DANCING WITH THE DEVIL

The Political Economy of Privatization in China

YI-MIN LIN

OXFORD
UNIVERSITY PRESS

Contents

List of Illustrations vii

Introduction 1
- Privatization as a Process of Endogenous Institutional Change: Toward an Eclectic Perspective 5
- Driving Forces of Privatization 9
- Political Actors as Change Agents: The Main Storyline 21
- Note on Statistical Analyses, Data Sources, and Chinese Materials 27

1. The Changing Fate of Private Ownership since 1949 28
- Socialist Transformation and the Mao Era 29
- From *Getihu* to "Equal Protection" of Public and Private Property Rights 31
- Reversal or Moderation of Privatization? 36
- Broad Trends of Change 39
- Summary and Questions 59

2. Demographic Pressures 60
- Structure and Change of the Post-1949 Population 61
- Buildup of Employment Pressures 67
- Labor Market: Occupational and Spatial Movements 71
- Aging and Old-Age Support 76
- Summary 80

3. The Evolving Structure of Public Finance 82
- "Unified Revenue and Spending" 83
- Fiscal Contracts 86
- Revenue Partitioning 93
- Implications 102

4. Careerism and Moral Hazard in Early Marketization 106
Large Is Beautiful: Political Performance Assessment under Economic Decentralization 107
The TVE Spectacle 116
The SOE Sideshow 128
Summary 135

5. Rule Bending for the Necessary Evil 137
Uneven Paces of Early Privatization 138
The Wenzhou Story Retold 141
Beyond Wenzhou 161
Summary 167

6. FDI and Privatization 169
Centrally Imposed Constraints and Local Rule Bending 170
FDI Entry Mode and Resource Dependence 183
Bipolar Concentration of Risk Taking 187
Summary 193

7. The Tipping Point and Beyond 195
The Triggers 196
The Political Bandwagon 202
From Industrial Development to Urbanization 211
Asset Stripping and Insider Control 216
The End Game: SASAC and the Remaining SOEs 221
Summary 229

Conclusion 231
Institutional Stability and Unintended Consequences of Rule Compliance 233
Noncompliance and Political Risk Management 235
Path Dependence in Endogenous Institutional Change 238

Bibliography 243

Index 263