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Master's Degree Thesis

Party Membership and Individual Income in China

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Party Membership and Individual Income in China

중국공산당원의 멤버십이 개인소득에 미치는 영향

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Abstract

Party Membership and Individual Income in China

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This study investigates the effect of party membership on income in modern China to test and verify the Chinese Communist Party membership privileges. Adopting the methods of the regression equation model, this study analyzes whether and how the political factors including personal party membership and the family political background cause individual income gap, utilizing CGSS2006 dataset.

Test results show that first, party membership and parental party membership indeed bring economic interest. Second, both parental party membership and their retirement affect their children's income. Third, the importance of family political background is less than that of individual party membership. Fourth, the most gratifying result is that the economic influence of the parental political relations has reduced. The reduced role of those factors may work in favor of social justice. It

is necessary to reduce the operating scope of family political background, as well as narrow the gap of income and the party membership privileges for the improvement of Chinese political and employment system.

Key Words: Party Membership Parental Party Membership
Parental Retirement Privileges

초록

중국공산당원의 멤버십이 개인소득에 미치는 영향

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현재 대부분의 문헌에서는 중국시장전환과정에서도 여전히 중국 공산당원들이 경제적 특권을 누리고 있다는 것을 증언하고 있다. 대부분의 연구자들도 공식적 혹은 비공식적 제도적인 구조가 이 결과를 설명하고 있다고 주장하고 있다. 물론 일부 학자들은 제도가 아니라 개인의 특성이 이러한 특권을 뒷받침 하고 있다고 설명하고 있다. 예를 들어 교육수준과 당원의 멤버십이 등이다.

본 논문에서는 현대 중국의 개인소득에 미치는 정치적 요인을 조사하여 공산당원의 특권이 경제적 특권에 영향을 미치는지에 관하여 분석할 것이다. 이 논문은 2006년 CGSS Dataset를 이용하여 공산당원의 멤버십이 및 가족배경을 포함한 정치적 요소가 개인소득에 미친 영향을 분석 할 것이다.

분석 결과는 다음과 같다. 첫째, 당원 및 가족의 정치적 배경이 실제로 경제적 이익을 가져 온다. 둘째, 부모의 당원 멤버십 여부에 따라 자식들이 누릴 수 있는 소득의 차이가 난다. 부모가 당원의 멤버십을 가지고 있을 때,

그 자녀들에게 돌아가는 소득은 부모가 당원의 멤버십을 가지고 있지 않을 때 보다 훨씬 더 크다. 셋째, 가족의 정치적 배경은 각각의 당원의 멤버십보다 적은 영향을 미친다. 넷째, 이 연구에서 좀 더 주목할 만한 결과는 부모의 정치적 특성으로 인해 얻은 실제 소득이 줄었다는 것이다. 그리고 이는 사회정의를 실현하는 데 유리한 환경을 조성한다. 중국에서 정치와 고용시스템을 보완하기 위해서는 당원가족의 정치적 배경의 영향과 소득의 차, 그리고 당원의 경제적 특권을 줄이려는 노력이 필요하다.

키워드: 당원의 멤버십 부모의 당원 멤버십 부모의 은퇴
당원특권

Chapter 1 Introduction

As far as the leadership and cadre systems of the Chinese Communist Party (CCP hereafter) and state are concerned, a major problem is the privilege of its members. It has been an old and complex historical phenomenon. Deng Xiaoping has pointed out that all kinds of privilege phenomenon are one of the main disadvantages in the leadership and cadre systems in the early 1980.¹⁾ If the CCP do not resolutely eliminate the effects, it would lead to corruption. The privileges of CCP members may harm China's continued development and the national image in the international society. Therefore, the CCP must eliminate the political and social privileges phenomenon to maintain its ruling status.

The privileges of the CCP members at the present stage includes at follows. First, the CCP members and cadres have enjoyed economic interests. This means that some leading cadres turn the political privileges into economic interests like individual income. This may further increase the conflict of interests between social groups. The income gap between social groups and polarization would be enlarged. And it could even result in social unrest and serious influence on party group.

Such as the life tenure in leading posts, that made the leading cadre become a special group who can be free in most social services such as housing, education, health care and other social burden. Leading cadres use the power to get social resources which

1) Deng Xiaoping, "On the Reform of the System of Party and State Leadership," In *Selected Works of Deng Xiaoping Volume 2*, August 18, 1980.

compromises the interests of other social groups. Accordingly, the interest-damaged class may produce psychological resistance. Some group incidents that happened in recent years around the party and government organs could perhaps provide the answer.

Second, the privileges are also manifested in the intergenerational succession of the leading cadre stratum. The intergenerational succession of class refers to a professional or status transfer and inheritance between parents and children. Taking different resources and opportunities, the economic capital, cultural capital, social capital and political capital could be interchangeable under certain conditions. And they also may be succeeded or transfer between generations. Leading cadres in the party and government agencies are won by relying on the political position and much more on the political capital. Their children may have more opportunities and advantages in education, employment, business, and politics. Thus, in reality the children whose parents are the leading cadres in the social mobility, no matter if they are individuals or groups, are mostly present in the vertical and horizontal mobility trend at least.

Especially since 1997, China has taken the higher education cost-sharing policy for higher education students. All kinds of college students and their families began to be charged with high fees, and it is increasingly difficult to obtain employment for college students. In this situation, the student's family background, the parental and the family or professional economic conditions have influenced on the higher education opportunity for students, job opportunities and their career choice. The intergenerational succession tendency is increasing according to the results of the

statistical analysis of the data. After children accept higher education at different levels the results are not equal.²⁾

Third, the privileges phenomenon is overflowing and diffusing increasingly. Some leading cadres still hold most of the power even after retirement. Non-holding an office also means being in power. They not only enjoy the former salary, but also have privileges in various aspects. This privilege even benefits their family members.

In addition, the CCP should pay attention to the risk that the privileges phenomenon develops into the privileged bureaucratic class. The most obvious warning example is the breakup of the Soviet Union. Because the Soviet Communist Party cadres formed a powerful class, the Soviet Communist Party completely lost the trust of the people. That caused the lost of the cohesive force and the battle for efficiency, and the Soviet Communist Party eventually lost the ruling position.

The new class theory (Milovan Djilas, 1957) pointed up the privileged bureaucratic class problem. The main point is that state ownership is just the false impression of the privileged bureaucratic class. Privileges through the monopoly of state power, the actual possession, distribution and the nationalization of property thus constituted a new class. Proletarian revolutionaries transformed into a new dominant class, destroyed the power of the old elite classes, and created a new class system based on political power. Djilas (1957) pointed out that there are two key factors that would decide whether a group would form a class and whether the new class would mainly be based on political privileges.

2) 沈穎, 陳鵬, “高等教育的高風險不容忽視,”《周方週末》,2006年5月25日.

The new class theory is the main theoretical foundation of the market transformation theory. It claims that the socialist state bureaucrats have become the new class. New technocratic classes consolidated in the 1980s in China. They are roots in both the old and the new elites. Joel Andreas (2007) gives a new class theory, a new meaning of the political capital, cultural capital and economic capital according to the standard of China's new class division.

1.1 Research Questions

The purpose of this study is to examine whether the party members of CCP have privileges in the economy as far as to be beneficial to their families. The CCP has lost its grip over the economy and seemingly abandoned its core beliefs on the reform process. Under these conditions, do the returns of party membership also diminish? The party membership has risen observably all along with the economic benefits from joining to the party. It is a paradox of the reform process in China. ³⁾Other questions are: does the membership in the CCP still hold the value? Are the actual material benefits as high as the income provided by the party membership?

I focus on two related questions of party membership benefits and privileges. First, does the individual party membership bring economic benefits for oneself? That is, has party membership influenced the individual income? Second, would the party

3) Appleton et al., 2009, "The Economics of Communist Party Membership: The Curious Case of Rising Numbers and Wage Premium during China's Transition," *Journal of Development Studies*, 45(2): 256–275.

membership privilege be inherited? That is, do the children have the privileges because of their parents' party membership? Which is more effective: the personal factors or the family factors?

Theoretically, the previous research, especially in the market transition theory, paid attention to the dual analysis structure: the role of the market and the political power in the privileges phenomenon. That is, only emphasizing the relationship between power factors (such as the party membership) and market factors in the dependent variables. First, this kind of dual analysis framework would ignore other important influence factors on personal interests (income), as well as other factors that contribute to the privilege phenomenon, such as family and political background.

Second, when discussing the transition, most studies have only cared about intra-generational mobility, especially the change from the political elite to technology elite. They think that the role of political factors reduces gradually and would be replaced by human factors, such as education. It is easy to ignore a classic category: the intergenerational, namely the privileges of the intergenerational inheritance.

In terms of analyzing the methodology and data, previous research place extra emphasis either on rural data or urban data on one hand, and on the other hand, the seldom use of all the data. In addition, most of the data is from some specific area, as a city. And the comprehensive use of the whole China data is not much. Finally, among the scholars who work on the party member privileges (especially Chinese scholars) a few persons would use the data analysis method. Instead, they mostly use the institutionalism or

structuralism method.

Based on the above analysis, this study would try to break through the limitations of the existing research. First, the traditional dual analysis structure is extended by introducing the dependent variable of family political background to measure the independent variable (individual income) effect. Second, I emphasize intergenerational inheritance. Parents' political relationship would have an effective influence on the children's interests. Parental party membership rent-seeking effect⁴⁾ would affect their children's income. Third, in the traditional dual analysis structure few people compare the contribution of each independent variable. Also, we figure out the source of party members' privilege much more effectively. This study tries to solve the problem.

Considering the practical meaning, I focus on the influence of the personal and parental political factors on individual income. The research can explain the cause of political factors' influence on the individual income gap. It can reduce income gap by mastery of the different influence. The rules provide the basis of China's future reasonable income distribution policy. There are both theoretical meaning and practical significance in researching this issue.

This research strategy can not only make up for the deficiency of the existing research, but also has two advantages. One is the cohesion of the market transformation and the new class paradigm, which would focus on the research question in a larger study in

4) Studies of rent-seeking focus on efforts to capture special monopoly privileges such as the CCP membership parental political relations' privileges. The phenomenon of rent-seeking in connection with monopolies was first formally identified in 1967 by Gordon Tullock(1967).

traditional method. The other one is to put this study in a more open social background while studying the politics of how the personal factors and family factors influence the Chinese family income.

The main findings of this dissertation are given below.

First, observing the influence of factors on individual income, this study finds that in present China by now both individual party membership and family political background are factors influencing individual income. The influencing strength of party membership is different to different age groups. For the person who obtained employment before 1978, the party membership would be more effective on income. While for the parents who are party member retired, their children's income would be reduced. All of this can prove that the party membership has privileges in China until nowadays. Maybe the cause of the privileges is coming from a different approach including personal characteristics or parental characteristic.

Second, comparing the effect of individual party membership and family political background on income, the individual factor is more effective than the family factor. It corresponds to the previous study findings. The personal characteristics play a more important role in determining the interest. That is useful to the social fairness and stability.

1.2 Structure of This Study

Two parts follow this introduction. Part I includes the introduction and literature review from chapter 1 to chapter 2.

Chapter 2 reviews theoretical debates over various aspects of party membership and family political background's influence on individual income. The analysis is divided into theoretical discussion and empirical study. Theoretical discussion analysis maintains two sections: the Market Transition theory and the New Class theory. Although market transition theory provides clear theoretical framework and is available for inspection assumptions, it is still very criticized, as we can see. These criticism mostly points to the concept of fuzzy. It is pointed out that the cohort including cadres and rank-and-file analysis lends further credence to the expectations of the intellectual New Class Theory which can be generalized in China. But they were not able to perform a definitive test.

Part II comprises the research design, the main findings and the conclusion from chapter 3 to chapter 5. Chapter 3 explains the research design for testing various hypotheses. The chapter explains the basic data source, the main meaning of variables and the model design. The next chapter introduces various methodological issues, such as units of analyses, selection bias, model specification, and estimation methods.

Chapter 4 examines how the personal party membership and the family political ground influence the individual income. First, I test whether the party membership and the family political background influences the individual income. It would be through the role of political term that the political dimension influences the individual income. We test parental party membership and their retirement by

examining the impact on their children's income, to confirm that the parental political relation effect exists. At this point, the family political background has the same meaning as parental political relation. However, directly examining the impact of parental party membership on children's income cannot be effective, because their parental party membership may reflect the ability of children. It cannot distinguish the party membership and the effects of social capital effects of rent-seeking because the parental and children social capital can be shared at the same time. Thus we use the impact of parental retirement on their children's income to reflect the power of rent-seeking effects because it is an exogenous event out of the parental ability.

Second, I compare the two effects of individual party membership and family political background on income gap. Some scholars have compared the various factors that affect individual income, such as Xie (1996) who studied the family background and individual educational levels and compared to both differences in the impact of individual income level. This study finds that parental characteristic variables that affect income are an important factor, especially for younger children when they are in the fierce competition for jobs. Parents make use of their resources to influence their children's employment and promotion. However, few scholars refer specifically to personal identity and family political background, even the political term. Personal party membership and family political background of political term can affect individual income, and then which one is more effective? In the factors that affect individual income, the individual's own condition is more

important than family political background. It is an indirect proof of the second official cadre in the process of market competition of whose parents are in the advantageous position.

Chapter 5 gives the first conclusion that the party membership does influence the individual income and privileges for the party members. But for different ages and urban or rural areas there is a difference. However, as pointed out in this study, the party membership may also mean parents power rent-seeking effect. The existing empirical studies do not effectively consider them separately and confirm their existence. The test result shows the interaction of parental party membership and their on-the-job item have a significant influence on children's income. This confirms the existence of the party member parental retirement effect, namely the political relations to a considerable degree. That is, parents increase the next generation's income through the political power rent-seeking.

Chapter 2 Literature on the Privileges of CCP Members

Many scholars studied the benefits of the party membership⁵⁾ in the China's transformation period, also known as the relationship between party membership and individual income.

American sociologist Nee (1991) put forward the famous market transition theory in which the party membership has positive effect on income. He thinks that the transition of the socialist society from redistribution economy to market economy would result in the transfer of power and privilege. The power and privilege would transfer from the redistributors' hands to direct producers (Nee, 1991, 1992, 1996). The cadre of the beneficiary from the distribution system could not be completely adapted to the market rules. As a result in the new market competition the cadres have a little or no edge. The new economic elite would mainly consist of the lower level group (non-cadre) members. These members have more social resources. The family with cadre background still has the advantage than others in income (Nee, 1991). At the same time the power or the privilege of cadre would be weakened along with the perfection of market reform.

However, more and more scholars argue for the different view. These viewpoints are summed up as follows.

5) "This effect refers to the political capital returns effect. The political capital refers to the social resources such as status, occupation and social relations et al. " 楊瑞龍、王宇鋒、劉和旺.2010.“父親政治身份、政治關係和子女收入.”《經濟學(季刊)》,2010年第9卷第3期, 第871-890頁.

First, political loyalty is no longer the only requirement and education level becomes a more and more important condition (Walder, 1995a⁶; Baluand Ruan, 1990). In this case, the cadre proves to be the main beneficiary groups because of the higher education degree.

Second, the political elite are familiar with the operation of the distribution system law and vulnerability and they accumulated the massive social relations. These factors have the function with political capital (Staniszki, 1991) form in the process of market transition.

Third, for some who believe in the power transformation theory, in the privatization process, the cadres would redistribute power into social network resources and eventually into the private property (Rona-Tas, 1994). The bottom line is that this kind of political capital can also play a role in an informal personal information network. It makes sure that the cadres in the competition can get the latest and most accurate market information to win.

Forth, others stick to power maintain theory. At the same time of market reform, the party's leadership and urban unit system remain and the political capital returns still maintain (Bian and Logan, 1996). The two systems of continuous existence and occurrence function ensure the political power control and distribution of resources. As the ceaseless development of reform, those that belong to some power or superior position have more benefits from

6) Walder, Andrew G. 1995a. "Career Mobility and the Communist Political Order." *American Sociological Review* 60 (3): 309-328.

market.

Due to limitations on space, this study only works on the development of theory and empirical research.

2.1 Theories of Income Distribution in China

The main related theory about the cause of party membership privileges has two sections in China: the Market Transition theory and the New Class theory.

The traditional market transition scholars represented by Victor Nee(1989)pointed out that market transition against political capital and the party member's power would weaken. It's also the case that the effect of party membership on income distribution would be modest after the reform and opening in China. However, the opposition views under politics vision insist that the elite cadre still be in distribution authority and the political capital returns do not appear to devalue in the market reforms. Party membership economic returns should not reduce following market development, but got the protection and improvement. Party membership would be beneficial to income.

Based on the above-mentioned situations, the comprehensive vision of market transition should explain the problem. In consideration of level of market transition, the party membership privileges would change in different time. In the beginning it will be remain and gradually reduce to be accompanied by China's market economic system and law improving.

The New Class Theory was first put forward by Djilas(1957). It is

pointed out that proletarian revolutionaries converted themselves into a new dominant class. It destroyed the power of the old elite classes and created a new class system based on political power.

About the China's New Class, new technocratic class consolidated in the 1980s in China. It roots in both old and new elites. Its origins are not only simply revolutionary officials but also a product of a merger of the new revolutionary elite with old pre-revolutionary elites. The New Class members have both political and cultural capital in modern China. The capital is a resource that can be used to gain advantageous in politics. The political capital means that political credentials to enter into political party such as CCP party membership. The cultural capital refers to the educational credentials as education level. In the case of China the old elite own more cultural capital and the new elite catch more political capital. Expanded class differences based on political and cultural capital.

2.1.1 Marketization and Income Distribution—The Market Transition Theory

The theory of market transformation is one of the theoretical backgrounds in this study. The market transformation is not finished in China by now. Party membership was a characterization of political capital, namely the institutionalization of social capital (Szelenyi et al. 1989 Lin, 2001). Among the theories of market transformation, the party membership is used for quantitative research in the influence of political capital on individual income.

In the process of economic transformation, people pursue economic interest in any way they can. Economic transformation is

the process of various rules and regulations broken and set. China's economic reform goal is the construction of a socialist market economy system. In order to maintain social stability and develop the economy, China implemented the gradual economic reform. Today, China is still in the market economy transformation process, which goes from the planned economy to the market economy. Therefore, it is necessary to put the party member cadre's privileges issue on the economic transformation background. This study discusses the factors that influence individual income. Maybe we can forecast that these factors may reflect the characteristics of the economic transition period.

Although market transition theory provides a clear theoretical framework and is available for inspection assumptions, it is still very criticized as we can see next. These criticisms most point to the concept of fuzzy.

First of all, it is confusing the concept of institution because the market itself is not changing, but defines various system market conditions (Stark, 1996 Walder, 1996). The main problems are: what is the market, what is the transformation and how to transformer? Before transition, the economy is not complete central macroscopically adjusting control economy or redistribution and the results of transformation are also far not unitary. From this perspective, Walder (1996) thinks that it is not abstract market changing, but defines the market institution that includes the allocation of resources, emerging market characteristics and corresponding political process. Zang (2002) used the economic sector, state sector and private sector workers' income in the

comparison. He found that the workers' political capital (party membership) in the private sector has no positive contact to their income. The human capital in the private sector has a higher return. And in the economic sector and state sector, the influence of the company's own firm administrative rank on the staff the income is not significant, but the influence of party membership and cadres still exists.

Next, the confusion between market transition and the social consequences are brought by economic development (Walder, 2002 b). The market transition also can be horribly confused with economic expansion or economic development. Walder (2002) points out that China's economic system reform is not only a planned market economy, but also to polybasic agricultural economic structure in the economic structure of the rapid development of the process. He divided rural family into four classes: family members who are not cadre members and don't have family enterprise, a cadre and no family enterprise, open family enterprise but cadres of not family members, and both family enterprise with cadre members (Walder, 2002 a, 2002 b). His research found that net returns of cadre family do not reduce because of private household entrepreneurship and the expansion of labor.

Finally, redistribution economy and market economy oppose and shift and the economy from a redistribution to the market is just a matter of time (Zhou, 2000 a). Does the relationship between the state and the market repel each other or is symbiotic? Another weakness of the market transition theory is the state-market antithetic view. This brought many criticisms. Bian and Logan (1996)

put forward the issue in this study of losing the coexistence of redistribution and market reform. Parish and Michelson (1996) thought that not only economic reform in market should be realized, political market is also changing.⁷⁾ The analysis of Wu and Xie (2003) was even more specific. They found that the personal's income between the state department and the market department is not relative static, but they flow. In the Marketing Department of education, higher returns are restricted to later entrants: those who start working in the state department, and then they turned to the job market. Therefore, the higher returns of education are not attributed to market, but it should be attributed to the change of the labor market.

2.1.2 Privileged Class and Income Distribution—The New Class Theory

There are critical reasons for paying attention to the value of CCP member's power, especially the value of individual party membership and family political background. The bureaucratization of Communist Parties is an essential issue that influences the vicissitudes of the socialist cause. As for the existing socialist countries, it is also significant to avoid bureaucracy during the course of the Soviet model and groping for a new socialist model. During the 1950s, Milovan Djilas (1957) brought forward the New Class Theory, which touchingly criticized the issue of bureaucratization within Communist Parties. He believed that the socialist model of the USSR and East

7) Political market includes state control of the resources, the opportunities and the debt of social sharing the cuts and exchange.

Europe had transformed into a system of exploitation in which the bureaucratic group in power had become a new class ultimately ruining the socialist cause. During the Cold War Era, Milovan Djilas's New Class Theory naturally became a hot topic. In the West, the New Class Theory is considered as a time-bomb, crushing up the foundation of Communism and the term new class became the symbol of privileged bureaucrats in socialist countries.

So is Djilas's New Class Theory applicable to China? Djilas has pointed out that the new Class Theory applies not only to Eastern Europe and Soviet Union but also applies to all Soviet-type communist countries. Bruce J. Dickson and Maria Rost Rublee (2000) also prove that the New Class Theories are generalizable to China. If New Class Theory predicts whom the party tries to recruit, party membership offers tangible benefits such as high payment and more prestigious jobs. Dickson and Rublee pointed out that the analysis of the cohort that includes cadres and rank-and-file lends further credence to the expectations of the intellectual New Class Theory which are generalizable to China. But they were not able to perform a definitive test. If there is a privileged class in China, then when would they use these privileges to get more material interests? Is the individual party membership as the political conditions more important, or family political background is more effective? Would those children whose parents have better political relations become a new privileged class?

2.2 Family Political Background and Individual Income

In the existing research scholars have mostly focused on the impact of family background on individual income. British scholars Albert and Wayne (1979) first proposed that parental occupation, vacation and education have an important impact on youth employment. Linda Datcher (1982) thinks that anyone may have more direct access to work or work opportunities through parental social resources. He used the educational level of parents, number of siblings, family income and other indicators to measure the backgrounds. David and Robert (1993) used the survey data of Brazil and found that in the wage equation, by adding parental education level factors, it would yield an estimated private education reduction by 1 / 4 to 1 / 3. He believes this is because in the developing countries intergeneration mobility is low. Family background plays an important role in determining individual income. James and Heckman's (1986) empirical results also show that the educational level of parents make their children's revenue growth plays an important role improve 3-5% every year. Employment-related information and opportunities are do not flow only through the labor market and deliver. On the contrary, they flow mostly through people's social network.

Chinese scholars also have been studied family background effects on employment or income. Yue (2004)'s regression analysis shows that the level of father education have a significant positive impact on starting salary of graduates. Using the same data, Wen (2005) finds that for different family backgrounds their children access to higher education are significantly different in the results of

education. If the parental social status is higher and with greater power, mobilization and utilization of these resources for their children would show and they would more quickly and accurately obtain more and better employment information, and even directly through the relationships and the political power may determine their children's employment. Zhang et al. (2005) use data from demographic sample survey in Jilin Province in 2005. They considered family background as an important factor of individual income. Once ignoring the family educational background, it would lead to an overestimation of the individual returns to education and mother's educational background has a more positive impact on individual income than the father's educational background.

2.3 Individual Party Membership and Individual income

The first point of contention is whether party membership has a significant impact on individual income. Most scholars believe that the individual party membership can actually increase their income. Cook finds that party members had a positive effect on the labor income. Liu (2003) thinks that the party membership is an important factor in determining income. And that impacts China's urban individual and family income and welfare. Zhang et al.(2007) showed that the political capital in a family can significantly reduce poverty. Appleton et al. (2009) show that in the process of economic restructuring, the wage premium for party members is gradually increasing. Bruce j. Dickson and Maria Rost Rublee (2000) found

that intellectuals would have privileged access into the party, and the importance of education relative to political reliability would increase overtime. The data also show how political capital and human capital are converted into high paying and prestigious jobs. There is also evidence of a separate path of career mobility: a college degree (not a party card) is the key factor to get the most socially prestigious jobs. Economic reforms of the post-Mao era are creating a gap between political powers, on one hand. It is the social prestige and economic power. On the other hand, this gap can be expected to grow as the reforms continue.

Meanwhile, some scholars identify that party members had no impact on individual income. Morduch and Sicular (2000) found that the party membership does not increase individual income. Wu (2002) found that both in the public sector and non-public sector, there is no relationship between party membership and the wage level. Although most studies take party membership as an exogenous factor, the party membership returns may be difficult to observe than personal ability or family background. Gerber (2000) and Rona-Tas (2001) and other studies have noted this. Djilas's (1957) new class actually means that there is a causal relationship between party membership and wage. Party membership increases the economic benefits. Liu (2003) and Lam (2003) used father's education level and father's party membership, and they found that the endogeneity problem is not serious. And Li et al (2007) finds that within the group with twin fixed effects model, the genetic ability, family background variables and party identification, the return does not exist. This research studies the political capital, which is a

great step forward, but there are limitations and cut measurement error problem. (Li et al., 2008; Appleton et al., 2009)

Second, how the party membership affected individual income? In general, the views of scholars can be divided into the following categories.

First, party membership, similarly to a membership in social capital, can get a lot of resources (including information) and opportunities. It can play the role of informal networks of personal information to ensure that those cadres in the competition of getting the latest and most accurate market information would win the competition in the market. Alternatively, Party members have access to some relations that are better for their future career (Li and Walder, 2001). Party membership also allows that cadres in the competition get the latest and most accurate market information, thus winning the competition in the market (Oi, 1989; Rona-Tas, 1991). Therefore, some scholars have further studied the impact of parental party membership on children's income. And that the party membership of the parents may be a form of political relations, and their children's could benefit in his formative years of career. (Yang, et al. 2010)

Second, party membership, just like credentials in education qualification, is the signal of the ability. It is possible to obtain better opportunities and resources for party members (Szelenyi, 1981 Walder, 1995b⁸⁾). Party membership is more likely to get better jobs,

8) Walder, Andrew G. 1995b. "One the quiet revolution from within: Economic reform as a source of political decline." In *The Waning of the Communist State: Economic Origins of Political Decline in China and Hungary*, eds. Andrew G. Walder, Berkeley: University of California Press: 1-24.

better access to higher salaries and benefits of state-owned monopolies and government departments (Li et al. 2007). Li's (2008) empirical studies show the relationship between the wage premium and the changes in the composition of party members. He found that membership in the public sector occurred mainly in the premium, while the private sector reflects the ability of the premium difference.

Third, in the period of economic transition, some party member cadres may seek the help of political power to benefit themselves and their families. That is, the effect of rent-seeking (or called corruption). Walder (1995) points out that in order to ensure the loyalty of party members, the party may use its influence to give preferential treatment to members. In theory, the political relations would be distributed through the labor and the wage system to provide access to economic rent (Appleton et.al, 2009). Morduch and Sicular's (2000) found that in rural China for family with local officials or party member's background is easy to control local resources in rural areas and access the political rent. Liu (2003) also pointed that for the person in the higher occupation of redistribution of power is possible to provide better living and working opportunities for the family members.

CCP's attractiveness is divided into the supply side and the demand side (see Table 2-1 below).

Table 2–1 Literature on the Merits of the CCP Membership

The Supply Side		The Demand Side	
Scope and Object	Studies	Scope and Object	Studies
Promotion in Rural areas	Morduch and Sicular (2000)	Highly educated intellectuals	Walder (1995)
Wage income premium of 5% in urban areas	Appleton, Song and Xia (2005)	Importance of education relative to political stability	Dickson and Rublee (2000)
Income premium in State-owned Enterprises(SOEs)	Lam (2003)	Elitism trend driven by the demand side	Han (2007)
A flatted premium in SOEs and a decreasing premium in private sectors	Pan (2010)	Is the party's interest only restricted to intellectuals?	
Result of selection on unobserved factors	Li et al. (2007) Gerber (2000)		

Chapter 3 Research Design

In previous research, most empirical studies take CCP membership as an exogenous factor and do not allow the fact that members may differ from non-members by virtue of unobserved, preexisting characteristics that are related to earnings (“ability”). By ordinary least square method the influence of party members to income status is estimated. This approach is not completely certain about the causal relationships between them, because the benefits of party membership may be due to other not accessible observation factors, such as family background (Gerber, 2000, 2001; Rona-Tas, 2001). In this study, I increased personal family political background as a factor to investigate the effects of party membership on individual income.

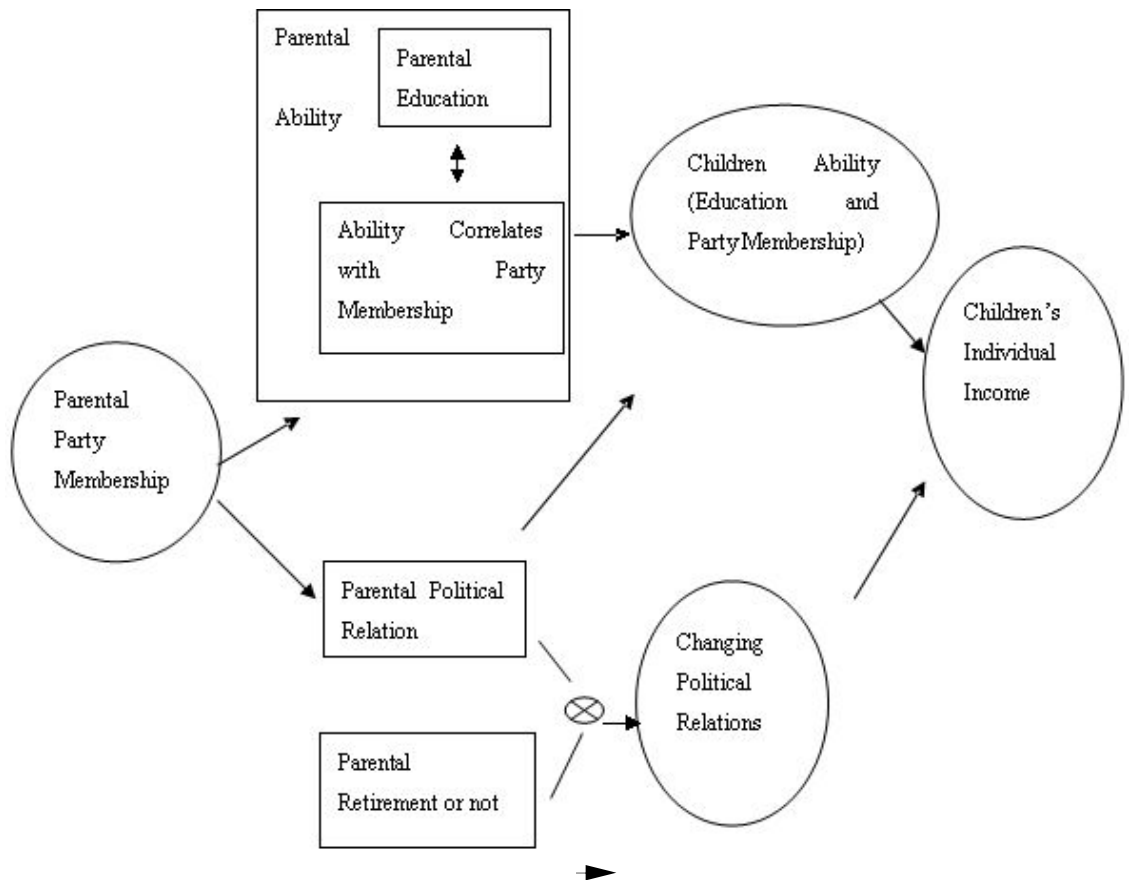
In addition, some studies examine the role of the party member status with China's market-oriented process change tendency. This is not a direct investigation of this problem, but I want to point out that considering the effects of dynamic identity party member's literature ignored the mechanism of the investigation. If the identity of power rent-seeking party member's function can be inherited, even if we observe party members with the effect of identity with time process and decline, also cannot explain the role of power rent-seeking, because it could show other forms of intergenerational inheritance. And this study related literature shows another kind of intergenerational income flow. Generally, the intergenerational income, the higher liquidity and social equality of opportunity, can

help the higher level in the long-term development of the society.

From the existing literature, previous empirical research could not confirm whether the personal level political relationship has an impact on income. This study uses the parental retirement to test the influence on the children's income to confirm the role of the existence of political relations. We use a simple model of this logic relationship, and it recognizes the problem of measuring inspection of the processing.

Hence, the party membership and family political background can influence the individual income level through the employment opportunity. In general, the research findings with regard to the accurate comparison family background factors and personal party membership factors on influence individual income degree are not many. In this study, by using the survey data, gets benefits related to the method of measurement of the family background, and based on the regression equation of difference of income decomposition method, the effects of family political background and PM on the individual income are analyzed quantitatively. Here it discusses the level and the regularity of political factors including family and individual stratification's influence on income. This study proposition is that the parents would use their political relationships to affect the children's income. To confirm the experience in the problem, I must separate the ability and the parental political relationship from the rest. In order to further explain the logic, we construct a simple (children) income decision model, as below Figure 3-1.

Figure 3-1 Parental Party Membership and Children Individual Income



In this model, children's income from parents is determined by political relations (the strength) and its own ability. And the ability of children is inherited from the parent's ability (through the inherent genetic or upbringing role) and the influence of the political relations. Capacity by education and political identity are measured together. Those who have political identity in addition show that they may have a better ability outside, and it still means that have certain

political relationship.

We use the parental retirement to test the influence on children's income. Parental ability, children ability and social capital are almost irrelevant exogenous factors to reflect the power rent-seeking effect. Rent-seeking means that the leading cadre uses their political power to seek private economic interests. The rent-seeking process is usually accompanied by a lot of privileges phenomenon.

3.1 Hypotheses

Hypothesis 1: The party membership increases individual income.

In present China, individual party membership has a positive effect on the individual income. That is to say, if a person is the member of CCP party, his income would be higher than others who are non-party members. The enduring privileges changed after 1978.

Hypothesis 2: Once the parents with the party membership retire, their children income reduces.

It is shown in the study that an individual whose parents are members of CCP party, his income would be higher than others. However, this is not the evidence of the parents or their children having privileges in the economy. On account of parental ability or education level, their children's income may be higher, so we select the parental retirement and party membership to test the parental

relations. Once we can verify the existence of the parental relations effect, the party member privileges are possible coming from the rent-seeking effect of parental political power.

Hypothesis 3: the effect of the individual party membership is more effective than the family political background on the income.

The individual party membership is correlated with individual ability. Party membership effect on individual income refers to one could improve his income if he is CCP party members. The family background refers to parental political relations. Children could utilizes parental political relations to get their own economic interest. However, parental political background is only powerful only when children are searching for their jobs. As a result, the overall effect of individual income is stronger than that of parent political background.

3.2 Variables and Estimation Method

3.2.1 Dependent Variable

Considering the temporary unemployment, last month income is 0, but the annual income is not set to 0. A person may temporary be unemployed, but he generally cannot stand the long-term unemployment all together with trying to rely on his own ability and relationships to get a job. Therefore, I put the individual annual

income as a dependent variable. The unit is Yuan (CNY). I use the logarithm of annual income to measure individual income.

3.2.2 Independent Variables

(1) Family Political Background (Parental Retirement and their Party Membership)

Family background factors also include two variables: the parental party membership and parental retirement. The strength of the parental political relationship depends on two aspects: the parental party membership and parental retirement (or not retirement). The parents with political power once retired no longer have the power, and the influence of the party membership power rent-seeking effect on children's income would be greatly reduced. But the influence of the political identity of social capital in the children's income may also be weakened, and relatively speaking the power rent-seeking effect would be more weakened than the social capital effect.

(2) Party Membership (Individual Party Membership and Cadre Status⁹⁾)

Communist party membership marks the personal political affiliations. In the basic regression, in order to respond to some of the existing research, I put the cadre identity as one of the independent variables. Of course, human capital especially education

9) Our data could not differentiate the cadres higher income advantage is from the human capital or redistribution power, and we don't have the relevant data about the cadre levels. So our analysis focuses on testing party membership, but in the basic regression we put into the cadre status.

is the inevitable variable.

(3) Other Independent Variables and Control Variables

Our model adds the square of age. The square of age reflected a nonlinear relationship between income and age. For the other variables see the Table 3-1 below.

Table 3-1 Meaning and Measurement of Main Variables

Variable	Meaning and Measure
Individual Income	Annual income (including labor income and non-labor income), unit is Chinese Yuan
Party Membership	Measurement indicator of membership in the Chinese Communist Party, party members is 1, and non-party members is 0
Education	The level from low to high is divided into 14 (value of 1 to 14)
Age	A proxy for work experience
Gender	Gender differences in income: male 1, female 0
Urban	A dummy variable with urban 1 and rural 0
Parental Party Membership	Parental non-party members as 0, father or mother party members as 1, both as 2
Cadre	Rank and File as 0, Cadre as 1
Parental Retirement	Retirement as 1 and none as 0
Parental Education Level	Combined the father and mother education value

3.2.3 Model Design

First question is whether the political capital would affect the individual income. The model is taken after the amendment of the Mincer (1974) human capital model.

In the study of education, seniority and seniority squared impact on individual income, adding the individual's political capital, sex, and relevant control variables. The standard income function also includes education, experience, and gender after areas, to which returns rise at a diminishing rate. The basic regression equation is as follows:

Equation 1:

$$\text{LnIi} = \alpha_1 + \alpha_2 \text{PM} + \alpha_3 \text{Age} + \alpha_4 \text{Age}^2 + \alpha_5 \text{Edu} + \alpha_6 \text{Gender} + \phi D + e,$$

LnIi is the log of annual income for an individual. PM, Age, Age² and Edu represent party membership, seniority, seniority squared and the education level. α_1 , α_2 , α_3 , α_4 , α_5 , α_6 and ϕ are the parameters, D represents areas, the nature of units and professional control variables, e Random disturbance term.

Our basic estimating equation is derived by integrating with respect to party membership. When the log of earnings is linear in party membership, the coefficient on party membership is the internal rate of return.

How to determine the next family political background influence on the individual income? The assumption of the measurement model is

as follows:

Equation 2:

$$\text{LnII} = \beta_1 + \beta_2 p_p + \beta_3 \text{pre} + \beta_4 p_p \times \text{pre} + \beta_5 \text{pedu} + \beta_6 \text{pm} + \phi D + e,$$

Among them, the D represents areas. Pp represents parental party membership, and pedu represents the parental education level. Pm is for children party membership, II for children income, and pre influence political relations is an event like retirement (while in office is 0, retirement is 1). According to the regression equation, political identity and parental retirement income would reduce their children's income, namely β_4 significantly, can explain the existence of political relations effect.

The comparative model is as follows.

Equation 3:

$$\text{LnII} = \lambda_1 + \lambda_2 \text{PM} + \lambda_3 p_p + \lambda_4 \text{Age} + \lambda_5 \text{Age}^2 + \lambda_6 p_p \times \text{pre} + \phi D + e,$$

In this equation, we selected the parental party membership and their retirement term as the family background's proxy variables. There are three terms of the parental party membership. Both of the parent are CCP members and either father or mother is CCP member. And neither father nor mother is CCP member. We selected both of the parents party membership as the variable. Other variables are same as the former.

3.3 Case Selection and Data Sources

This study uses data from the General Social Survey Project (China General Social Survey, CGSS). ¹⁰⁾CGSS is China's first national, comprehensive, continuity of large social survey projects. It is beginning from 2003, once a year from the national 125 counties (districts), 500 streets (township, town), and 1000 incorporated villages in the council, 10000 families and the individual in the investigation. Through the regular system process of collecting Chinese aspects of the data, the CGSS summarizes the long-term trends of social change along with the important theoretical and practical significance of social issues. It promotes domestic and social science research openness and provides data for international comparative studies. Until 2008, the CGSS conducted the annual survey five times and completed the first phase of the project. The CGSS survey data and other survey material is publicly open to everybody. It is considered as the most important Chinese source of data.

The project is funded by the Department of Sociology in Renmin University of China and the Centre of Social Survey of Hong Kong Science and Technology University. The first survey was conducted in 2003, and only covers the urban sample; an increase of the rural sample enriched the study variables in 2005. This study uses the 2006 survey data because it is the newest one related in public. There are a total of 9517 samples. Taking off those who are older

¹⁰⁾ More details see <http://www.cssod.org/index.php>.

than 60 years for analysis, the sample is 8491, with the urban sample of 5002 rural sample of 3489.

Chapter 4. Test Results

4.1 Descriptive Statistics

The correlation between those variables included in this analysis is shown in Figure 4-1, Figure 4-2, Figure 4-3, Figure 4-4 and Figure 4-5. There are the distribution of age variable, education level, parental age and education level. These distribution show that the parental education level is more likely lower than the children's.

Figure 4-1 Age Distribution

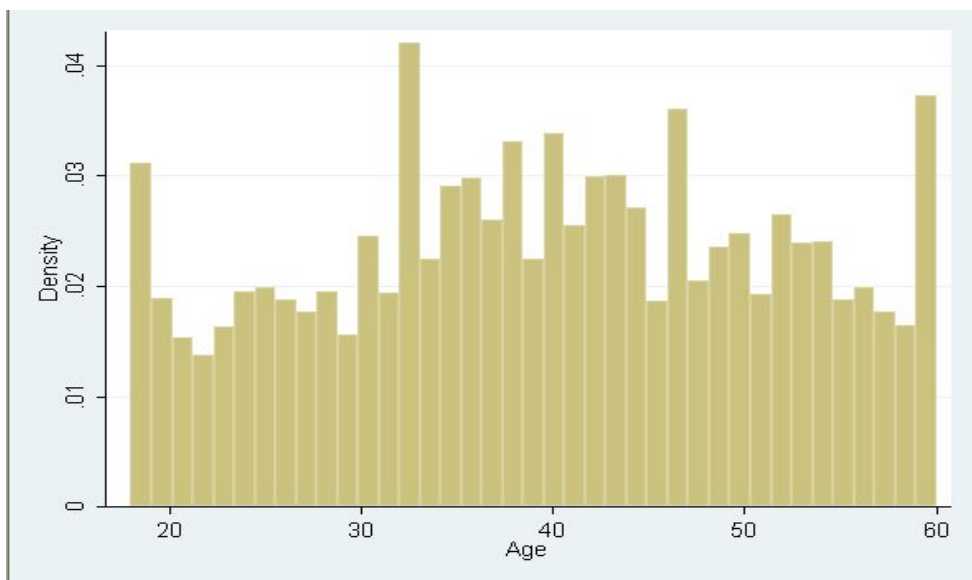


Figure 4-2 Education Level Distribution

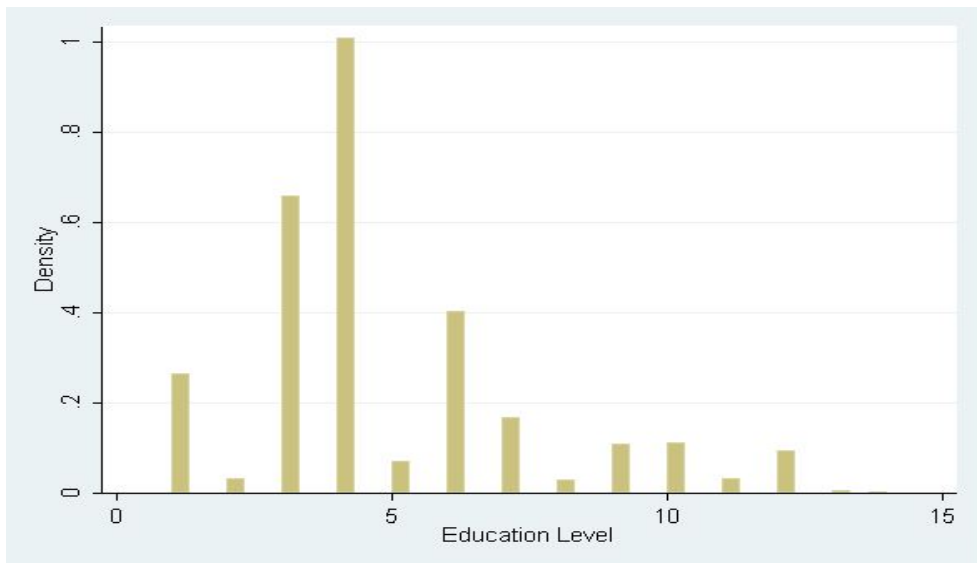


Figure 4-3 Parental Education Level Distribution

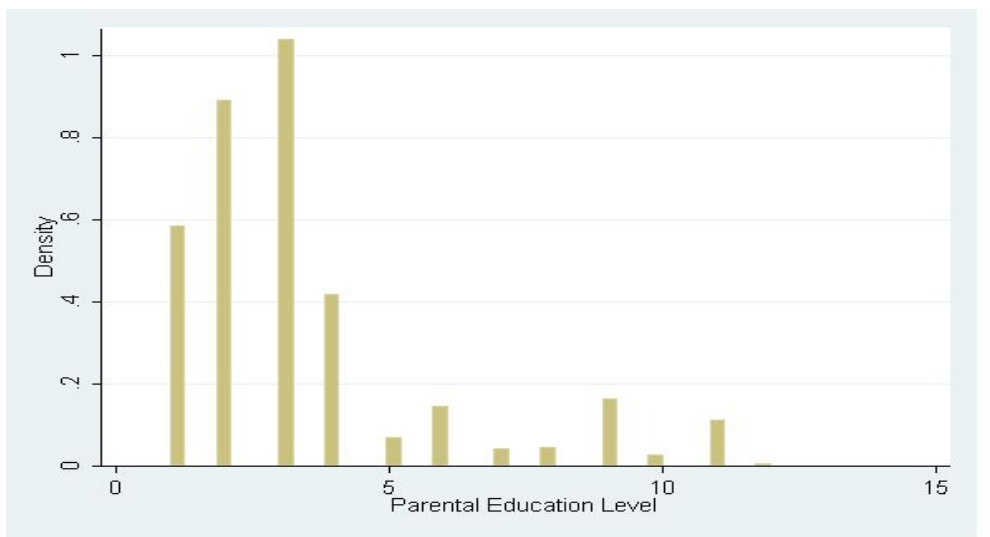
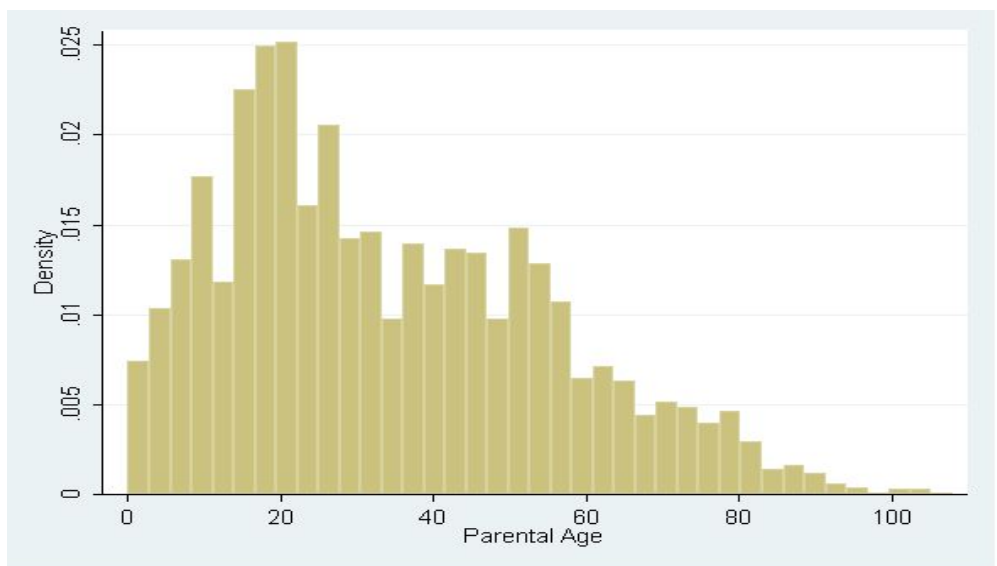


Figure 4-4 Parental Age Distribution



The number of present CCP members is about 80.269 million, accounting for about 6% of China's population. There is no other such as this percentage of one party in the world. We can see that there are in total 651 party member observations. The party members' average income is 12861 Yuan that is more than the non-party members' 8579 Yuan as well as the education, parental education and age. For urban and rural distribution, there are 222 rural party members and 429 urban party members; For age structure, less than or equal to 35 years, young party membership is less than 20% of the total and party member's per capita is 49 years old. From the description of the statistics, it initially comes to the following conclusions: party member's average income and regular education are higher than non-party membership. Female is

less likely to get more income than males.

4.2 Results

4.2.1 Individual Party Membership and Individual Income

In Model 1 of Table 4-1 party membership has a significant effect on individual income. The party membership advantage is up to 17%¹¹⁾ controlling for other variables their mean values. The education level also has a significant effect on individual income as well as the gender and areas variables.

The first problem is to test the party membership influence on the individual income. The results of the regression (Table 4-1) shows that party membership do have benefits on income. Party membership advantages, in terms of individual income, generally mirror the study's results of Zhou (2000). Zhou (2000) thinks that party membership advantages in terms of individual income is 6%, Xie and Hannum (1996) considers that is 7.6%. The test result of Walder (1990) is 9%. The most detailed is Liu (2003) who got an interval between 10%–38%.¹²⁾

When other factors are fixed, the higher individual education level, the higher his individual income would be. In particular, for each additional level of education degree, the annual income would increase about 1519 Yuan. When gender, party membership and

11) $P=e^c-1$ (the percentage formula), $e=2.71828$, c = coefficient, p =percentage

12) Seth M. Hauser, and Yu Xie, Temporal and Regional Variation in Earnings Inequality: Urban China in Transition Between 1988 and 1995." *Social Science Research* 34(1): March 2005 p.44–79.

education are under the condition of invariability, the age has a non-linear positive effect (the

Table 4-1 Party Membership Effect on Income

Variables	Model 1	Model 2	Model 3
Party Membership	0.161***		0.004
	(4.175)		(0.097)
Cadre		0.296***	0.295***
		(9.137)	(8.906)
Education	0.129***	0.118***	0.118***
	(25.176)	(22.590)	(21.977)
Age	0.036***	0.009	0.009
	(5.378)	(1.241)	(1.240)
Age ²	-0.001***	-0.000**	-0.000**
	(-6.321)	(-2.213)	(-2.215)
Male	0.383***	0.326***	0.325***
	(18.418)	(13.902)	(13.824)
Urban	0.895***	0.607***	0.607***
	(38.043)	(21.013)	(20.935)
Constant	6.831***	7.742***	7.742***
	(50.769)	(52.252)	(52.168)
Observations	6,852	4,825	4,825
R ²	0.416	0.289	0.289
Adj. R ²	0.416	0.289	0.288

Note: t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

regression coefficients of the squared ages is negative). When age, party membership and education do not change, women turn out to earn less than men for the same jobs. This suggests that in the decision of the income model, gender variable plays an important role.

Seen in the control variables light, urban residence has a significant association with individual income in a positive way. In part this reflects the urban and rural income inequality. This study supports the previous scholars' conclusion about income inequality varies across regions.

In Model 2 of Table 4-1, the cadre has a significant effect on individual income more than party membership. Its coefficient is larger than that of party membership in Model 1 of Table 4-1. Of course, it owes the effect to that most cadres are party members in fact. So when we take the party membership and cadre together, the effect of party membership on individual income is not significant.

In Table 4-2 Model 1, Model 2 and Model 3 show different regression results of different age groups (model 1 represents working the years for before 1978, Model 2 in Table 4-2 represents 1978-1992, model 3 represents after 1992). The results show that party membership is very important to the people who worked before 1978, but for the people working after 1978 this importance was reduced. In Model 1 the effect of party membership older than 46 on individual incomes is significance. It is seen from the results of Model 2 and Model 3 that there are not significance. What does that show? This may indicate that when it comes to party membership,

working experience is different for different people. When the young people want to take up an occupation, they could get more income with the party membership at 2006. And it could not explain why the effect of party membership on income is different at different times.

Table 4-2 Party Membership and Income for Various Age Groups

Variables	Model 1 (47<age<60)	Model 2 (33<age<46)	Model 3 (18<age<32)
Party Membership	0.209***	0.09	0.046
	(3.823)	(1.416)	(0.427)
Education	0.144***	0.143***	0.106***
	(14.504)	(16.841)	(11.973)
Age	0.011	-0.139	0.319***
	(-0.087)	(-1.509)	(-4.53)
Age ²	0	0.002	-0.006***
	(-0.199)	-1.443	(-4.329)
Male	0.300***	0.424***	0.419***
	(8.280)	(13.403)	(9.954)
Urban	0.972***	0.793***	0.923***
	(24.767)	(22.119)	(18.084)
Constant	7.882**	11.091***	4.170***
	(2.244)	(6.141)	(4.708)
Observations	2,231	2,842	1,779
R ²	0.422	0.4	0.397
Adj. R ²	0.42	0.399	0.395

Notes Titles: t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

4.2.2 Parental Retirement, Parental Party Membership and Individual Income

Table 4–3 Descriptive Statistics of Parental Party Membership and Retirement

Variable	All	Parental CCP	Parental non-CCP	Parental retirement	Parental non-retirement
Ln Income	8.64 (1.10)	8.95 (1.15)	8.62 (1.09)	0.97 (0.32)	9.40 (0.90)
Cadre	0.91 (0.28)	0.78 (0.41)	0.91 (0.28)	0.87 (0.32)	0.92 (0.27)
Education	4.74 (2.57)	5.85 (3.25)	4.70 (2.53)	4.89 (2.74)	6.76 (2.91)
Age	39.48 (11.39)	41.43 (12.62)	39.41 (11.34)	42.94 (13.32)	37.06 (11.29)
Male	1.53 (0.49)	1.58 (0.49)	1.53 (0.49)	1.54 (0.49)	1.51 (0.50)
Parental Party Membership	0.03 (0.19)	1	0	0.07 (0.260)	0.13 (0.33)
Parental Education	3.41 (2.46)	6.14 (3.33)	3.30 (2.35)	4.87 (2.67)	3.20 (1.92)
Parental Age	34.17 (21.24)	44.36 (16.33)	33.75 (21.31)	33.65 (10.63)	62.00 (10.24)
Parental Retirement	0.82 (0.37)	0.74 (0.43)	0.83 (0.37)	1	0
Urban	0.57 (0.49)	0.73 (0.44)	0.57 (0.49)	0.67 (0.46)	0.94 (0.21)
Observations	8649	334	8315	2288	479

Notes: Standard deviation in parenthesis

Source: CGSS2006

Table 4-4 Descriptive Statistics of Father Party Membership and Retirement

Variable	All	Non-CCP Father's retirement	CCP Father's retirement	Non-CCP Father's Non-retirement	CCP Father's non-retirement
Ln Income	9.25 (0.86)	9.22 (0.87)	9.39 (0.82)	9.15 (0.93)	9.44 (1.15)
Cadre	0.92 (0.26)	0.92 (0.26)	0.78 (0.41)	0.94 (0.23)	0.84 (0.23)
Education	6.17 (2.47)	5.97 (2.34)	7.10 (2.86)	6.01 (2.70)	7.44 (3.15)
Age	40.44 (7.89)	40.45 (8.00)	40.35 (7.36)	29.99 (7.40)	30.56 (6.48)
Male	1.58 (0.49)	1.58 (0.49)	1.58 (0.49)	1.60 (0.49)	1.68 (0.47)
Parental Party Membership	0.02 (0.16)	0.01 (0.13)	0.07 (0.26)	0.02 (0.14)	0.05 (0.24)
Parental Education	4.26 (3.04)	4.21 (3.00)	4.47 (3.21)	2.36 (1.92)	2.17 (1.81)
Parental Age	19.88 (14.83)	19.95 (14.93)	19.57 (14.41)	18.47 (20.36)	16.52 (17.79)
Parental Retirement	0.14 (0.34)	0.13 (0.34)	0.17 (0.39)	0.18 (0.39)	0
Urban	0.94 (0.22)	0.94 (0.21)	0.93 (0.21)	0.86 (0.34)	0.88 (0.33)
Observations	865	613	128	102	22

Notes: Standard deviation in parenthesis

Source: CGSS2006

The key premise is to prove that parents' retirement influences their children income. That is, parents on-the-job or not have nothing to do with children's ability (in Figure 3-1 with above two boxes irrelevant). It needs to declare whether our parents from the

workplace to retirement reflect the parental ability to test this premise.

During the inspection I selected a sample of parents on-the-job and retirement (for details, see the measure results part), so it is basically considered that retirement is nothing but a manifestation of the age. On the other hand, if retirement is significant in the inspection, it means that retirement can affect children's income. Because the answer certainly is that the ability can cross generations. But in fact, according to our results, this does not appear to be the case. Consequently, it would not affect our conclusion.

In addition to the above model of the internal logic problems, there is an assumption to explain in this study: the interaction of party membership and retirement through role of the political relations. Are there any other patterns aside from the interaction of party membership and retirement that influence children's income? The answer is no. First of all, it is hard to imagine another possibility. Secondly, if there are other patterns, like the parental education and their party membership, its interaction with retirement would have a significant influence on their children income. Our measurement analysis did not get that result. This proved our conclusion.

In the Table 4-3 and Table 4-4 our core conclusions are connected undoubtedly to the relationship between parental party membership, retirement, children education and individual income. Although because of age, what we can find in the statistics is little. However, in all the samples from education, the average education

level of parental retirement is lower (34%) than non-retirement parents (2.47–2.81). And the income difference is 11% (0.86 to 0.97). If the parents are non-party membership, although the average education level of parental retirement is lower than non-retirement parents, the income of parents on the job is similar to the result of retirement. If the parents are party members, the average education level of parental non-retirement is higher than retired parents. At the same time, the individual income of on-the-job is a lot more than those who retired. Through these results, it is preliminarily presumed that the impact of parental party membership on children's income is related to their retirement. Next, I would gradually test the speculation with measurement analysis.

4.2.2.1 Parental Education、Parental Party Membership and Their Children's Income

We test the relationship between parental education level, parental party membership and children's income (see Table 4–5).

Table 4–5 shows that even if the parental education is controlled, parental party membership has a significant effect on children's income. However, the parental party membership and education may be the reflection of their ability. This ability may largely influence their children's income through the effect of children ability. When only the parental party membership and education are taken into the model, it has an explaining strength of 2%. The next issue is to try to explain how the parental party membership would influences

children's income (not children's ability).

Table 4–5 Parental Education, Parental Party Membership and Children Income

Variables	Model 1	Model 2
Parental Party Membership	0.128*	0.002
	(−1.857)	(−0.026)
Parental Education	0.070***	0.023***
	(−12.911)	(−4.86)
Education		0.125***
		(−22.856)
Party Membership		0.145***
		(−3.587)
Age		0.034***
		(−4.893)
Age ²		−0.001***
		(−5.994)
Male		0.401***
		(18.486)
Urban		0.862***
		(−35.029)
Constant	8.401***	7.652***
	(−379.567)	(−53.331)
Observations	6,974	6,335
R ²	0.027	0.412
Adj. R ²	0.026	0.412

Notes Titles: t-statistics in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

4.2.2.2 Parental Political Background (Party Membership and Parental Retirement) and Their Children's Income

Table 4–6 Parental Political Background and their Children's Income

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Parental Retirement	0.132	0.121	−0.057	−0.071	0.248
	(−1.566)	(−1.555)	(−0.573)	(−0.495)	(−1.1)
Parental Party Membership	0.037***	0.159***	0.162***	0.099***	0.199***
	(0.257)	(1.181)	(1.207)	(0.671)	(1.177)
Parental Party Membership*Parental Retirement	0.074***	0.206***	0.275***	0.318***	0.358***
	(−0.430)	(−1.296)	(−1.062)	(−0.613)	−0.527
Parental Age	0.008***	0.001	0.003	0.014**	0.020**
	(−3.604)	(−0.553)	(−0.666)	(−2.043)	(−2.143)
Education	0.175***	0.122***	0.153***	0.169***	0.162***
	(−18.032)	(−12.847)	(−9.288)	(−8.021)	(−6.056)
Party Membership	0.209***	0.131**	0.068	−0.044	−0.003
	(−2.941)	(−1.97)	(−0.495)	(−0.257)	(−0.015)
Age	0.001	0.021	−0.01	−0.041	−0.049
	−0.069	−1.62	(−0.314)	(−1.034)	(−0.933)
Age ²	0	−0.000*	0	0	0.001
	(−0.050)	(−1.824)	(−0.353)	(−1.024)	(−0.93)
Male		0.329***	0.372***	0.433***	0.626***
		(8.187)	(4.800)	(4.502)	(5.099)
Urban		0.798***	0.539***	0.697***	0.687***
		(−16.273)	(−3.706)	(−3.656)	(−2.935)
Constant	7.596***	7.775***	8.413***	8.216***	7.975***
	(−24.895)	(−26.827)	(−14.051)	(−9.988)	(−6.662)
Observations	1,812	1,812	453	310	212
R ²	0.289	0.393	0.308	0.345	0.355
Adj. R ²	0.286	0.39	0.293	0.323	0.323

Notes: Titles: t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

Table 4-6 reports the test results of party membership and parental retirement effect. Model 1 of Table 4-6 shows that the interactive virtual of parental party membership and parental retirement has a significant effect on individual income. After controlling gender and area variables in Model 2 of Table 4-6, parental party member variables and retirement have a significant effect on individual income and its value is larger than that of Model 1 of Table 4-6.

Model 3, Model 4 and Model 5 in Table 4-6 are tests results according to the age of parents and retirement. Model 3 represents parents who are over the age of 50, model 4, 55 years old and Model 5 represents parents whose age is more than 60. Although the elimination makes a significant decline, the interactive items can keep a quite significant level.

Through the transformation of different control variables, we can still find in the control variables that there are two important reasons that influence the significance of interaction between parental party membership and retirement. One is the children's education, and the other is the area (urban and rural). Similar to the front part of the explanation in the high income place, the effect of parents on-the-job or not on children's income is weak. And on the other hand, it is about the low income place where the effect of parents on-the-job or not on children's income is stronger.

To make the conclusion more robust I did other regressions. For example, if join the parental education as the control variables. It does not change the main results. I do not include in the interaction the party membership and on-the-job, and it is found that the

variable on-the-job itself is not significant. This suggests that for party membership or non parents, their retirement have different effects on children's income.

Table 4-7 Family Background and Income

Variables	Model1	Model2
Parental Retirement	0.709***	0.988***
	(-11.51)	(-8.846)
Parental Education	0.116	0.100***
	(-0.769)	(-11.536)
Parental Party Membership *Parental Retirement		0.104***
(Both parents are party membership)		(2.718)
Parental Party Membership *Parental Retirement 2		-0.033
(one parent is party membership)		(-1.145)
Constant	8.680***	8.209***
	(-344.169)	(-169.196)
Observations	2,171	2,169
R ²	0.068	0.121
Adj. R ²	0.067	0.120

Notes Titles: t-statistics in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

Model 2 in Table 4-7 shows the regression of all the samples. Parental education and retirement interaction is negative. That means that the education of parents on the job is more effective on children than the retirement of the parents. This result is opposite to the interaction of parental education and retirement. These results

show that as a measure of the ability education, the relationship between education and retirement has more significant effects on children's income than parental party membership. This excludes the possibility that parental ability and on-the-job affect the children's income, but not political relations.

In addition to the above regression, we also do some robustness inspection including parental party membership changing to father party membership, annual income changing to monthly income, control variables of the urban and rural changing to the provinces. This did not change our basic conclusion.

We can conclude that after control related factors, when the parents who are party members retire, their children's income would be reduced. Thus considerably, it proves that the parental political relations would affect children's income through the power rent-seeking.

4.2.3 Individual Party Membership vs. Family Political Background

Table 4-8 shows that neither parental party membership nor family background (interactive item of parental party membership and retirement) has a positive effect on individual income. However, compared to the individual party membership, the effect is not observable. So among the factors of influence on income, the individual item is more important than the family background.

Table 4–8 Comparison of Party Membership and Family Political

Variables	Model 1	Model 2
Party Membership	0.205***	
	(−5.227)	
Parental Party Membership* Parental Retirement		0.023***
(Both of Parents are Party Membership)		(−0.257)
Education	0.360***	0.377***
	(−7.812)	(−5.622)
Age	0.019*	0.011
	(−1.711)	(−0.828)
Age ²	−0.000***	−0.000**
	(−3.108)	(−2.048)
Male	0.473***	0.382***
	(17.913)	(9.105)
Urban	1.161***	1.073***
	(44.778)	(−23.44)
Constant	8.624***	8.871***
	(35.432)	(−33.068)
Observations	4,490	1,824
R ²	0.381	0.326
Adj. R ²	0.38	0.324

Background

Notes Titles: t–statistics in parentheses.

*** p<0.01, ** p<0.05, * p<0.1

Source: CGSS2006

Chapter 5. Conclusion

In this study we take the party membership and family political background as the main measure on effect factors on income. We test and compare the two factors' influence on individual income in order to test whether there are privileges in China party membership. This research shows that the party membership does influence the individual income and the party membership gives privileges. But there is a difference for different ages and urban or rural areas. However, as pointed out in this study, the party membership may also mean parental power rent-seeking. The existing empirical studies do not effectively combine them separately or confirm their existence.

This study used the CGSS2006 data. It tests the parental political relations (the family political background) through the parents' retirement and party membership influence on children's income. In the analysis, I first test the relationship between individual and parental party membership and the individual income. And the test results show party membership increases the individual income as well as the cadre status. Party membership is very important to the people who worked before 1978, but for the people working after 1978 this importance was reduced. This result is more fair to those who are just employed such as college students. More fair competitive environment is good for social development and the CCP's reform of itself.

Second, the interaction of parental party membership and their

on-the-job item have a significant influence on children's income. This confirms that the party member parental retirement effect exists, namely the existence of political relations to a considerable degree. I also find that the relationship between education and retirement has more significant effects on children's income than parental party membership. The effect of family background on politics is the focus of many discussions. This study discusses the existence on the individual level, and at the same time this study also provides a possible explanation for the slow flow between generations. That is, parents increase the next generation income through the political power rent-seeking. the importance of family political background is less than that of individual party membership. And then the most gratifying result is that the economic influence of the parental political relations has reduced.

The reduced role of those factors may work in favor of social justice. It is necessary to reduce the operating scope of family political background, as well as narrow the gap of income and the party membership privileges for the improvement of Chinese political and employment system. The privileges of party membership have political, economic and social implications. If the returns of party membership reduce gradually, it means that the privilege problem in China has been improved. It tends to be more fair and progressive in Chinese society.

Of course, the proof is preliminary and limited. In that, there is other possibility. For example, we do not test the cumulative effect over time which is the utility of the party membership would rise as age increases and use the different years data. Although we find

that the influence of party membership decreased along with the market transition after 1978. This could not prove that the privileges of party membership are reducing following the economic reform. It only proves that for the younger groups who obtain employment, the influence of party membership is lower than the older groups. Because we do not have enough time panel data to test it and it is difficult to obtain more specific information about power with regression, some cases the ideal significance is insufficient. These are some flows in this study. At the same time, we should carefully study what is the variation trend and mechanism for the future and whether the trend would reverse.

The political power of an open and fair competition for a national long-term political development and the development of democracy is very important. This study results show that in the present China certain privileges of party membership exist. The parental political power affect on children's income. We need further reform to face and solve such a problem. But we also see good changes. The influence of family political background has reduced. On the contrary, individual party membership is more important. This may help political equality and social fairness in some extent. For this reason it is a significant point of view the fact of using the micro data to study party membership privileges and characteristics of Chinese political environment. Because of this kind of research we can glimpse into the interaction between political and economic variables and the changes in Chinese political environment process.

Appendices

Appendix 1 Correlation between Variables Used in Individual Pattern

	Ln Income	PM	Age	Age ²	Education	Cadre	Urban	Gender
Ln Income	1,0000							
Party Membership	0,1434	1,0000						
Age	-0,1574	0,1447	1,0000					
Age ²	-0,1599	0,1469	0,9904	1,0000				
Education	0,5186	0,2168	-0,2930	-0,2870	1,0000			
Cadre	-0,1434	-1,0000	-0,1447	-0,1469	-0,2168	1,0000		
Urban	0,5375	0,0545	-0,0625	-0,0551	0,4712	-0,0545	1,0000	
Gender	-0,1943	-0,1610	-0,0274	-0,0289	-0,0903	0,1610	0,0225	1,0000

Appendix 2 Correlation between Variables Used in Family Pattern

	Ln Income	Parental Party Membership	Parental Age	Parental Education	Father's Party Membership	Mother's Party Membership	Both of Parental Party Membership
Ln Income	1,0000						
Parental Party Membership	0,0275	1,0000					
Parental Age	-0,0815	0,1501	1,0000				
Parental Education	0,1995	0,2056	0,0599	1,0000			
Father's Party Membership	0,1465	0,0753	-0,0516	0,1007	1,0000		
Mother's Party Membership	0,0900	0,0185	-0,0377	0,0415	0,3090	1,0000	
Both of Parental Party Membership	0,1537	0,0690	-0,0563	0,0983	0,9388	0,6176	1,0000

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