China's Market Regulation in the Post-Socialist Context

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Introduction

In deepening the post-Mao economic reforms, one of the most notable changes has been the transformation of the Chinese state from planner to regulator in governing the economy. However, instead of shifting in the direction of a minimalist government or independent regulators, this study argues Chinese state regulation, that has been underpinned by informal institutions and the party organizations combined with formal institutions, has remained resilient. Moreover, the pattern of selective industrial management and the ensuing internal variance in the forms of regulation reflect that there are *many* political economies in China. This study attempts to explain what generates such varied forms of state regulation, and then deals with two additional issues: one is whether this varied pattern of industrial regulation in China is compatible with the broader socialist regulation patterns found in other post-socialist contexts, such as Vietnam; and the other issue is whether the implications of this paper's findings suggest future evolution toward a liberal market economy with independent regulators and autonomous business, or the consolidation of state capitalism as an alternative path.

State-Business Relations in China's Strategic Sectors

Reforming an economy often implies replacing an old system with a new one. Economic reform in a socialist regime thus may mean replacing a set of institutions of the planned economy with market institutions,[1] for most institutions of the planned economy are incompatible with the systems of market-oriented one.[2] For example, microeconomic as well as macroeconomic institutions, particularly fiscal and monetary systems, should be adjusted into market-oriented ones to become global market actors without incurring or confronting risk.[3] Despite increasing market liberalization in China, however, central control remains robust as long as the sectors are crucial to the national economy. In doing so, both informal institutions and the party organizations, though often dismissed, play key roles in regulating the markets and the businesses inside. The predominance of state ownership in the leading industrial sectors leaves little space the private firms to influence the policy-making process. By the same token, business associations that are supposed to represent the interests of industries and firms find it hard to function properly and play a meaningful role.[4] In this sense, either business associations or public-private linkages, which are interrelated constituent dimensions in examining state-business relations in general,[5] are not very useful in explaining the state-business relations in China's leading strategic industries. Moreover, since this paper aims to examine how the state exerts regulatory control over business rather than how business influences state policies and regulation, more attention is paid to elucidating the means of state regulation and accounting for the causal variables that produce the internal variance across the sectors. The overriding norm and roles of informal institutions and party organizations in both government and business are discussed in the following.

The View from the Center

In China, there is one widely shared *political* norm: the strategic importance of the eyes of the central leadership may invite the central regulatory oversight, regardless of inherent industrial characteristics or institutional constraints (e.g., property rights), even though the central party-state lacks the formal authority; informal institutions have emerged to do so as discussed later. However, China's industrial management shows that centralization of the regulatory authority did not lead to the creation of one set of rules for new markets; rather, a diverse set of institutional arrangements came into being. In other words, the forms of central regulation vary across sectors. The first intervening variable is the conception of control. In China, the notion of a need for tight state control over economic lifelines, such as top-tier industries, has resulted in the application of a highly centralized form of regulation (hard regulation). On the other hand, when delegating authorities to local and foreign investors is a development strategy, the form of central regulation tends to be soft. The dominant mode of property rights is another key intervening variable in making different forms of central regulation among strategic industries. The leading mode of ownership is important because it influences the balance of power between central and local authorities in governing the businesses of involved industries. The final intervening factor is the governing structure; the decentralized authorities and enterprises (that is, the lack of formal authority) are likely to lead the center to rely more on "informal" institutions for direct supervision. Hence, the business and market of highly decentralized strategic industries (for example, the automobile sector) are under central regulatory control but through an informal channel. Those three variables together have created a new form of (central) regulation in China's leading economic sectors, such as soft vs. hard central oversight. This pattern has been generated by China's "selective regulatory control" in its leading industrial sectors. What is more, the importance of informal institutions has received scant attention in conventional theories of regulation and regulatory politics, which may lead us to dismiss the underlying incentives of political behavior and leave us unable to explain institutional outcomes. Hence, the patterns of regulation in China can be summed up with the following key elements: the regulatory control from the center through informal institutions under the leadership of party organizations.

Informal Institutions

Indeed, increasing research on informal institutions reflects one undeniable reality: "many rules of the game that structure political life are *informal* – created, communicated, and enforced outside of officially sanctioned channels."[6] This is particularly astonishing in many developing and post-socialist countries, in that patterns of clientelism and patrimonialism coexist with new democratic and market institutions but still remain overriding.[7] For example, the existence of *blat* in Russia or sticky government-business relations in China exhibits the importance of unwritten rules in accounting for political behavior and economic outcomes. To clarify, informal institutions in this study are defined as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels."[8] In effect, informal rules have received little attention in the field of institutionalism (such as historical or rational) mainly because much literature posits that formal rules primarily influence the shaping of incentives and expectations of the actors. The study of regulatory politics and reform is no exception. Much of the literature has analyzed formal institutions, focusing on advanced industrial countries.[9] Both neo-liberal and neo-corporatist statist models have suffered from not seriously taking into account the factors underlying informal rules and procedures and their influence on the performance of formal institutions and other involved actors. As Helmke and Livitsky aptly point out, "such a narrow focus can be problematic, for it risks missing much of what drives political behavior and can hinder efforts to explain important political phenomena."[10] As research on the regulatory politics of the automobile industry has detailed, formal institutions are limited in explaining the mechanism of regulatory institutions for China's highly decentralized automobile industry and its businesses, where central oversight is often exercised by informally shared rules and procedures. More advanced institutional analysis, therefore, demands careful attention to both formal and informal rules. By considering the informal channel of a centrally organized regulatory body, *xunshizu* (巡视组), some have found how informal regulation from the center is designed and employed in order to complement formal institutions at the local level.[11] Indeed, this informal regulation from *xunshizu* provides local authorities with incentives that constrain political behavior to co-opt with local state firms with regard to the mismanagement of state assets.[12] What is more, the use of informal channel tends to make central regulation indirect and soft when compared with regulatory oversight by formal institutions.[13] In fact, informal regulation in Chinese political economy is often exercised by party organizations that retain powerful political control over both government and state firms in China but are largely dismissed in neo-liberal and neo-corporatist/statist models.

Party Organizations

How do the party organizations, which have deeply penetrated government and business, affect the patterns of regulation in the leading industrial sectors? Arguably, the Chinese Communist Party (CCP) continues to play an important supervisory role in economic reform and using state assets.[14] The question, then, is how the CCP exerts its control in regulating leading industries and their businesses? How do they affect the patterns of regulation for them? Indeed, the party organizations are major challenges to conventional frameworks that fail to integrate these key political institutions into the analysis. Two party organizations serve party interests. First, "leading small groups (领导小组)," as a kind of joint party-state organizations consisting of high-level officials in a given sector, oversee finance, telecommunications, electricity, and many other industries.[15] That is, on top of a regulatory institution in each industry, leading small groups set the overall development directions and rules for markets. In this way, regulatory agencies are far from independent of this party-state influence. The other is its Organization Department (中组部), which is deeply involved in the appointment of high-level officials in regulatory agencies and top executives in state-owned industries. By using a system of rotation, the Organization Department attempts to maintain the party's control over both regulatory agencies and major state firms. Strong representation of corporate leaders in the Central Committee of the CCP also indicates how the party has penetrated deeply into business groups under the guise of increased corporate autonomy.[16] Therefore, the tools of leading small groups and the appointment power of the Organization Department[17] have enabled the party to maintain its firm grip on most strategic industries.[18] As a result, contrary to conventional wisdom that emphasizes the independence of a regulator from both government and industry, a highly *interdependent* relationship among government, industry, and regulators has been crafted in China. The party organizations, such as leading small groups, the Organization Department, and *xunshizu*, sit at the center in regulating the markets. In short, various party organizations generate *interdependent* state-industry, more precisely regulators-state firms, relations through three tools of control. This reflects one reality that a conventional dichotomous approach, such as market vs. state, is highly limited to account for the transitional economies armed with resilient political-economic legacies.

Comparative Perspectives: Party-State Regulation in Vietnam

A more nuanced perspective on the patterns of "selective industrial management" in China can be gained through a comparison of the underlying norms and institutions in other post-socialist countries, particularly Vietnam, which has adopted similar pathways of reform within resilient socialist institutions. Indeed, comparing China with Vietnam is part of an effort to see whether China's selective industrial regulation followed by internal variance is compatible with broader socialist practices found in other post-socialist countries like Vietnam. This will enhance the construction of a general account of the changing nature of the state from planner to regulator under *resilient* socialist political-economic institutions.[19] By placing China in the post-socialist context, we can examine if the patterns of selective industrial management, the key argument of this study, are to be seen as the common practices in post-socialist regimes. Existing studies argue that regulators in socialist regimes are strong states that through the past planning bureaucracies have carefully designed the rules and formal and informal institutions to mold market forces to the party-state's goals of economic development and the party's legitimacy. Vietnam and China are commonly treated as more alike than different in their formal institutional composition.[20] Since the 1980s, while marketization and state restructuring have been proceeding apace in China and Vietnam, as Janos Kornai noted, "there is never a single compulsory course in the strict sense."[21] In other words, both countries are not converging upon the idealized model of the regulatory state, even allowing for customary national variations. Rather, they are building up regulatory regimes which are distinct from other advanced industrial economies, aiming to maintain the party-state's control over key state sectors, while at the same time integrating with the global economy and conforming to international norms and standards. In the following, this paper details what remain as barriers to the generalization of Chinese regulation as the post-socialist pattern of market regulation, despite their shared ideas and institutions.[22]

Commonalities

In building up a regulatory regime, China unveils some shared normative and institutional similarities with another post-socialist country, Vietnam, in terms of the pathways sought toward ensuring greater economic liberalization, yet still dominated by the party-state. The choice of Vietnam as a comparative case lies in its consistent efforts to benchmark China's economic reform as well as its experimental nature of public policy.[23] With respect to economic ideology, both China and Vietnam point to the ultimate goal of market regulation being to establish a socialist market economy, not a liberal market economy as advised and encouraged by leading international institutions, such as the OECD, the World Bank, and the WTO (i.e., the neo-liberal approach). The idea of a socialist market economy was first advanced at the 14th Party Congress of the PRC in September 1992 as a direction for economic reform. A socialist market economy refers to a market economy under socialism armed with both the tools of planning and market forces.[24] In this sense, the market economy may have some elements of socialism (e.g., a five-year economic plan), just as socialism has market forces. For example, large and medium key infrastructure projects are still centrally planned with the goal of rapid industrialization through state control of key resources (such as raw materials, labor, and capital) and marketing of output.[25] Based on the state's strong control of the macro economy and its political domination, China's socialist market economy enables the government to administer economic, social policies, and laws.[26] That is, it aims to achieve a rule-based market economy, leading to the establishment of a stable and fair social environment. Moreover, 'socialist' elements (such as state ownership) stand for "continuity with the past, rather than any clearly defined features of that type of market economy."[27]

As in China, the creation of a socialist market economy has been emphasized as the ultimate goal for Vietnam to achieve throughout reform.[28] Before reform, particularly during the 1950s, China's influence on Vietnam's road to socialism appeared to be heavier than the former Soviet Union's influence on China. According to one study, "since 1950, Chinese advisers had come and provided "brotherly" guidance, not only for the army but also in the strategic concept of socialism and concrete policy, such as the agricultural tax."[29] Although there are counterarguments on Vietnam's learning from China among the Vietnamese intellectuals, what I found from my own field research in Hanoi is that Vietnam clearly has benchmarked the reform experiences of China, such as gradualist reform and experimental public policy.[30] Such observations are in line with other studies arguing that "the Vietnamese have shown themselves to be very aware of and sensitive to Chinese models, even when the two countries were politically hostile. This was evident in 1986 when, along with *doi moi*, the Vietnamese adopted the Chinese definition of the contemporary stage of reform as a 'commodity economy on a planned basis.'"[31] What is more, this effort to pursue a socialist market economy reflects that the former socialist countries have decided to undertake the daunting task of economic reform mainly because of sustainable development and macroeconomic stability, not because of the superiority of the system of a liberal market economy or a preference for it. In contrast with China, which suffered from high inflation at the onset of economic reform, Vietnam achieved remarkable success with an average annual growth rate of 7% between 1989 and 1992. It also reduced inflation from over 400% in 1988 to 17% in 1992, and increased its exports by more than 30% per year during this period.[32] Likewise, the legacies of the Leninist planned economy have enabled China to find strong similarities with Vietnam in designing regulatory institutions and implementing appropriate rules and policies. Such legacies include not only the weight of an expansive state and of a large planning bureaucracy coupled with an ownership agency to oversee the management of state assets,[33] but also close monitoring by party organizations. Such distinct goals and historical contexts have exerted an important influence on shaping a range of regulatory institutions.

Institutionally, both China and Vietnam since the early 1990s have actively introduced regulatory reforms by setting up sector-specific agencies or enhancing corporate governance in the leading sectors. By designing adaptive institutions to their economic and social realities, however, both post-socialist countries attempt to not only control the pace and scope of the reforms, but also oversee the business of strategic sectors.[34] Such efforts are found in the way of reforming state ownership. Rather than full-scale privatization, both have designed adapted institutions that introduce more market forces or mechanisms, but enable the party-state to maintain leadership in the firms.[35] In doing so, shareholding and other forms of participation in corporate ownership are developed to closely supervise financial resources and business management toward a market-oriented development with socialist components. As seen earlier, while China has adopted 'corporatization' rather than privatization as the second-best institution to secure crucial state assets,[36] Vietnam too has not directly moved to privatization and implemented the policy of equitization[37] in reforming state-owned enterprises.[38] Indeed, both Beijing and Hanoi have tried to diversify the ownership structure by introducing shareholding enterprise systems in order to mobilize capital investments and enhance corporate governance of the corporatized/equitized state firms. For example, in the case of the telecom sector, shareholding companies under the control of wholly state-owned parent enterprises have been set up in China's large telecom SOEs. In the case of Vietnam, two large mobile firms, Vinaphone and Mobiphone, were also equitized in 2006 or soon after.[39] However, the state's managerial control over the firms is not shared with non-state stakeholders. Likewise, for regulating telecom markets, corporatization or equitization has been pursued in both as an institutional modification of privatization. In this system, the government still retains a majority share as it has simultaneously asserted its intention to "remain involved in the economy even as it grants the private/oversees sectors more legitimacy."[40]

The rise of "ministerial regulators" in both China and Vietnam is another good example to be considered. Regulatory authorities in both countries are, in fact, 'captured' by the party-state, in that they are ultimately part of government ministries under the strong rein of the prime minister or other supra-regulatory bodies (in China, the National Development and Reform Commission [NDRC] or the State-owned Assets Supervision and Administration Commission [SASAC]).[41] This also denotes that the regulators' authority over the personnel and budget are under the scrutiny of party organizations, such as the Organization Department or Party Committee inside the state-owned firms.[42] Therefore, regulatory agencies in China are hardly free from other political organizations. For example, in the case of telecom sector, China's telecom regulator, the Ministry of Industry and Information Industry (MIIT, previously the Ministry of Information Industry) should coordinate with the upper comprehensive agency, the NDRC, and obtain its endorsement regarding its inherent and exclusive jurisdiction over pricing and market entry. Similarly, Vietnam's telecom regulator, the Ministry of Post and Telematics (MPT, currently Ministry of Information and Communications) was established as the principal regulatory body responsible not only for supervising service prices, but also planning overall telecom strategy.[43] As such, MPT was not able to function as an independent agency due to its third role as representative of the state on the boards of telecom companies.[44] Accordingly, as seen in China's MIIT and Vietnam's MPT, such a *ministerial regulator* in post-socialist countries, which organizationally and functionally enjoys little independence from other state agencies and firms, tends to be under political pressure, so that its regulatory decisions come to be less transparent.[45] This reflects delicate political balances between different economic and bureaucratic interests with a view to negotiating a transition to new state-business relations. As Kathleen Thelen has noted, "many post-communist countries have constructed new institutions and practices that represent a blend of old and new structures, institutions, and policy legacies that shape opportunities for government action in the contemporary period."[46]

Differences within the Similarities

Nevertheless, despite such common post-socialist underpinnings,[47] there are important differences in the pattern identified in China. Each of these differences mirrors the existence of a distinct regulatory regime within the post-socialist contexts. First, one contrasting feature that has generated distinct regulatory regime lies at the sheer size of the country. Up to now, only nineteenth century America and twenty-first century India have had a similar advantage in initial size as the PRC.[48] Often, China's continental size is considered 'beneficial' in that it implies a large potential internal market to foster competition and attract foreign investments; its successful economic growth for more than three decades evidences such beneficial effects. On the other hand, Vietnam's size is that of an averaged size Chinese province, which has enabled the Vietnamese Government to prioritize over external factors in deciding on policy choices, making its 'open door' and other market-oriented reforms highly vulnerable to external influences and world economic forces.[49] In terms of regulating the economy, this relatively small size has led Vietnam to adopt a more or less unified approach to economic reform, which has enhanced policy compliance at the local level. More importantly, as China's continental size inevitably has nurtured diverse market structures with complicated set of rules and various stakeholders, it is characterized as "the tiered industrial economy" with largely three tiers: the top tier, the middle, and bottom tiers.[50] Although the determining factors that discern the tiers are somewhat different among scholars,[51] it is generally agreed that China's top tier consists of the most important industries for strategic and economic security concerns under the tight central state ownership. They include the infrastructure, oil, and financial service sectors. Sectors in the bottom tier are largely privatized and confront fierce market competition. In between, the middle tier has mixed characteristics in terms of ownership and significance to the national economy. As some studies note,[52] the central leadership still holds regulatory oversight for this middle tier through informal institutions. Yet its manners of regulatory control are to be not as strong as the one in the top tier because of various stakeholders and decentralized regulatory authorities. In other words, its fragmented political and economic institutions undermine coherent and focused central regulation. Such variance in practices is hardly seen in the unified system of market regulation in Vietnam.[53] Despite the socialist contexts, therefore, China's continental size makes a significant difference in managing an industrial economy because of inherent diversities and complexities across regions, sectors, and tiers.

Another difference is found in their leadership structure. While Vietnam's leadership structure is well known as "*diffused Troika*" with the general secretary of the VCP, the president, and prime minister, China is close to a "*fused Troika*" among the general secretary of the CCP, the president, and head of the Central Military Commission.[54] Unlike China, where the general secretary of the party also assumes the presidency, Vietnam's "diffused troika" reflects a fragmented leadership structure as three different people keep the posts of party secretariat, state president, and prime minister, respectively.[55] In this way, three leaders in different posts may check each other, and such cross-checking of central positions functions as formal and informal channels to check executive power both within the party and between the party and the state.[56] This is a notable element in that Vietnam's more equal distribution of power somehow makes it tough for the central party-state to push ahead with policies decisively and coherently when there is a deep cleavage between competing grand strategies among the ruling elites (inviting bureaucratic politics). Although some efforts are made to eliminate potential extreme policy shifts by giving each of them a top-ranking position in the VCP, disagreements or conflicts are still likely to be inevitable. Moreover, since forging consensus always takes time, decisive policy-decisions and coherent policy-implementation are relatively more difficult than in a "fused troika" leadership structure such as China's. As these three officials hold different constitutional powers, patronage politics and the cultivation of a loyal following may surface.[57] In fact, according to Martin Gainsborough, a key patronage channel can best explain the consequences of many policies in Vietnam.[58] On the other hand, since 1993, the concentration of power in China has been maintained by allowing the president to hold the positions of general secretary of the Communist Party and head of the Central Military Commission (CMC).[59] This "fused troika" first emerged when Jiang Zemin was appointed general secretary, replacing Zhao Ziyang with weak credibility as a political leader. As his emphasis on unity for the party's survival shows, the Fourth Plenum of the 14th Party Congress adopted the following: "There must be a firm central leading body… there must be a leading core in this leadership."[60] This concentrated power within a single leader was once again confirmed with Hu Jintao's selection as general secretary of the Communist Party and president as of 2002, and even further strengthened as Xi Jinping holds three positions simultaneously, general secretary, president, and head of the CMC. In contrast with Vietnam, such a focused leadership structure not only helps save time to negotiate and bargain among the top leaders, but it also enables more decisive and coherent policy implementation.

The last difference can be found in the Communist Party's (political) oversight/supervision over government (specifically regulatory agencies) and business. Partly, it results from Vietnam's relatively weak socialist underpinnings,[61] ideologically and institutionally, as Vietnam remained divided until 1975. It was even said that "the socialist planned economic structure had never taken root in the south. In fact, objects to the central leadership's effort to extend socialism southward helped to stimulate the economic reform."[62] This is highly contrasting with China where the government, including regulatory agencies/ministries, is ultimately subordinate to the Communist Party.[63] In China, the party organizations have played an important role in monitoring the compliance of the government, such as the premier, ministries, and regulatory agencies, as well as and the state firms through the various Leading Small Groups (LSGs, *lingdao xiaozu*) and the party groups (*dangzu*) in both government and state firms. As detailed in other research, the LSG, as a bureaucratic layer between the party hierarchy and the government apparatus, and the party groups exhibit how the party organizations serve a formal regulatory function as informal institutions in China. However, this is not the case in Vietnam, at least not in a formal way.[64] Vietnam lacks the corresponding party organizations that retain the political authority and influence over the government and state firms. For instance, Vietnamese Communist Party (VCP) statutes (Article 24) stipulates that "each government agency with three or more active party members must form a party chapter (*co so dang uy*). If an agency has a large number of VCP members, it can subdivide its chapter into party cells."[65] Yet, there are substantial differences between the party groups in China and a party chapter in Vietnam in terms of responsibilities and authorities. While the primary responsibility of Vietnam's party chapter is educating and overseeing its own members, the party groups (*dangzu*) in China are responsible for helping the CCP oversee the compliance of both government and state firms to the party's lines, principles, and policies. Indeed, those party groups inside state firms exert prevailing political control over the personnel and business management, but this is hardly observed in Vietnam; at least, a party chapter or party cell is neither structured inside the firms, nor holds the authority to supervise the business of state firms. In contrast with a *dangzu* in China, a party chapter in Vietnam lacks the authority over the organization in which it is housed.[66] Likewise, the deep penetration of the party organizations into both government and business in China enables the CCP to informally exercise its political control, which is noticeably missing in Vietnam. It adds another factor that makes the Chinese regulation idiosyncratic in the post-socialist context.

The Future of Chinese Market Economy

Regardless of sectoral characteristics and decentralized institutional backdrops, China's leading industrial sectors are under the rein of central supervision, even though the means of control and its intensity are different. But will this pattern remain resilient in the future? Or might the local authorities and local state-owned business groups eventually gain more autonomy in regulating the sectors and weaken the center's regulatory control over the leading industrial sectors at the local level? What implications does the case of China have for conventional theories of regulation that have been overwhelmingly developed and led by the experiences of advanced industrial countries? Can state capitalism be an alternative to frame the experiences in China? Empirically, first, the central party-state's political and economic control over strategic industries is likely to continue in the near future. As noted earlier, what the Chinese party-state has sought to establish is a socialist market economy in which state ownership under the leadership of comprehensive state commissions and party organizations remains central. Scholars of Chinese political economy consider those characteristics as parts of Chinese state capitalism,[67] and because of institutional inertia, such a system of Chinese state capitalism is likely to endure in the face of the search for a new and smarter growth model and rapidly changing internal and external conditions.[68] For now, even though the private sector accounts for almost two-thirds of GDP with impressive growth,[69] the heart of the national economy (*jingji mingmai*) that includes infrastructure and finance is under strong central state ownership that never allows local, private, and foreign stakes. In other words, as long as China's ultimate goal of economic reform is to achieve a socialist market economy under the Communist Party, the center will maintain its levers of control over the leading industrial sectors. The transition of Chinese state from planner to regulator is seen as an effort to accommodate the increasing market forces within the allowed boundaries. In this regard, Chinese state capitalism is perhaps the outcome of adaptive institutional change and development that maintains the central leadership's primary role but simply changes the scope and tools of control.

Second, the case of China contributes to unveiling the limits of conventional theories of regulation that fail to consider the ruling policy ideas and institutions of transition economies by attempting to analyze and evaluate the practices of transition economies from their views and experiences. Such an analysis that squeezes the case of China into their own ideal models would be fruitless not only in explaining Chinese realities but also in understanding and projecting what China desires to do in the future. States in a transition from planner to regulator, such as China, might have different priorities (or preferences). It would be very beneficial to explore how China, under state ownership and the party's deep penetration in government and business, regulates the economy. Moreover, the case of China reminds students of regulation of the importance of informal institutions, which are largely dismissed in conventional approaches. The examination of how informal institutions complement formal ones in regulating the businesses of leading sectors is likely to usher in (or at least hint at) the institutional development of regulation beyond the case of China. Lastly, the pattern of selective industrial management that produces the variance in the forms of regulatory control indicates not simply the Chinese feature in post-socialist contexts, but, more importantly, evidences the existence of *many* political economies. Because the underlying ideas and institutions of regulation are different across sectors (and industrial tiers), one political-economic logic and theory cannot fully account for Chinese realities.[70] Therefore, the research of less strategic industrial sectors or strategic sectors dominated by private ownership would demand other analytical frameworks equipped with different political and economic logic and rules around them. By using its size and internal diversity, China has reshaped institutions and implemented experiment policies remarkably. Given its open-ended pathways, the future of the Chinese system of economy may be projected best by understanding China's present thoroughly. ■

Endnotes

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[56] Arami et al. (2009: 254).

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[63] Abrami et al. (2009: 260)

[64] Abrami et al. (2009: 259).

[65] *Ibid.*

[66] Abrami et al. (2009: 261).

[67] Tsai and Naughton propose seven defining characteristics of Chinese state capitalism: direct central state control of strategic sectors, party control over personnel, market foundation, industrial policy, state control over finance, regulatory fragmentation, and dualistic welfare regime.

Tsai and Naughton (2015: 18-19). Indeed, as you see, they largely overlap with my findings that make the case of Chinese regulation distinct from other market economies.

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[70] This point was raised early on by other scholars of Chinese political economy. See Kennedy (2005); Pearson (2011).

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