

Politics and Markets: Dual Transformations¹

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The articles published in this issue of the *Journal* help advance the debate on market reform in former socialist states. In our comment, besides dealing with data analysis issues, we suggest several ways to improve the level of debate about substantive issues. These suggestions include more attention to politics, including path dependence, and more attention to middle-level generalizations from other developing market societies.

SUBSTANTIVE ISSUES

The articles in this issue deal with different parts of an $A \rightarrow B \rightarrow C$ causal chain, where A includes background conditions that shape market outcomes, B includes market outcomes, and C includes the power and income consequences of markets. Stark emphasizes the $A \rightarrow B$ transition. Nee emphasizes the $B \rightarrow C$ transition. In the $A \rightarrow B$ transition, Stark stresses that there are multiple types of market outcomes. In Hungary there is a special type of network intensive, part-public, part-private, recombinant property relations that are in some ways analogous to the network-based economic networks in the East Asia periphery. For Stark (1992), these outcomes vary from place to place and are determined in large part by the path dependence established by the ruins of the old order and by early decisions in the reform process. Nee, as well, in laying out multiple regions in China, implies that there are multiple types of market outcomes. Thus, for both authors, there is not a single B but multiple B 's (B_1, B_2, B_3 , etc.). Despite noting multiple market outcomes, Nee appears to assume convergence on a single set of consequences. There is but one C . This strong assertion is potentially problematic and seemingly at odds with the attempt to introduce a more institutionalist account of the consequences of different market structures.

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Political Markets

What are our suggestions for making further progress concerning either the determinants or consequences of different market and quasi-market solutions? They include, first, building on some of Stark's earlier themes about bargaining and path dependence (Sabel and Stark 1982; Stark 1992). Prior to reform, some groups of workers and industries were privileged in bargaining with management and the state bureaucracy. Particularly in China, this bargaining was assisted by shared residence of workers and managers in work-unit-owned housing and by long years of work in the same job uninterrupted by interfirm or residential mobility. The dense networks that resulted, assisted in China by many kin being appointed to the same firm, helped create social solidarity mechanisms that could be used against managers and the state bureaucrats that were supposed to monitor firms (see, e.g., Tidrick and Chen 1987; Parish 1979; Walder 1987, 1989). In China, with a loosening of central top-down control in the mid-1980s, these kinds of informal bargaining mechanisms could be brought into full play. The result was that, after the mid-1980s, workers' incomes again began to rise, even while central planners were saying that incomes should be contained. Facing informal worker resistance, state firms had difficulty moving to merit salary schemes, and old seniority-based payment schemes supplemented by hidden subsidies remained in place. Urban incomes again began to rise compared to incomes in the countryside (SSB 1994). Though the details vary, and though more firms were failing or being sold off, similar patterns of bargaining were occurring in the former Soviet Union and Eastern Europe (see, e.g., Blanchard et al. 1993; Burawoy and Krotov 1992).

What these patterns illustrate is that a simple story of economic marketization will not do. In the transition, the liberalization of political markets is often as important as the liberalization of economic markets. The discussion of newly liberalized political markets must attend to three types of politics. One type that must be included involves formal and informal bargaining between workers and managers and between managers and the state bureaucracy. Once central control is loosened, informal bargaining among formal and informal groups comes to the fore. It is this bargaining that helps explain major parts of the finding of continuity in the Xie and Hannum paper in this issue of *AJS*. In China, through the early 1990s, workers and managers were so tied together and so well organized that major parts of the state reform program could be resisted.

Thus, the types of market compromises that will be arrived at depends as much on bargaining in more participatory political systems as it does on some underlying economic dynamic. This echoes themes from writers

on market societies. In developing market societies, inequality in income and social services between city and village and between different segments of the population depends less on the market than on the bargaining power of different social groups. In more participatory systems, that bargaining power can be more easily expressed, leading to a tension between participatory and egalitarian goals in society (e.g., Huntington and Nelson 1976; Bates 1981; Lipton 1977; see also North 1981; Olson 1982; Rubinson and Browne 1994.). Since reforming socialist societies are not only introducing more market principles but also becoming more participatory, the consequences of new space for political mobilization cannot be ignored.²

A second type of politics involves the continuing need to have linkages with state bureaucrats and state-run enterprises. As Stark suggests above, one way to spread risks in an uncertain environment with few well-specified property rights is to include current and former state officials in one's economic network. Once established, these networks may well have a life of their own that provides a kind of path dependence. There is an ample literature on East Asia about continuing government roles in the economy. Though rancorously divided over the productive versus nonproductive role of state involvement, this literature suggests that mixed solutions with ample government involvement have great staying power (e.g., Wade 1990; Evans 1995; Amsden 1989; Johnson 1982; Friedman 1988; Ramseyer and Rosenbuth 1993). Similarly, Shirk (1993) argues that Chinese political arrangements are slow to evolve from their initial forms despite potentially perverse economic consequences. This continuity, or path dependence, suggests that entrepreneurs with strong network ties to state firms and state bureaucrats as sources of raw materials, marketing outlets, and official protection will be greatly advantaged.³ The rising levels of patronage, corruption, and so on, suggest that many economic actors in China recognize these advantages (Yang 1994; Rocca 1992). Similarly, the history of critical junctures and stable arrangements in Latin America, where governments early assumed a major role in economic regulation, suggests that one should expect continuity rather than rapid shifts in current arrangements (e.g., Collier and Collier 1991; de Soto 1989). In short, we want to reinforce Stark's dual

² The role of competing interest groups is also featured in discussions of the politics of economic liberalization of Latin America and other parts of the world, including Eastern Europe (e.g., Nelson 1984, 1990; Haggard and Kaufman 1992; Pereira, Maravall, and Przeworski 1993).

³ As Adam Smith lamented in 1776, these types of arrangements rapidly become rent seeking, with government allies helping provide oligopolistic positions that protect the business person from the vagaries of the market.

messages about the attractiveness of mixed public/private arrangements and the staying power of these arrangements once they are in place.

A third type of political market involves electoral politics. These electoral politics are more rudimentary in China than in Europe. But even in China, regional elections since the mid-1980s and village council elections since 1988 provide the potential for new electoral politics that could enhance rather than retard local clientelism (O'Brien 1994; Lawrence 1994). In other developing societies, marketization often causes clientelism not to disappear but only to mutate from traditional to modern forms. In these societies, during autarkic premarket conditions, patron-client relations are essentially patrimonial, and are rooted in dependence and vertical asymmetrical exchange. Then, with increased national-level economic integration and state intervention, local elites come to assume the role of bridge ties and mediators. And it is this economic and political mediation between still-segmented and separated locales that gives rise to a new kind of clientelism: government-based political patronage (Eisenstadt and Roniger 1984, pp. 204–5; Weingrod 1977, p. 326; Graziano 1977, 367–72). These tendencies are often exacerbated by electoral politics, as it is in the interest of the local politician to dispense favors in return for votes (Scott 1977, p. 140; Weingrod 1977, p. 328; Eisenstadt and Roniger 1984, pp. 66–68; Putnam 1993). In these situations, local politicians become part of a pattern of generalized exchange that has considerable staying power.

In contemporary rural China, several of these mechanisms potentially affect the power base of local administrators. First, economic liberalization coupled with local fiscal autonomy—where surplus profits from local government-owned ventures are retained locally after submitting prefixed (not sliding-scale) tax payments to higher levels—has given rise to tremendous local state economic initiative and activity, often dubbed “local state corporatism” (Oi 1992; also see Wong 1992). The economically valuable social ties to outside locales possessed in relative abundance by local cadres makes these elites particularly well suited to play their new brokerage roles (see Huang [1989, pp. 143–45] for a vivid illustration). Under these types of conditions, new local elections could easily stimulate political patronage networks centered around locally elected officials and councilors.

In short, we are trying to promote the idea that, in contrast to the economic approach adopted by Nee in this issue, institutional forms under marketizing conditions often follow a political logic. Our somewhat revisionist “market transition” perspective suggests that, for at least as much political as economic reasons, local administrators may well continue to hold onto considerable local power—*not only despite, but because of marketization.*

Other Developing Societies

Next, we turn to the suggestion that one should include more middle-level generalizations from other developing economies. This theme is already implicit in the suggestion to pay attention to the path dependence of state involvement in the economies of Latin America (Collier and Collier 1991) and the role of electoral politics in supporting political clientelism. We need to extend these themes.

It is commonplace to suggest that markets weaken traditional political authority at both the national and local level. Authors such as Barrington Moore (1966) and Charles Tilly (1990) make marketization the centerpiece of their explanations of why some societies turned early democratic. For sociologists familiar with American social history, Doug McAdam (1982) makes the expansion of labor markets and the movement of tenant farmers away from the farm to cities central in explaining how the civil rights movement had more space for mobilization after the 1930s. For social scientists with a broader comparative scope, Joel Migdal (1974) provides an excellent summary of a comparative literature on peasant societies, including pre-1949 China and the periphery of China. In that summary, Migdal notes that the expansion of markets beyond village bounds allows peasants to escape the thumb of local authority figures. That escape is mediated by state intervention. When the state chooses to use the village as an administrative unit, the escape is sometimes slowed. And even when peasants escape local village authority, they may find themselves newly tied to local township and county officials.

These types of observations suggest several paths for further analysis of rural power. One, already implicit in the discussion of clientelism, is to make the consideration of local power broader. Income is but one very indirect indicator of local power. Villagers may remain beholden to power holders in multiple ways that are unreflected in the take-home pay of administrators. One indicator, already in the Nee health-based data set, is to observe whether frequent invitations to banquets and gifts of food and liquor have added to the alcohol and food consumption and subsequent body weight of local officials (CCO 1989, questionnaire D). Other studies could use more ethnographic methods to access the means by which villagers may still be tied to local administrators, including the presence of administrators on boards of directors of new private endeavors, frequent visits and gifts to local administrators, and so on. The works by Wank (1995) and Yan (1995) suggest that this pattern is common in both coastal and interior regions of China.

A second path of potential analysis, based on Migdal's observations, is to attend to whether local village administrators are simply being replaced by a greater panoply of township and county administrators that

intervene in many economic and daily affairs. In reform China, the massive expansion of middle- and lower-level state bureaucracies suggest that this may be exactly what is occurring (Lee 1991, pp. 271–72). Between 1978 and 1993, the total number of government bureaucrats as a percentage of the total labor force increased by about 50%, from 1.1% to 1.7% (SSB 1994, pp. 86–89). Most of this expansion was at lower levels, including enlarged county and township governments. Thus, government administrators are not disappearing with marketization but growing in number and diversity of functions. The issue for ethnographic research would be to see how often villagers must interact with this increasing diversity of regional bureaucrats.

A third path for research is to make more explicit the mechanisms that are already implicit in the Nee data analysis. There are at least three measures that resonate with the Migdal/McAdam discussion of local authority control of resources and access to external markets. These include nonfarm jobs in extravillage labor markets (labeled “labor market”), administrator control of access to these jobs (“government finds nonfarm jobs”), and village/township ownership of local enterprises (“production markets”). One can complain about some of these measures—for example, the last measure is for number of enterprises, while it is the size of these enterprises that must be more important for local labor markets. Nevertheless, when explicitly related to middle-level propositions drawn from an earlier comparative literature, the measures provide additional possibilities for analysis. In villages with few locally owned enterprises and with many outside jobs to which villagers have free access unconstrained by local administrator approvals, local administrators should have less power. If the familiar external-market-access ideas are correct, then, when these measures interact with administrator income, consumption, and body weight in new equations, the resulting coefficients should be negative and significant. Thus, many old ideas can be tested with data that is already in hand.

EMPIRICAL ISSUES

Besides the suggestions for improved conceptual approaches, we have several suggestions for the empirical analysis of both returns to education and returns to authority.

Returns to Education

The Xie and Hannum analysis deals with cities, where state enterprises including workers and managers with considerable bargaining power persisted through the late 1980s. From this perspective, some of the

resulting stability in findings for high and low growth cities are unsurprising. Nevertheless, to expect that change would occur for all age groups and in all sectors—both state and nonstate—is to impose a demanding test. One expects that change will occur much more slowly among mid-career state workers than among new hires. Similarly, one expects change to occur much more slowly in the state sector, with its entrenched bargaining groups, than in the expanding nonstate sector, where these groups have not yet formed or where they have fewer solidaristic or other bargaining resources. It is this nonstate sector—including urban collective, private, self-employed, and joint ventures—that was growing the most rapidly in the late 1980s.

Finally, comparative standards must be set straight. Returns to education vary radically by type of market economy. The market economy that in many ways most closely resembles China's nonstate sector is that of Taiwan. There too, small firms dominate in a highly competitive environment with few internal labor markets that might allow high returns to high school and college education. In that environment, returns to education are among the lowest in the world—approximately 4% for each year of education in the private, nonfarm sector (see Psacharopoulos [1994] for other countries). Fortunately, there is already an analysis which takes all these considerations into account (Maurer-Fazio 1994; also see Zaks 1994). This analysis shows that, much as in the Xie and Hannum analysis, there is very little regional variation—fast-growing, coastal, laissez-faire regions have no perceptibly higher return to education. However, in great contrast to Xie and Hannum, Maurer-Fazio demonstrates that nationwide there are increasing returns to education among new hires (workers younger than age 30) and particularly among those in the unprotected, bargaining-weak nonstate sector. Moreover, the returns for young workers are highly parallel to rates of return to young workers in Taiwan. This suggests, contra Xie and Hannum, that labor markets have begun to emerge in Chinese cities and that these markets are not confined to coastal, fast-growing cities but are much more widespread.⁴

Returns to Authority

Finally, we have redone parts of the Nee analysis for the Chinese countryside. For this analysis, we use the rural portion of the 1988 Chinese Household Income Project (CHIP) data set (Griffin and Zhao 1992). The

⁴ The emerging literature on interregional migration suggests the same conclusion (Liang and White 1995; Ma and Liaw, 1996). Both less-developed sending regions and more-developed receiving regions participate in the same national labor market, with education helping select successful migrants.

late 1980s timing is the same as in the Nee analysis, only the data set is different and there are a few changes in measurement. In order to ensure stable estimates of county-level employment rates and county-level mean household income (an important control variable), counties with fewer than 20 households or fewer than 20 laborers were dropped from the analysis. After these exclusions, the individual-level data set includes 27,367 laborers, while the household-level data set includes 9,062 households. Both sample populations span 244 counties in 27 provinces.

We assume that most rural labor markets continue to be confined to a single county.⁵ Accordingly, we classify the 244 sample counties by the average characteristics of labor in each county. Though we allow for county-level variation within provinces while Nee assumes uniformity within provinces, our classification parallels in many ways his original designation of regions.⁶ Counties where nonfarm workers constitute no more than one-fifth of the total labor force are classified as premarket or, in Nee's terminology, "inland," which indeed most of them are.

Counties with more than one-fifth of the labor force in nonfarm employment are classified as "marketized," or "coastal," and these are then subdivided into three groups. The first, "laissez-faire" group includes counties where more nonfarm labor is employed in the private sector than in collective or local state-owned enterprises. Though some of these counties cluster along the southern coast, as in Nee, there is a scattering of these counties in other parts of China as well. In many of these areas, there is what we have elsewhere called a "backing-into-the-future" pattern, with people lacking other opportunities taking to small-scale self-employed activities (Parish et al. 1995). The second, "corporatist" group of "coastal" counties includes nonsuburban counties where more nonfarm labor is in collective or local state work units than in private-sector work units. As in Nee's study, these are concentrated in the eastern coastal provinces. The third, "suburban" group includes counties abutting major cities. This is our substitution for Nee's "redistributive" region. It consists mostly of the hinterland of the three megacities of Shanghai, Beijing, and Tianjin as well as the hinterland of a few inland cities. These places are special not only in high levels of collective and state ownership but also in opportunities for villagers to commute to work in cities.

Arrayed in four groups—one inland and three coastal—these regions follow a regular order. As one moves from the "inland" to the suburban

⁵ On the reasonableness of this assumption, see Parish, Zhe, and Li (1995).

⁶ Our use of the county rather than the province as the classification unit is meant to acknowledge the tremendous regional diversity within provinces, most of which are more populous than countries in Europe (see Parish 1994).

regions, there is a steady increase in both income and in the chances for nonfarm employment (table 1, parts A and B). This suggests much higher levels of labor demand in the final regions and much lower levels of labor demand in the initial regions. Thus, somewhat at variance with Nee, we expect the most open market for labor not in the *laissez-faire* but in the suburban regions.

Also in contrast to Nee, we use a somewhat different and more restrictive definition of "administrator." The debate about power transfers and lingering positional advantage refers not to run-of-the-mill civil servants, a category that seems to dominate the very high 13% of all families with administrator connections in the Nee data set. Rather it refers to the top leaders of townships and villages, who may or may not reap additional rewards from their control of new rural industry. Accordingly, we restrict our attention to administrators, leaving aside the many other folk who have jobs as postal clerks and as other kinds of government clerical and service workers.

Even the administrator's role needs a slightly different imagery. Much of the debate seems centered around the image of the "local despot." Just as often, we suggest, the proper image is that of the local "volunteer fireman." Most of the communities these administrators lead are quite small—administrative villages (*cun*) average only 280 households and townships (*xiang*) average only 5,000 households. The village leaders are not on a state salary but only on local subsidies. The result is much as for fire departments in small U.S. hamlets and towns. Most small American communities with few fires and a weak tax base neither need nor can afford full-time, professional fire fighters. They make do with volunteers.

Consistent with the firefighter metaphor, most Chinese rural administrators fill this capacity only part-time. Nationally, they are split almost equally into three groups—the full-timers, the part-timers who consider administration their first job, and the part-timers who consider administration only their second job (table 1, part C, right column). Much like volunteer firefighters, the distribution of local leaders follows a regular pattern. The number of administrators increases steadily with the increasing income, economic diversity, and, by inference, size of local communities—ranging from a low of 1.3% to a high of 3.5% of all laborers in the community (part B).⁷ Also, as income and size increase, administrators tend to move from part-time to full-time work (part C). Similarly, in other analysis, in corporatist and suburban regions, with many collectively owned enterprises that are easily taxed, administrator income in-

⁷ In another study, the poorest villages had only 50 households while the richest villages had 2,000 households (Parish et al. 1995). We expect a similar range in sizes here.

TABLE 1
INCOME AND OCCUPATION DATA

	INLAND	COASTAL			NATION AS A WHOLE
		Laissez-Faire	Corporatist	Suburban	
A. Household income:					
Median annual income (<i>yuan</i>)	3,100	3,300	4,000	4,500	3,200
No. of households	6,557	693	1,424	388	9,062
B. Occupational data:					
1. Any nonfarm work (%)	8.9	31.2	38.7	46.4	16.4
2. Administrators (%)	1.3	2.2	2.9	3.5	1.7
No. of laborers	20,255	2,015	4,073	1,024	27,367
C. Types of administrators (%):					
Administrator as sole occupation	36.03	22.73	37.50	55.56	36.7
Administrator as primary occupation	19.49	47.73	36.67	38.89	28.0
Administrator as secondary occupation	44.49	29.55	25.83	5.56	35.4
Total %	100.0	100.0	100.0	100.0	100.1
No. of administrators	272	44	120	36	472

creases along with community income.⁸ In inland and laissez-faire regions, where taxation is more problematic, community income is unrelated to administrator income (details not shown).

These volunteer firemen types of relationships suggest a potentially benign link between leadership and income. Incomes are determined by shared community and leader needs. In larger, more complex, and more affluent communities, it is not only the community that needs more “fires” put out. Local leaders, busy with more tasks, find less time for second jobs and, hence, need more income from their first, administrator job. When adequate taxing ability exists, the community responds with higher payments. This “natural” relation between type of community and income calls into question the use of income as a measure of administrator power. The most despotic or arbitrary leaders may well be those in small, poor communities who have few economic resources to use as a carrot to induce compliance. In poor communities, the coercive stick—or resignation from office—may be the leader’s only recourse (see O’Brien 1994, p. 53; Rozelle 1994, p. 123).

Resignations (and retirement) are common, it would seem. The average age for village and town administrators remained at only 41 in 1988, suggesting little increase over the decade. Over the same time period, education levels rose steadily, suggesting that administrators were increasingly not old-style local despots but part of an emerging technocratic leadership core.⁹ In short, the community leaders in place at the end of the 1980s were a quite different lot from those who went before them. Though the group remained mostly male, they were a new, more highly educated group.

Even if a “different lot” and even if there is a community need for highly professionalized leaders with better incomes, there could still be special returns to authority. Local leaders could have an array of administrative ties that would advantage themselves and their family members. We can examine two potential advantages that would provide additional returns to authority. The first potential return is the ability to secure a better nonfarm job for family members. The exact kind of “power

⁸ More precisely, controlling for community income and individual characteristics such as age and education, administrators move ahead of other occupation groups in high income communities. In contrast, assuming that clerical and service workers dominated the omnibus “cadre category” could help explain why Nee found that community income reduced “cadre” income (see Nee, table 2). Also see O’Brien (1994, p. 47) on community ability to pay.

⁹ For age and education comparisons, see Burns (1988, pp. 49–54). For the early shift to technocratic leadership, see Madsen (1984, pp. 255–57). In the 1988 CHIP data, though education remained a modest 8.6 years for local leaders, this was still three years greater than for the average farmer and one year greater than for the average manual worker.

transference" attempted might well vary by region. In inland regions, with few nonfarm work opportunities, a job as a manual worker might seem extremely desirable. In corporatist regions, with many collectively run enterprises, and with unskilled labor shortages filled by in-migrating external workers, the most desirable jobs might be found in enterprise management.

In the late 1980s job results largely followed this pattern (table 2). Using the CHIP data set, we ask whether having a local leader in one's family helped one avoid farming in favor of a more desirable nonfarm job. There are four job alternatives: (1) managers and technical workers, with the latter including technicians, teachers, and other professionals, (2) administrators and clerical workers, with both groups including people who worked for county as well as local government, (3) entrepreneurs and the self-employed (*geti hu*), and (4) manual workers, both temporary and permanent in places ranging from state enterprises to local collective enterprises. Though we report only the coefficients for having a local leader in one's household, the underlying equations also included controls for age, age squared, education, gender, and mean household income of the county.¹⁰

The issue is whether having an administrator in the household advantages an individual household member in the labor market.¹¹ The answer, contra Nee, is that it does (table 2).¹² And, that advantage, though differing in specific content, is present in all regions. In inland regions, manual work seems to be the choice for administrator families. In laissez-faire regions, both administrative and entrepreneurial roles are chosen. As expected, in corporatist regions, with many collectively run enterprises, both managerial and administrative type jobs are popular among administrator families. In suburban regions, managerial and technical jobs predominate among administrator families. In short, the major story for local leaders seems to be one not so much of getting ahead or falling behind but one of selective adaptation. Members of administrator families drift towards the best jobs available in their region.

¹⁰ We include mean household income in the county because the arguments about continuing cadre privilege relate not to the position of local cadres compared to all other people in the country but only to the position of other villages in their own locale. Thus, the appropriate reference category is the average income for the county.

¹¹ We avoid double counting cadres on the left- and right-hand side of our equations in that a person who is himself or herself an administrator is considered to have an administrator kinsman only if there is more than one administrator in the household.

¹² Compare Nee, table 3, line 10, and table 5, line 9. Note that in our results as well, if all nonfarm occupations are grouped together (as in Nee, table 3), the consequences of cadre connections are less dramatic and often statistically insignificant. Cadre family members seek not just any nonfarm job, but the one that is most appealing in their particular region.

TABLE 2
INDIVIDUAL OCCUPATIONS AND CADRE CONNECTIONS (Relative Risk Ratios)

	INLAND	COASTAL			NATION AS A WHOLE
		Laissez-Faire	Corporatist	Suburban	
Manager/technical worker	1.57	.54	3.30**	5.91*	2.43**
Administrator/clerical worker	1.73	8.56**	2.55*	2.20	3.13**
Entrepreneur/self-employed	1.27	2.49**	1.71	.74	2.06**
Manual worker	1.76**	1.08	1.13	1.61	1.69**
No. of laborers	20,255	2,015	4,073	1,024	27,367

NOTE.—Each column is derived from a multinomial logit analysis. For people from a family with a cadre member, the figures show the "relative risk" of becoming a manager, administrator, etc., compared to becoming a farmer. A figure of 1.00 indicates that one's chances of getting a particular job neither increase nor decrease because of cadre connections. A figure of 2.00 indicates one's chances double. Other, nonshown items in the underlying equations include age, age², education, gender, and community income (logged county-level mean household income).

* $P < .05$.

** $P < .01$.

TABLE 3

LOGGED HOUSEHOLD INCOME BY CADRE CONNECTIONS AND NONFARM WORK
(regression coefficients)

	INLAND	COASTAL			NATION AS A WHOLE
		Laissez-Faire	Corporatist	Suburban	
Administrator member37	.38	.34	.51	.37
Additional nonfarm laborer21	.15	.20	.27	.19
<i>N</i>	6,557	693	1,424	388	9,062

NOTE.—All coefficients are significant at the $P < .01$ level.

The second possible return to administrative position is in total household income. Much as in Nee's table 2, we examine logged household income in 1988. Potential determinants that are used as controls include mean age and education of all household labor, logged county-level household income, and household farm and nonfarm labor. Our principal interest, of course, is in the influence of cadre connections on household income. And, given the weak hypothesis that cadre income suffers not in absolute amount but only in relation to other forms of nonfarm employment, we also compare the family's advantages from having a cadre to those from having an extra nonfarm worker. The results show positive returns to cadre administrative position in all regions (table 3). In net returns (row 1), cadre households do almost 40% better than the average farm household. Thus, in absolute amount, the administrator's income advantage had not disappeared by 1988.¹³ Nor had the absolute amount of the administrator's income begun to decline in more marketized regions.¹⁴

This still leaves the issue of whether families with nonfarm workers were gaining on administrator families. This is the new, more modest, Nee proposal. The answer is no. (table 3, row 2). Even in the highest labor demand areas with highest incomes, a major gap remains between

¹³ For purposes of argument, we assume here that the dominant influence is from administrative position to income. Of course, there must be a counterinfluence as well. Since many local posts are partially voluntary, only a person from a family with secure income will be willing to serve. And to the extent that villagers have any influence over who gets selected as leaders—through elections or informal social pressure—they are likely to want someone who has already demonstrated an ability to succeed in economic matters (e.g., see Huang, 1989, pp. 137–38). Only life-history data of the sort now being collected by Donald Treiman, Ivan Szélenyi, and Andrew Walder will begin to determine these types of causal priority issues.

¹⁴ The differences in the extent of cadre advantage among regions is not statistically significant.

administrator income and that of the average nonfarm worker.¹⁵ To be sure, some nonfarm workers are fabulously successful, and the envy of administrators and everyone else around them. Also, in the suburbs, government clerical workers (probably included in Nee's "cadre" category) fall behind other nonfarm workers, which explains reports of growing discontent among run-of-the-mill civil servants (details not shown). Nevertheless, when one restricts one's attention to a comparison between local leaders and the average nonfarm worker, the leaders still remain far in the lead.

This full set of findings is so at variance with the Nee findings that surely more analysis on a variety of data sets will have to be done. Though some of the specific conclusions from our tentative analysis may fall, we think some things will stand. These will include observations that run-of-the-mill civil servants and local leaders have quite different fates in the new order, observations that local leaders engage in selective adaptation fitted to their region, and observations that the leaders themselves are changing as the new order evolves. The final conclusion to this reanalysis may well have a "both . . . and . . ." character. That is, in the Chinese countryside there is both considerable market and politically induced flux, with many new individuals seeking fame and fortune through nonadministrative channels and new types of administrators rising to the top; at the same time local administrators have considerable opportunity, particularly in more marketized and corporatized areas, to reap additional benefits for themselves and their families.

CONCLUSION

In this comment we have suggested that a complete account of liberalization and the subsequent differences for different social groups must pay as much attention to political as to economic markets. Both are changing at the same time with distinct consequences for the opportunities to bargain and collude for one's own advantage. Moreover, as Stark reminds us, this new market in both political and economic influence begins not *de novo* but on the remains of the old order and upon the happenstance of early decisions in the reform process. This creates a path dependence with the continuity of market compromises over long periods of time. These observations suggest that when we look to the empirical data for evidence of change, we should not expect everyone to change at once, but only those subgroups who have no powerful set of interest groups to

¹⁵ Comparing the returns to having one or more administrator members with the returns to the addition of a single nonfarm worker should not be misleading, for there are only 10 households with more than one administrator in our sample.

protect them from the onset of the new order. In the labor market, this means that young, new hires and those in the nonstate sector will be the most affected. And in the countryside, local administrators will adapt flexibly, adapting their own and their families' efforts to new endeavors with the highest rewards.

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