwan’s case; and might or might not contribute, in China’s) to a push for the institution of democracy in the two polities.<sup>2</sup> I was interested specifically in finding out the political stances and roles of this segment of the “middle class” in these two arenas in the decades leading up to past (in Taiwan) or potential (in China) political change toward democracy.

My simple answer is that the story in Taiwan appears--more or less--to fit the conventional theory, which alleges a link between economic growth, the emergence of a newly monied class, and demands for democracy, while the other case, so far at any rate, does not. In Taiwan, though the principal promoters of political transformation were intellectuals, there is evidence that business people stood behind and financed their efforts; in China, conversely, to date the research we have suggests that this is not likely to be the case. A close look at these two cases, moreover, offers refinements to the popular prognostication. In order to make sense of this finding, in the discussion that follows, I point to the disparate sociopolitical histories and the cultural and economic factors that bear on these cases, all placed within the context of each regime’s larger goals and its treatment of the aspiring business sector in the two places.

I argue that the loyalties, allegiances, and resentments of businesspeople that were the product of the aims and behaviors of these two regimes, respectively, can explain the divergent outcomes in two locales that, on the surface, had much in common in the past. My guiding hypothesis is the following: The nature of the social connections of the bourgeoisie--their *guanxi*--those relations with others that so famously shape social, economic and political life in these two contexts--provides the most succinct and parsimonious explanation for businesspeoples’ role in the movement toward new forms of governance in China and Taiwan. The opportunity for democratization to unfold, I am arguing, was in past in Taiwan, and seems presently in China, to be a function of capitalists’ contacts, a matter of which contact mattered most to them as they launched and developed their firms and their ventures.

## Some Theoretical Considerations

### Democracy and the Bourgeoisie

Social scientific predictions about the prospects for democratization in authoritarian regimes have often harked back to Barrington Moore and Samuel P. Huntington, both of whom target the business-related portion of the middle class as pivotal to the process. Moore's most regularly cited contribution has been his noted observation, "no bourgeoisie, no democracy"; he has also asserted that, "The bourgeoisie..lurks in the wings as the chief actor in the drama [of democratization]." This judgment holds for Moore most notably for the initiation of parliamentary democracy: "An independent class of town dwellers has been an indispensable element in the growth of parliamentary democracy."<sup>3</sup> In the years since Moore composed these thoughts, the installation of an elective legislature has been judged to be an indispensable feature of what is held to be a democratic regime. Huntington has also referred to the business sector as a critical advocate of democracy. In this regard, he has pointed out that, "In every society affected by social change, new groups arise to participate in politics";<sup>4</sup> under conditions of economic development and industrialization, an enlargement of a middle class is stimulated, a social category whose components, he holds, become "the most active supporters of democratization."<sup>5</sup>

Huntington and Moore's analyses about the bourgeoisie as a prerequisite for democratic development have not gone unchallenged, however.<sup>6</sup> But whether they are correct or not, Moore, for one, did not write that every instance in which a bourgeoisie exists is one in which its members will agitate on behalf of and further the introduction of democracy. In other words, what Moore proposed was that this class was a necessary condition, but not that it was a sufficient one. Thus, it is necessary to ask further questions on this issue, in particular, to search for the crucial conditions under which the presence of a business class is most apt to foster democracy. I submit that the part played by capitalists in these two societies depends upon the type of *guanxi* upon which these actors have grown to rely.

Relatedly, the style of interaction that exists between a given regime and its businesspeople needs to be examined. This relationship, in turn, is a function of a regime's political goals and its corresponding economic developmental strategy. Samuel Huntington has speculated that the response of a regime to this class is apt to be wary. He warned that in "exclusionary one-party systems" (a type of regime in which the "party maintains its monopoly over the political system by limiting the scope of political participation," a label that fit both Taiwan before democratization and the PRC today), the regime will be prone to view a set of people whose wealth has recently increased as a likely menace: "The principal threat to the maintenance of [the system]," he penned, "comes from the diversification of the elite resulting from the rise of new groups controlling *autonomous* sources of economic power, that is, from the development of an independently wealthy business and industrial middle class" [emphasis added].<sup>7</sup> And depending upon how rulers choose to handle the moneyed, the latter will or will not be in a position to build up significant ties with the regime.

Huntington's statement, then, alerts us to the importance of asking two questions relevant to such connections: first, just how "autonomous" were and are the "sources of

economic power” of this portion of the middle classes in the locales of our concern here; and, second, how will “the system” under review (or, more properly speaking, its elite) elect to respond to the challenge; indeed, its reaction should be a topic for inquiry, not a matter of certainty. For threatened top politicians can meet this challenge in a number of ways, as Bruce Dickson has shown, from complete rejection and exclusion to forms of cooptation and inclusion.<sup>8</sup> Where state cooptation of and support for businesspeople have been the mode of response, the capital comprising the ventures in question cannot be claimed to be so independent.

The second inquiry, about reactions from above, can benefit from the insight of Charles E. Lindblom that, “any government official who understands the requirements of his position and the responsibilities that market-oriented systems throw on businessmen will..grant [businessmen] a privileged position.”<sup>9</sup> Granted, during the time when the two states were not democratic, it would be inaccurate to label their “systems” pure market ones, but certainly both were “market-oriented,” at least as of the years following the early 1980s. Lindblom’s reminder is that politicians governing a market economy require the cooperation of capitalists to bolster their rule. This disagreement among scholars over how political leaders might perceive the existence (or, in a newly marketized economy, the advent) of a bourgeoisie--as a threat, a la Huntington, or as a necessary accessory, as per Lindblom--also skirts over a critical issue raised by Kellee Tsai, namely, that capitalists are not all of a kind, and that significant differentiation within the category can have real implications for regime perceptions of and treatment toward them.<sup>10</sup> These formulations also ignore the intricacies of the politics of a state’s ownership/class and ethnicity policies, which have a great deal to do with outcomes in the China and Taiwan cases, respectively. All of these considerations have a bearing on the repercussions that the presence of a bourgeoisie might have for political change.

In sum, to explore the variation in the outcomes in the cases of China and Taiwan, lacunae in the propositions above call for corrections. To summarize: these formulations as they stand will provide inadequate guidance, as they lead one to ask such questions as the following: ones about the conditions under which a business class is apt to agitate for democracy; about the factors that shape a regime’s reactions to the existence of businesspeople within its borders; on the degree of autonomy from the regime of the economic resources of the class (or sections within it); economic resources and power; and on the extent to which subdivisions (and subdivisions of what sort) within any given capitalist class might have a critical bearing on the interaction between these different subdivisions and the political leadership.

## **Guanxi**

A key to answering these queries is to bring the phenomenon of *guanxi* or social connections into the equation. According to Mayfair Mei-Hui Yang, the term refers to the cultivation of personal relationships and “the binding power and emotional and ethical qualities of personal relationships,” including obligations to give, receive, and repay.” Similarly, for Gary G. Hamilton, the term pertains to “certain sets of ties that are bound by norms of reciprocity.” “Most anthropologists and sociologists of Chinese society,” he relates, “argue that *guanxi*, which includes relations and relation building, lies at the heart of Chinese society.”<sup>11</sup> Entailed in this notion, then, are “networks of

mutual dependence,” and a corresponding indebtedness. The personal relationships so nurtured are “based implicitly on mutual interest and benefit, and on an expectation that a favor entails a debt to be repaid; they have a binding power and primacy, Yang explains.<sup>12</sup> The phenomenon of personal ties of this sort can assist in analyzing<sup>13</sup> the variable linkages between regime and bourgeoisie that obtained in pre-democratic days in each of the two polities; this type of tie also structured (in Taiwan) and continues to structure (in China) the stances of these classes toward regime change, I claim.

The definitions laid out above suggest that the concept of *guanxi* contains within itself the possibility of several oppositions, depending upon its presence or its absence between any two parties (with “parties” understood collectively). For example, in the grammar of *guanxi*, where there is indebtedness, there should be loyalty, and the converse will apply as well; where there are debts incurred, there should not be antagonistic demands, but where there are no debts, such demands may well surface. Moreover, where there have been courtesies and assistance, there should be gratitude; but where there has been none (or, worse yet, where there have been slights and rejection), then grievances are in order.

Stretching the concept further, within a *guanxi*-governed society, not only gratefulness but also dependency often accompanies indebtedness, while autonomy opens up the potential for opposition. The upshot of these propositions is that those who have been beneficiaries--who have ties of *guanxi* with the governors--will tend to feel indebted and thus to act loyally, and so are less apt to call for change, more apt to commit to the preservation of the status quo and to their privileges within it. Those who have been neglected or ignored--or even wronged--are, conversely, prone to be proponents of change. And, finally, from the regime’s perspective, those who have been patronized can be a source of cooperation, while those who are estranged can become a threat. These alternatives are pregnant with implications for the postures toward politics of the purveyors of private capital in the PRC and Taiwan.

In what follows, first, I review some similarities and differences between pre-1986 Taiwan and today’s China, in order to justify and qualify the comparisons that will follow. Next, I set out several considerations about each regime and its capitalists: first, the goals of each polity (and the transformations in these goals over time); second, the ethnic and class origins of each bourgeoisie; and third, these two states’ treatment of these people in their pre-democracy days. These factors each had important conditioning effects on the type of relationships--and the presence or absence of *guanxi* in them--that unfolded over time between state and bourgeoisie in each location, and on the consequences for democratization, whether realized (in Taiwan) or theorized (in China). I assess these effects in my last section.

### **Similarities and Differences**

Both post-Mao, “reform”-era China and pre-1986 Taiwan can fairly be labeled authoritarian regimes, ruled dictatorially by a single, Leninist party that brooked little if any freedom of speech while liberally dispensing censorship. In both cases, there was no space for the autonomous organization of private interests, as the empowered party aspired to penetrate social groups of all colors. Where corporatism and transmission-belt

management were not employed to rein in non-state communal entities, these regimes endeavored either to repress or to co-opt the members.<sup>14</sup>

Another factor here is that what Yun-han Chu has written of Taiwan in these years, that the party there governed through an “authoritarian equilibrium” that “depended on prosperity” could just as well have been penned in description of its neighbor to the north.<sup>15</sup> As for economic policy, again there were marked parallel features. In both, state ownership was prominent, and small business stood at a disadvantage, with governmental generosity lent the larger firms, especially those in the possession of the party or the government.<sup>16</sup> In neither case did the owners of the littler enterprises find it easy to acquire loans from the big banks that operated under the aegis of the state.<sup>17</sup> Both places also continue up to the present to operate along the Confucian-based principles of *guanxi* and the mutual obligation it entails.

Perhaps most centrally for the purposes of this paper, both places experienced phenomenal state-led industrialization and modernization--in Taiwan especially from the 1960s through the 1980s, and in China in the 1980s up through present<sup>18</sup>--and also in both, one outcome of that growth was the birth or rebirth of what could be called a middle class.<sup>19</sup> Whereas in Taiwan in 1949 there has been said to have been only a tiny middle class following Japanese occupation,<sup>20</sup> by the late 1980s, somewhere between 25 and 40 percent of the population could be counted as belonging to that category, while a recent study of China gives a figure of 35 percent for the early twenty-first century.<sup>21</sup> For Taiwan, a number of analysts link the rise of such a sector within the population to the appearance of democratization.<sup>22</sup>

From my perspective, however, the most telling tidbit about this stratum was the information provided by Alexander Ya-li Lu, who distinguished a “new” from an older middle class. He holds that the former group, the “new middle class,” which comprises intellectuals, professionals, and businesspeople, was the source of both the main members and the activists of the *Tangwai*, or opposition movement, and that the majority of the members of this income group are of Taiwanese origin.<sup>23</sup> This insight informs my contention that the nature of the middle class’s relation to the regime and therefore its stance toward regime change may have to do with the treatment that group has received from the regime, at least as much as with the rise in income and education of a particular set of people. These various similarities justify the comparison between two political entities both of which can constitute societies where Confucian values, and consequently traditional notions of *guanxi*, influence the populace. They also lay the groundwork for my extension of an insight about Taiwan’s bourgeoisie to a prediction about China’s.

Yet the differences between the two sites are also pertinent to the story at hand. Most prominently, regardless of its hefty share in the ownership of state assets, the Republic of China/Guomindang regime managed an economy that was essentially capitalist, while after 1979 the PRC’s economy was in transition from a socialist, planned economy, and only gradually acquired more and more capitalist elements.<sup>24</sup> This means that private business existed in Taiwan for nearly four decades before the breakthrough to democracy occurred, while in China private business progressively achieved the right to operate openly only after 1979, for a period in the 1980s being officially ideologically suspect, which it again became for a few years after 1989.

A second major difference is that the two governments ruled under quite dissimilar external circumstances. Whereas in Taiwan, American pressure, with which

Taiwan was forced to comply in light of its heavy dependence on U.S. approval for its weapons supply, market access, and indeed, its very survival,<sup>25</sup> pushed for the existence of a private sector from the start, leaders in China were in no sense beholden to the U.S. and could select any developmental model they wished. Third, and most critically, the crucial divide within the business sector in Taiwan was one between the large (almost entirely either Mainland-originated or state-run businesses) and the private-sectoral small and medium Taiwan-owned firms (SMEs), an *ethnic* divide. In the words of a recent author, the state in Taiwan practiced “coercion and manipulation of the private sector,”<sup>26</sup> insofar as its owners were Taiwanese.

In China, there is no such ethnically-based separation, though vestiges of the old, socialist system, have fostered *ownership/class-based* distinctions (i.e., small firms tend to be the creations of farmers or previous outcasts such as ex-prisoners, while bigger ones often got their start with help from or even leadership by state officials) that continue to carve up the capitalists. The Taiwanese state purposefully excluded Taiwanese entrepreneurs and limited the scale of their ventures, planting the seeds of grievance and anger for decades, while in China those with close connections with the state (its officials, its enterprises) prospered, such that an expanding number of those in business could promote their activities unimpeded and even encouraged. The following sections explore these differences in more depth.

## **State and Capitalists: Considerations**

### **Regime Goals**

When the Nationalist (hereafter GMD) government first reclaimed and then retreated to the Mainland after 1945, it encountered what was an alien population, one composed mostly of Chinese people from the Mainland’s southeast whose ancestors had migrated to the island over the past several centuries but who--chiefly because of the prior, 50-year colonial overlordship of Japan--had developed a separate identity as “Taiwanese,” not just as “Chinese” people. This bifurcation between two subethnicities within the Han group was only exacerbated by rapacious and violent behavior on the part of the incoming GMD. Aware that their regime was that of a set of conquering outsiders and that it was, accordingly, weak on legitimacy, the newcomers were desperate to keep down the natives in the hope of preventing or eliminating potential opposition. They therefore worked to obstruct any economic rivalry from the locals; to make the economy thrive through their own efforts; and to ensure the security and survival of their own rule.<sup>27</sup>

The GMD also prioritized a vibrant economy so that its output would undergird the project of recovering the Mainland.<sup>28</sup> As just stated, an important effect of Nationalist strategy--especially when combined with the GMD’s various measures to limit the size of the small firms (to be discussed later)--was to draw a line in the sand between local and outsider/state firms, privileging the latter and antagonizing the former.<sup>29</sup> Michael Hsiao remarks on there “always” having been ethnic tension between the mainlander state and Taiwanese businesses.<sup>30</sup>

In China after 1978, the post-Mao political elite was bent on reconstituting its authority and bolstering its legitimacy in the wake of the ravages of the Cultural

Revolution, which had just been brought to a halt. For these leaders, there was no question of barring any specific subgroup from participation in its hellbent drive to boost productivity, jack up the economy, expand jobs, and improve living standards, as the leadership strove to elevate China's national stature, and, just as importantly, to recapture the hearts of the populace.<sup>31</sup> To these ends, the regime resurrected private business as early as 1979,<sup>32</sup> and by early 1984 was recognizing the value of this activity publicly in a Central Party Document.<sup>33</sup> In 1987, the leadership conferred a grant of official legitimacy on private entrepreneurship,<sup>34</sup> and in the following year, Article 11 of the state Constitution of 1982 was amended to permit the private sector "to exist and develop within the limits prescribed by law." In 1999, the same Article was again updated to read that "The non-public sector of the economy comprising self-employed and private businesses within the domain stipulated by law is an important component of the country's socialist market economy," adding that "The state protects the legitimate rights and interests of the self-employed and private businesses." Most recently, in March 2004, the constitution was once more revised to include protections for private property, stating that it was to be elevated to an "equal footing with public property."<sup>35</sup>

On many occasions, the party repeatedly affirmed its overriding priority of economic growth, development and abundance.<sup>36</sup> As Bruce Dickson has astutely described the situation, as the party's mission shifted in late 1978 to the task of bolstering "socialist economic modernization," people engaged in business were increasingly protected and even courted, as he phrased it, both "to promote the party's agenda" and to "prevent..a challenge to the state."<sup>37</sup> In light of this objective, in July 2001, then-party chief Jiang Zemin proposed removing the prohibition against admitting entrepreneurs into the party, a ban that had been formally in force since 1989 but often honored only in the breach, in any event.<sup>38</sup> This bid amounted to an extension of Jiang's "Theory of the Three Represents," an indirect offer of inclusion to various social forces traditionally ranked outside the party's past constituencies, including businesspeople.<sup>39</sup>

In addition to admitting entrepreneurs into the party and creating an environment in which party members themselves felt free to go into business [*xiahai*]<sup>40</sup>--a trend that picked up considerable speed in and after the early 1990s, in recent years, the party has advanced various policies whose effect has been to raise the incomes and improve the lifestyles of a new segment of society that includes professionals, private entrepreneurs and state bureaucrats. Behind these steps are its hopes of forming a high-consumption component of the population whose buying will invigorate the national economy. Among these moves have been a series of salary increases, along with a program that endowed state firm employees (and other elements of the new middle class who are connected to the state and public employment) with an opportunity to purchase their own housing at very low rates.<sup>41</sup> By the middle of the first decade of the twenty-first century, it was possible for Scott Kennedy to judge--after hundreds of hours of interviews with businesspeople--that these individuals enjoyed "shared goals" with the state; David Goodman, similarly, speaks of a "community of interest" between the middle class and the party-state.<sup>42</sup>

In sum, both states had issues of legitimacy to deal with, the GMD in 1949 and again after 1971; for the Chinese Communist Party (CCP) that concern became particularly salient after 1978. For the GMD domestically, it was a question of grappling with a populace ethnically distinct from the one represented by the party itself, while for



the CCP it was a matter of reversing its class stance and its definitions of socialism (so that state ownership was not a necessary feature), a position that required some years to consolidate. The GMD chose to handle its legitimacy problem by keeping the native Taiwanese at a distance, for the most part, despite some softening of its stance over time, what amounted to an *exclusionary* strategy; the CCP, on the other hand, opted to enhance its legitimacy by broadening its class base, in particular, by enforcing a project of *inclusion* insofar as the bourgeoisie was involved.

### **Origins and Composition of the Bourgeoisie**

Before looking in more depth at the two regimes' handling of their entrepreneurs, a quick review of the socio-political backgrounds or origins of the members of these groups can assist in understanding the linkage between state goals and objectives and how the business operators did or did not get to play a role in them. The first step is to distinguish between the owners or managers of firms of different sizes. In Taiwan, the larger firms were usually ones that originated from Mainland capital and were nearly always those connected to the state or the GMD, and these were the ones that grew large through their *guanxi* with and allegiance to the state<sup>43</sup>; the SMEs then, were the ones in the possession of what could be called the "middle class."<sup>44</sup> While the big businesspeople came from China after 1949, forged their firms from their compensation after land reform, or were recipients of U.S. aid in the 1950s,<sup>45</sup> most of the smaller ventures (which grew into medium ones with time) were generally the product of the export trade in which Taiwanese capitalists engaged in the 1960s. What native bourgeoisie existed in Taiwan was an extension of these early SMEs.<sup>46</sup>

According to Michael Hsin-huang Hsiao, the good fortunes of these SMEs was not the product of state policy, but instead occurred thanks to their entrepreneurs seizing the opportunity of the world market after the domestic one had become nearly entirely dominated by outsiders, the *waishengren*.<sup>47</sup> The same policies that, Hsiao holds, unintentionally benefited these businesses also attracted foreign direct investment from the U.S. and Japan, which in turn promoted more SMEs.<sup>48</sup> Another group of outward-oriented SMEs developed out of persisting trade with Japan, a business that Taiwanese merchants carried forward from pre-handover times.<sup>49</sup> Apparently, those native businesspeople who experienced the growth and prosperity of their SMEs by the late 1960s were in no way beholden to the Republic of China state.

In China, to the contrary, Bruce Dickson has pointed to the "common backgrounds and shared interests of the emerging middle classes and state officials."<sup>50</sup> Distinctively different from what happened on Taiwan, basing himself on his study of local (mostly rural, it appears) elites in Shanxi province, David Goodman has observed that small-scale private entrepreneurs intent upon expansion normally depend upon close collaboration with their local governments or with connections within the party.<sup>51</sup> Among the strategies he cites for becoming a businessperson, Goodman points to some cadres' children capitalizing on their parents' ties within the party; others, he notes, were themselves once village heads or local party secretaries.<sup>52</sup> In a somewhat earlier study, Susan Young found that 60 percent of the rural private entrepreneurs she surveyed had been cadres before stepping into the world of capital.<sup>53</sup> And in a later piece, Bjorn

Alpermann also discovered that the majority of those practicing business in the rural areas he researched had once been cadres or were still simultaneously in such a role.<sup>54</sup>

Kristen Parris, Lu Xueyi, Kellee Tsai, and David Wank all trace successive streams of entrepreneurs who established themselves from the late 1970s onward, all of them agreeing that, in the words of Wank, as businesspeople built up their firms, over time each group to surface had “better [social] capital for linking with local state agents.”<sup>55</sup> And it has been the late entrants who have succeeded the most handsomely.

### **Regime Treatment of Businesspeople**

Through what policies and measures did these states, respectively, essay to exclude or include their more moneyed citizens once their economies had progressed to the stage when such people began to proliferate? To answer the question for Taiwan requires going back in time to the late 1940s, when the GMD state was just beginning to entrench itself on the island. In the first days of its rule the Nationalists promptly confiscated 1,259 units of so-called “enemy enterprise property,” which comprised strategically vital financial, transportation, basic utility and manufacturing assets.”<sup>56</sup> As many as 85 Taiwanese industrial firms were also grabbed up by the GMD in the five years between 1945 and 1950.<sup>57</sup>

In the course of these takeovers, local employees were dismissed, and such rancor was engendered by the process as a whole that one of the demands in the February 1947 Taiwanese protest movement was for the right to manage public utilities.<sup>58</sup> Meanwhile, Mainland-originated capitalists were allocated government resources on the basis of connections established before migrating.<sup>59</sup> Both in the early years when import substitution was emphasized and U.S. aid was generous, and continuing over time, Mainlander enterprises got preferential treatment in the regime’s economic development strategy.<sup>60</sup> Some 45 years after the installation of the GMD regime on the island, Yunhan Chu was able to term the extent of state assets “huge.”<sup>61</sup> Other writers in Taiwan have speculated that the goal behind these moves was to provide the GMD with autonomy from local society as well as to endow the party with the financial and economic resources to dominate the Taiwanese.<sup>62</sup>

Even in the 1970s, when the GMD leadership was struggling to sustain its legitimacy in the wake of its expulsion from the United Nations and the United States’ initiation of proto-diplomatic dealings with the PRC--a time when it famously began to incorporate Taiwanese people into the party and even to place them in positions within the government--state firms were granted the principal part in major industrial projects, a choice Hsiao maintains was made in order to enhance the weight of the state-controlled sector. The only opening to the Taiwanese at the time was a ploy to co-opt them through joint investments, plus lending some of them slots on the governing boards of business organizations.<sup>63</sup>

Beyond specifically privileging Mainland and party-affiliated firms, the GMD apparently posed barriers that--intentionally or otherwise--acted to limit the growth of private, especially Taiwanese firms.<sup>64</sup> The small and medium enterprises that the Taiwanese tended to operate and own received scant support from the state and failed to qualify for state-proffered incentives available to larger firms.<sup>65</sup> The upshot was to marginalize the native enterprises and keep them either small or just medium in size.<sup>66</sup>

Even when Taiwanese people were admitted into the economic bureaucracy, Chu notes that they were barred from handling top priority policy matters and, what was even worse, put under close scrutiny to ensure that they did not favor the local private sector.<sup>67</sup> He also tells of how the larger, state-connected firms engaged in collusive pricing, which hurt the business of the smaller down-stream firms.<sup>68</sup>

The various restrictions to which they were subjected effectively prevented locals from entering the manufacturing sector.<sup>69</sup> The final insult was the imaginary line that cut up the populace ethnically, and which blocked native people from participating in politics until the 1970s.<sup>70</sup> This ostracism extended to a refusal on the part of the rulers to incorporate Taiwanese businesspeople's views on policy.<sup>71</sup> In short, in the words of Chyuan-jenq Shiau, "Before the mid-1980s, the authoritarian state was powerful enough to retain the upper hand with the business community."<sup>72</sup>

Lacking ties to the ruling party or even to influential channels within the government, the small and medium firms, virtually all of which were Taiwanese-owned, were cast back upon their own *guanxi* for capital and other resources, and for business networks.<sup>73</sup> Indeed, Gary Hamilton has called Taiwan's a "networked economy" and described what occurs there as a "*guanxi* capitalism";<sup>74</sup> Susan Greenhalgh went so far as to elaborate a model in which "family networks undergird the economy."<sup>75</sup> In the early 1980s, she avers, as many as 97 percent of private industrial firms were structured around families<sup>76</sup>; moreover, she noted at that time, "being Taiwanese" meant to draw upon family, community and religious ties to climb.<sup>77</sup> Yun-han Chu finds it possible to make the same claim a decade later, pointing as well to the lack of lineage bonds between the native Taiwanese and the power-wielding Mainlanders.<sup>78</sup> Certainly this relegation to the outside left its sourness among the left-out entrepreneurs, even as they managed to thrive on their own.<sup>79</sup> This meant that the key to the commercial success of these native firms was their own, non-state connections, their friends and relatives, and various sorts of "curb-side" or other forms of informal money markets.<sup>80</sup>

In China, to the contrary, though the smallest of the firms also struggled in a netherworld of bureaucratic predation<sup>81</sup> and absence of official protection or financing, any capitalist venture, however petty, which was founded by or supported by party officials--or by someone with good *guanxi* with party or state officials--routinely became the recipient of any or most of an array of rewards and facilitations that smoothed the way toward business success. These benefits could range from access to necessary raw materials, licenses, or bank credit;<sup>82</sup> with time, at the grass roots the members of the local bourgeoisie were often courted by petty bureaucrats and officials and admitted into the party itself if they were not already party members, their firms sometimes also absorbed by the governments.<sup>83</sup> And already in the 1980s private business in the rural areas expanded its opportunities by building ties with officialdom,<sup>84</sup> or, often, by donning a so-called "red hat," that is, hiding their true "private" essence by arranging with cadres to register as "collective."<sup>85</sup> Such cadres had a clear incentive to take them in, for this increased the chance that the locality could meet or surpass its quota for rapid growth.<sup>86</sup>

By early 1990, it was already possible to speak of the two sides--bureaucrat and businesspeople--as "symbiotic," a description that only grew more and more appropriate with time.<sup>87</sup> By the early 2000's, managers and operators of large firms were involved in direct interaction with party elites on policy germane to their enterprises, and their organizations--even if created, penetrated and supervised by the party--could even be said

to be influential on matters of concern to the businesspeople in them, whose open lobbying on behalf of their interests was often effective.<sup>88</sup> Whether through cooptation of individuals or through corporatist connections via state-sponsored associations, business--especially larger business--worked in lock step with the regime.<sup>89</sup> Here then we see a major difference in the locus of the *guanxi* on which the bourgeoisie relied (in Taiwan) and relies (in China) in pre-democratic days. I go on to explicate the implications for businesspeople's stance on regime change of this variable location of *guanxi* in the two places.

### **Political Stances Resulting from Capitalists' Guanxi Relations in China and Taiwan**

Based on the analysis above, it is possible to draw some conclusions about the governance preferences of the bourgeoisie in China and Taiwan, respectively. The argument in this paper has been that simply being a member of the bourgeoisie does not affect one's political stances in a uniform way. Instead, I hold, it is necessary to inquire about the site to which businesspeople look when they try to succeed in the marketplace in order to understand their positions politically. For in both places--perhaps as a reflection of the staying power of Confucian customs--excelling at getting wealthy through buying and selling appears to depend upon particular personal support systems.<sup>90</sup> In Taiwan these systems' components are one's family and friends; in China they are usually party officials, whether in one's home region or in Beijing.

When we turn to investigate the effects for democratization of a moneyed middle class, there is evidence to back up this claim. Writing of Taiwan in the late 1988s, after the democracy movement was overtly launched, Tun-jen Cheng calls this drive a "middle class movement," one with ties to small business.<sup>91</sup> Likewise, Chyuan-jenq Shiau, writing over a half decade later, confirmed this hunch, in his statements that, "In comparison to large or public enterprises, [exporting SME's] had much weaker political links to the ruling party and the executive system of the state. It has been said that the opposition Democratic Progressive party was primarily funded by the contributions of small and medium-sized businesses."<sup>92</sup>

In China, to the contrary, by the late 1990s, Jie Chen has discovered, private entrepreneurs exhibited a level of "diffuse [or generalized] support," for the regime that pretty much matched that of state enterprise cadres, a level that was not far from that of government bureaucrats, while in terms of "specific [in regard to particular state policies] support," as an occupational group they ranked second after the military and state bureaucrats.<sup>93</sup>

Various analysts have offered their opinions as to why this may be the case, ranging from capitalists' fears that political instability, or, worse yet, fundamental change, could undermine their positions; to their loyalty and appreciation of the benefits they have received from their political patrons; to being hostile to politics; to being pragmatically single-minded about their work in business; to being grateful, and thus, loyal to the regime or to officialdom as a whole for specific policies or for individual support.<sup>94</sup> True, it has been found that some big firms' capitalists might favor democracy for some of its features, but they do not tend to work for its appearance.<sup>95</sup> One indication of this point is the interesting datum that, of the 151 most active members of China's one

failed opposition party, the China Democratic Party which emerged in 1998, just three were private entrepreneurs.<sup>96</sup>

## Conclusions

This paper began with an ambition of fine-tuning some of the bigger propositions about the relationship between the growth of a moneyed portion of the middle class, on the one hand, and an authoritarian regime, on the other in asking about the potential for regime change. I have suggested that more accurate predictions could be garnered by looking more closely at the *conditions under which* a business class is apt to agitate for democracy. It appears now that for the two cases under consideration, a principle condition has been the existence or absence of supportive bonds between that class and the regime.

I also asked about the factors that shape the regime's reactions to the emergence of such a class; it now appears that where ethnic differences mark a region being conquered from the outside, the incoming rulers might be disposed to reserve the sphere of business for themselves and their co-nationals, as a safety precaution against being outmaneuvered by the locals. And if the rising class has been nurtured by and co-opted into the regime, that regime is unlikely to fear autonomy from the former. Moreover, the analyst needs to be cognizant of various segments within a business class, for ethnic and size factors may mean that generalizations can be unwarranted.

Political prediction is always perilous. Can we really draw any implications for the case of China from what we know to have happened on Taiwan? To ensconce my hypothesis about connections within a relatively safe framework, I placed it upon the fairly firm terrain of personal connections, which, as a common folkway in Confucianist China and Taiwan, made it reasonable to compare the two. But training a spotlight on the similarity of *guanxi*'s necessity for good business in them both only served to highlight the crucial difference of the partners businesspeople have been forced to--or been able to--work with in the two disparate contexts. It would seem reasonable to infer that when the political elite is the patron of the capitalists, the latter would be more prone to protect the regime at hand than to work to cause it to collapse.

## Endnotes

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<sup>1</sup>Paper prepared for the conference, “Democratization in Greater China: What Can We Learn from Taiwan’s Past for China’s Future,” sponsored by the Taiwan Democracy Program; Center on Democracy, Development and the Rule of Law; and the Freeman Spogli Institute for International Studies, October 20-21, 2006, Stanford University, October 20-21, 2006.

<sup>2</sup>For the Taiwan case, I am taking 1986 to be the end of the pre-democratic days. This is not to say that democracy was instituted immediately after the founding of the Democratic Progressive Party late in that year, or just in the aftermath of the lifting of martial law, planned from late 1986 and carried out in the following year. But I do judge these events to form a watershed, after which the plunge to democracy was part of a flow of events.

<sup>3</sup>Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy* (Boston: Beacon Press, 1966), 418, 422.

<sup>4</sup>Samuel P. Huntington, *Political Order in Changing Societies* (London and New Haven: Yale University Press, 1968), 21.

<sup>5</sup>Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman and London: University of Oklahoma Press, 1991), 65-67.

<sup>6</sup>See, for instance, Ruth Berins Collier and James Mahoney, “Adding Collective Actors to Collective Outcomes: Labor and Recent Democratization in South America and Southern Europe,” *Comparative Politics* 29, 3 (1997), 285-303; Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist development and democracy* (Cambridge, UK : Polity Press, 1992); and Eva Bellin, *Stalled Democracy: Capital, Labor, and the Paradox of State-Sponsored Development* (Ithaca: Cornell University Press, 2002).

<sup>7</sup>Samuel P. Huntington, “Social and Institutional Dynamics of One-Party Systems,” in *Authoritarian Politics in Modern Society: The Dynamics of Established One-Party Systems* (New York and London: Basic Books, 1970), 15, 20. These references to Huntington come from Bruce J. Dickson, *Red Capitalists in China* (Cambridge, England: Cambridge University Press, 2003).

<sup>8</sup>Bruce J. Dickson, *Red Capitalists* (Cambridge: Cambridge University Press, 2003) and *idem.*, *Democratization in China and Taiwan* (Oxford: Clarendon Press, 1997). Dickson has mentioned both cooptation and building corporatist links with capitalists’ associations as possible adaptive strategies. Other possibilities are to eliminate them, expropriate their assets, exclude them or limit their growth.

<sup>9</sup>Charles E. Lindblom, *Politics and Markets* (New York: Basic Books, 1977), 175.

<sup>10</sup>Kellee S. Tsai, “Capitalists without a Class: Political Diversity Among Private Entrepreneurs in China,” *Comparative Political Studies* 38, 9 (November 2005), 1130-58.

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<sup>11</sup>Gary G. Hamilton, "Culture and Organization in Taiwan's Market Economy," in Robert W. Hefner, *Market Cultures: Society and Values in the New Asian Capitalisms* (Singapore: Institute of Southeast Asian Studies, 1998), 57.

<sup>12</sup>Mayfair Mei-hui Yang, *Gifts, Favors, and Banquets* (Ithaca & London: Cornell University Press, 1994), 1, 6, 8.

<sup>14</sup>For Taiwan, see Hung-mao Tien, *The Great Transformation: Political and Social Change in the Republic of China* (Stanford, CA: Hoover Institution Press, Stanford University, 1989), 43, 46, 59-60; Hsin-huang Michael Hsiao, "The State and Business Relations in Taiwan," *Journal of Far Eastern Business* 1, 3 (Spring 1995), 80-82; and Robert P. Weller and Hsin-huang Michael Hsiao, "The Transformation of Chinese Civil Associations in Taiwan, Hong Kong and South China, in David C. Schak and Wayne Hudson, eds., *Civil society in Asia* (Hampshire, England and Burlington, VT: Ashgate, 2003), 174. On China, see Gordon White, Jude Howell, and Shang Xiaoyuan, *In Search of Civil Society: Market Reform and Social Change in Contemporary China* (Oxford: Clarendon Press, 1996), 27, 31.

<sup>15</sup>Yun-han Chu, *Crafting Democracy in Taiwan* (Taipei: Institute for National Policy Research, National Policy Research Series No. 2, 1992), 30. For China, Bruce J. Dickson, *Democratization in China and Taiwan* (Oxford: Clarendon Press, 1997), 154 and *idem.*, "Dilemmas of Party adaptation," in Peter Hays Gries and Stanley Rosen, *State and Society in 21st-century China* (New York and London: RoutledgeCurzon, 2004), 149.

<sup>16</sup>Hsiao, *op. cit.*, 82.

<sup>17</sup>For Taiwan, Wu, *op. cit.*, 287-88; Susan Greenhalgh, "Families and Networks in Taiwan's Economic Development," in Edwin A. Winckler and Susan Greenhalgh, eds., *Contending Approaches to the Political Economy of Taiwan* (Armonk, NY: M.E. Sharpe, 1988), 234, 243; and Hamilton, *op. cit.*, 70; for China, Kellee S. Tsai, *Bank-alley Banking: Private Entrepreneurs in China* (Ithaca: Cornell University Press, 2002).

<sup>18</sup>Good sources on Taiwan are Cheng, *op. cit.*, 481; Ramon H. Myers, "The Economic Transformation of the Republic of China on Taiwan," *The China Quarterly*, No. 99 (September 1984), 500-28; Thomas B. Gold, *State and Society in the Taiwan Miracle* (Armonk, NY: M.E. Sharpe, 1986); and Tien, *op. cit.*

<sup>19</sup>For Taiwan, Yun Fan, "Taiwan: No Civil Society, No Democracy," in Muthiah Alagappa, ed., *Civil Society and Political Change in Asia* (Stanford: Stanford University Press, 2004), 166-67; Thomas B. Gold, "Taiwan: Still Defying the Odds," in Larry Diamond, Marc F. Plattner, Yun-han Chu, and Hung-mao Tien, eds., *Consolidating the Third Wave Democracies* (Baltimore and London: The Johns Hopkins University Press, 1997), 166; Alexander Ya-li Lu, "Political Opposition in Taiwan: The Development of the Democratic Progressive Party," in Tun-jen Cheng and Stephan Haggard, eds., *Political Change in Taiwan* (Boulder & London: Lynne Rienner Publishers, 1992), 122-23; for China, a good source is Lu Xueyi, ed., *Dangdai zhongguo shehui liudong* [Social Mobility in Contemporary China] (Beijing: shehui kexue wenxian chubanshe [Social Science Documents Publisher], 2004, 270-75.

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<sup>20</sup>Tien, *op. cit.*, 30; Cheng, *op. cit.*, 475. Also, Thomas B. Gold writes in “Entrepreneurs, Multinationals, and the State,” in Edwin A. Winckler and Susan Greenhalgh, eds., *Contending Approaches to the Political Economy of Taiwan* (Armonk, NY: M.E. Sharpe, 1988), 182 that the KMT “liquidated or suppressed native elites,” and as others have noted, the GMD’s February 1947 massacre of locals wiped out the local elite. Man-houng Lin, “Elite Survival in Regime Transition: Government-Merchant Cooperation in Taiwan’s Trade with Japan, 1950-1961,” in Shigeru Akita and Nick White, eds., *The International Order of Asia in the 1930s and 1950s* (London and New York: Ashgate, forthcoming, 2006), 22 contains the information that some Taiwanese merchants were arrested in the 1947 massacre. Thanks to Julia Strauss for providing this reference.

<sup>21</sup>*Ibid.*, 33; in a later publication, Tien estimated that the proportion was one third, as of the early 1990s. This is Hung-mao Tien, “Transformation of an Authoritarian Party State: Taiwan’s Development Experience,” in Tun-jen Cheng and Stephan Haggard, eds., *Political Change in Taiwan* (Boulder & London: Lynne Rienner Publishers, 1992), 36. For China, Lu Xueyi, *op. cit.*, 97, 275.

<sup>22</sup>For instance, see Tien (1992), 35, and *idem.*, (1989), 31, 33, 42. Hsin-huang Michael Hsiao & Hagen Koo, “The Middle Classes and Democratization,” in Larry Diamond, Marc F. Plattner, Yun-han Chu, and Hung-mao Tien, eds., *Consolidating the Third Wave Democracies* (Baltimore and London: The Johns Hopkins University Press, 1997), 313 question drawing a simplistic correlation between the rise of the middle class and the advent of democracy. And Chu, *op. cit.*, 125ff wrote in 1992 that democratization heightened business influence in government after 1988, and not the other way around.

<sup>23</sup>Alexander Lu, *op. cit.*, 122-123. Lu Xueyi, *op. cit.*, 270 includes in his “new middle class” people who do mental labor, have a higher education, are paid in wages, and are influential in social affairs.

<sup>24</sup>For Taiwan, see Tun-jen Cheng, “Democratizing the Quasi-Leninist Regime in Taiwan,” *World Politics* XLI, 4 (July 1989), 478.

<sup>25</sup>Gold (1988), 182; Cheng, *op. cit.*, 492.

<sup>26</sup>Yongping Wu, *A Political Explanation of Economic Growth: State Survival, Bureaucratic Politics, and Private Enterprises in the Making of Taiwan’s Economy, 1950-1985* (Cambridge, MA and London: Harvard University Asia Center, Harvard University Press, 2005), 297.

<sup>27</sup>Chyuan-jenq Shiao, “Elections and the Changing State-Business Relationship,” in Hung-mao Tien, ed., *Taiwan’s Electoral Politics and Democratic Transition: Riding the Third Wave* (Armonk, NY: M.E. Sharpe, 1996), 216; Tien (1989), 24.

<sup>28</sup>Gold (1989), 200.

<sup>29</sup>Ho, *op. cit.*, 4 refers to “antagonism.”

<sup>30</sup>Hsiao, *op. cit.*, 82.



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<sup>31</sup>Kristen Parris, “The Rise of Private Business Interests,” in Merle Goldman and Roderick MacFarquhar, eds., *The Paradox of China’s Post-Mao Reforms* (Cambridge, MA: Harvard University Press, 1999), 265, 282.

<sup>32</sup>Dorothy J. Solinger, *Chinese Business Under Socialism* (Berkeley: University of California Press, 1984), 201-05; Susan Young, *Private Business and Economic Reform in China* (Armonk, NY: M.E. Sharpe, 1995), 132-33.

<sup>33</sup>Young, *op. cit.*, 106.

<sup>34</sup>*Ibid.*, 110.

<sup>35</sup>This is taken from an email sent on March 5, 2004 by Michal Korzec.

<sup>36</sup>For instance, in a *People’s Daily Online* statement on May 31, 2002, then-Party General Secretary Jiang Zemin proclaimed an order to “make prosperity the national economy.”

<sup>37</sup>Bruce J. Dickson, *Red Capitalists* (Cambridge: Cambridge University Press, 2003), 23, 26, 29. Bjorn Alpermann, “Wrapped up in Cotton Wool: Political Integration of Private Entrepreneurs in Rural China,” *The China Journal*, Issue 56 (July 2006), 33 also suggests an “urgency” within the regime to “prevent open challenges” by integrating businesspeople into the regime.

<sup>38</sup>Dickson (2003), 1, 103.

<sup>39</sup>This paragraph was borrowed from Dorothy J. Solinger, “State and Society in Urban China in the Wake of the 16th Party Congress,” *The China Quarterly*, No. 176 (December 2003); see Joseph Fewsmith, *China Since Tiananmen* (New York: Cambridge University Press, 2001), 230; Susan V. Lawrence, “Three Cheers for the Party,” *Far Eastern Economic Review*, October 26, 2000, 32; and Andrew J. Nathan and Bruce Gilley, *China’s New Rulers: The Secret Files* (New York: New York Review Books, 2002), 116, 167-68. According to Nathan and Gilley, 168, the theorists who developed the concept did so out of a recognition of the growing significance of the middle class.

<sup>40</sup>Dickson (2003), 106; Parris, *op. cit.*, 268; White, Howell, and Shang, *op. cit.*, 198-99.

<sup>41</sup>Stanley Rosen, “The Victory of Materialism: Aspirations to Join China’s Urban Moneyed Classes and the Commercialization of Education,” *The China Journal*, No. 51 (January 2004), 27-28; Luigi Tomba, “Creating an Urban Middle Class: Social Engineering in Beijing,” *The China Journal*, No. 51 (January 2004), 3, 5-7, 25.

<sup>42</sup>Scott Kennedy, *The Business of Lobbying in China* (Cambridge, MA: Harvard university Press, 2005), 55; David Goodman, “The New Middle Class,” in Merle Goldman and Roderick MacFarquhar, eds., *The Paradox of China’s Post-Mao Reforms* (Cambridge, MA: Harvard University Press, 1999), 261.

<sup>43</sup>Hsiao, *op. cit.*, 85-86.

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<sup>44</sup>Cheng, *op. cit.*, 474.

<sup>45</sup>Gold (1988), 188-89. See also Wu, *op. cit.*, 91-98.

<sup>46</sup>Gold (1997), 166.

<sup>47</sup>Hsiao, *op. cit.*, 78-79.

<sup>48</sup>*Ibid.*, 79.

<sup>49</sup>Lin, *op. cit.*

<sup>50</sup>Dickson (2003), 12.

<sup>51</sup>Goodman, *op. cit.*, 139.

<sup>52</sup>*Ibid.*, 149-151.

<sup>53</sup>Young, *op. cit.*, 115.

<sup>54</sup>Alpermann, *op. cit.*, 40.

<sup>55</sup>Parris, *op. cit.*, 266; Lu Xueyi, *op. cit.*, 277-78; Tsai, *op. cit.*, 1132, 1135-39; Wank, *op. cit.*, 116-135.

<sup>56</sup>Liu Chin-Ching, *Taiwan chanhao chingchi fensi* [An economic analysis of postwar Taiwan] (Taipei: Jenchien, 1992), 24-28, cited in Ming-sho Ho, "The Rise and Fall of Leninist Control in Taiwan's Industry," *The China Quarterly* (forthcoming), 6. Thanks to Julia Strauss for providing this reference. Yun-han Chu, *Crafting Democracy in Taiwan* (Taipei: Institute for National Policy Research, National Policy Research Series No. 2, 1992), 26 states that "the party controlled a complex web of party-run or party-invested enterprises and billions worth of financial assets." Hsiao, *op. cit.*, 82 cites unofficial estimates as holding that "about half of the total assets of Taiwan's corporations" were "controlled directly or indirectly by the state and the party." Cheng, *op. cit.*, 476 details the party's sources of wealth. Yun-han Chu, "The Realignment of Business-Government Relations and Regime Transition in Taiwan," in Andrew MacIntyre, ed., *Business and Government in Industrializing Asia* (Ithaca: Cornell University Press, 1994), 118 lists the economic and political functions of state firms.

<sup>57</sup>Wu, *op. cit.*, 41, 46.

<sup>58</sup>Cited in Ho, *op. cit.*, from Alice Amsden.

<sup>59</sup>Wu, *op. cit.*, 101.

<sup>60</sup>Hsiao, *op. cit.*, 82; Gold (1986), 70; and Wu, *op. cit.*, Chapter 4, for Taiwan; For China, Gordon White, Jude Howell, and Shang Xiaoyuan, *In Search of Civil Society: Market Reform and Social Change in Contemporary China* (Oxford: Clarendon Press, 1996), 201.

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<sup>61</sup>Chu (1994), 118. See also Gary G. Hamilton, "Culture and Organization in Taiwan's Market Economy," in Robert W. Hefner, *Market Cultures: Society and Values in the New Asian Capitalisms* (Singapore: Institute of Southeast Asian Studies, 1998), 44-45 and Wu, *op. cit.*, 40-41, 46 for recent assessments.

<sup>62</sup>Ho, *op. cit.*, 4; Hsiao, *op. cit.*, 85; Wu, *op. cit.*, 81, 297.

<sup>63</sup>Hsiao, *op. cit.*, 82-83.

<sup>64</sup>Cheng, *op. cit.*, 481 claims that this was done in part by not picking out "national champions" to foster from among these firms. See also Wu, *op. cit.*, 39, and 118-30. On the other hand, Gold (1986) states that the GMD did select cronies, but of course with only a small handful of exceptions, these would not have been people who were ethnically Taiwanese. Wu, *op. cit.*, 117 makes the same point about how the government operated in choosing whom to support. Chu (1992), 21 refers to entry barriers (as does Gold (1988), 190), monopoly licenses and government grants targeted at party-controlled enterprises, all instituted to protect favored firms from private competition. Hamilton, *op. cit.*, 45, 69 charges that since the state monopolized supply infrastructure and basic goods and services (electricity, gasoline, steel, petroleum and others), it kept such sectors out of private hands.

<sup>65</sup>Wu, *op. cit.*, 285-87, 296.

<sup>66</sup>Chu (1992), 132.

<sup>67</sup>*Ibid.*, 133.

<sup>68</sup>*Ibid.*, 136.

<sup>69</sup>Chu (1994), 118.

<sup>70</sup>Gold (1994), 184, 190. Gold states that all businesspeople were barred from politics, not only those native to Taiwan.

<sup>71</sup>*Ibid.*, 190.

<sup>72</sup>Chyuan-jenq Shiao, "Elections and the Changing State-Business Relationship," in Hung-mao Tien, ed., *Taiwan's Electoral Politics and Democratic Transition: Riding the Third Wave* (Armonk, NY: M.E. Sharpe, 1996), 219.

<sup>73</sup>*Ibid.*, 222; Tien (1989), 37; Hamilton, *op. cit.*, 43; Gold (1997), 179; Chu (1992), 133.

<sup>74</sup>Hamilton, *op. cit.*, 49 and 71 for Taiwan; interestingly, Parris, *op. cit.*, 280, on China, quotes an official as referring to China's "connection economy [*guanxi jingji*]". The difference, though, is that who is connected to whom in each place in order to carry out business successfully varies in a significant way.

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<sup>75</sup>Susan Greenhalgh, "Networks and their Nodes: Urban Society on Taiwan," *The China Quarterly*, No. 99 (September 1984), 20. See also Greenhalgh (1988), 234, in which she states that "enterprises are based on networks of kin and friends."

<sup>76</sup>Greenhalgh (1984), 532.

<sup>77</sup>*Ibid.*, 537.

<sup>78</sup>Chu (1994), 114, 117.

<sup>79</sup>Tien (1989), 37.

<sup>80</sup>Gold (1986), 71; Hsiao, *op. cit.*, 84, 88-89; Wu, *op. cit.*, 304-08.

<sup>81</sup>This sort of treatment was most severe at first, in the early 1980s, when full ideological and constitutional blessings had not yet been bestowed upon these tiny businesses. See Solinger, *op. cit.*

<sup>82</sup>Bruce Dickson, "Dilemmas of Party Adaptation," in Peter Hays Gries and Stanley Rosen, *State and Society in 21st-century China* (New York and London: RoutledgeCurzon, 2004), 144; White, Howell, and Shang, *op. cit.*, 201.

<sup>83</sup>Dickson (2003); Parris, *op. cit.*, 281.

<sup>84</sup>Young, *op. cit.*, 95ff describes various forms of informal cooperation between private operators and state or collective firms.

<sup>85</sup>Parris, *op. cit.*, 265, 268.

<sup>86</sup>*Ibid.*, 108-09.

<sup>87</sup>Dorothy J. Solinger, "Urban Entrepreneurs and the State: The Merger of State and Society," in Arthur Rosenbaum, ed., *State and society in China: The Consequences of Reform* (Boulder: Westview Press, 1992) [written in January 1990]; David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge: Cambridge University Press, 1999), 69; and Dickson (2003), 107. Another way of putting this is David S.G. Goodman, "The Interdependence of State and Society: The political sociology of local leadership," in Chien-min Chao and Bruce J. Dickson, eds., *Remaking the Chinese State: Strategies, society, and security* (London and New York: Routledge, 2001), 134, which speaks of "interdependence and accommodation" between the two groups, a similar idea.

<sup>88</sup>Scott Kennedy, *The Business of Lobbying in China* (Cambridge, MA: Harvard university Press, 2005), 27, 32, 54, 164. Also, Margaret Pearson, *China's New Business Elite: The Political Consequences of Economic Reform* (Berkeley: University of California Press, 1997), 100.

<sup>89</sup>*Ibid.*, 101, 107, 111, 115; Dickson (2003); White, Howell, and Shang, *op. cit.*, 207.

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<sup>90</sup>As David Goodman (2001), 133 has written, “Entrepreneurs [in China] need to network to succeed.”

<sup>91</sup>Cheng, *op. cit.*, 474; recently, in an email of September 8, 2006, referred to “those ‘invisible’ folks who supported their electoral campaigns, financed their journal publications, absorbed their litigation expansion..and took care of their families when they were jailed,” explaining that “there were aggregate data and enough circumstantial evidence to allow us to at least hypothesize that the opposition movement was socially embedded in the new middle class--owners and managers of small and medium enterprises.”

<sup>92</sup>Shiau (1996), 222.

<sup>93</sup>Jie Chen, *Popular Political Support in Urban China* (Stanford: Stanford University Press, 2004), 87, 130. In *ibid.*, 4, Chen draws on David Easton’s concept of “diffuse support” to refer to “a person’s conviction that the existence and functioning of the government conform to his or her moral or ethical principles about what is right in the political sphere”; and “specific support,” which stands for a person’s “satisfaction with specific policies and performance of the government.”

<sup>94</sup>Dickson (2003), 13, 80, 83; Pearson, *op. cit.*, 92-93, 100; Tomba, *op. cit.*, 24; Jonathan Unger, “China’s Conservative Middle Class,” *Far Eastern Economic Review*, April 2006, 29, 30.

<sup>95</sup>Kennedy, *op. cit.*, 180; Pearson, *op. cit.*, 88.

<sup>96</sup>Teresa Wright, “Review Article: Why Hasn’t Economic Development Brought Democracy to China?” Unpublished paper, 2006, 8.