MATERIAL REWARDS TO MULTIPLE CAPITALS
UNDER MARKET-SOCIALISM IN CHINA

Deborah Davis, Bian Yan-jie and Wang Shaoguang

ABSTRACT

Using data from a yearlong interview project with 400 couples in four Chinese
cities, this essay evaluates the material rewards of multiple capitals in an increas-
ingly marketized but still Communist political-economy. Overall we find that when
controlling for financial and human capital, social capital operationalized as exten-
sive social networks, political capital operationalized by positions of political author-
ity rather than Communist party membership, and public sector employment
independently improve a household’s material standard of living. Thus in contrast
to previous work that focused on variation in individual wages or self-reported
income, we document a reward structure of multiple capitals where public sector
employment and social network resources provide material advantages beyond those
generated by human capital or higher incomes. We also find significant inter-city
variation that demonstrates the inadequacy of treating contemporary China as a
single opportunity structure.

INTRODUCTION

The return of capitalist institutions and the re-legitimation of private
entrepreneurship in Eastern Europe and China during the 1980s
fundamentally altered the reward structure in these previously social-
ist-redistributive economies. During the socialist era standardized
wage schedules had compressed income differentials and subsidized
housing and social services muted differentials in standard of living
(Whyte and Parish 1984). Professionals and managers earned higher
wages than blue-collar employees, but because many essential goods

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and services were redistributed through the workplace, the administrative rank of the employer often determined standards of living as directly as individual wages (Walder 1986, 1992; Logan and Bian 1993; Bian 1994). In addition, the politicized reward structure and the political monopoly of the Communist party gave party officials and even rank and file party members advantages independent of their income and workplace resources (Walder 1995; Oberschall 1996; Burawoy 1997; Lee 1999; Davis 2000a; Walder, Li, and Treiman 2000; Bian, Shu, and Logan 2001).

During the first decade of market reforms in Eastern Europe and China, some scholars hypothesized that greater reliance on markets would eliminate the positive return on political capital and even reduce income inequality between manual workers and political cadres (Szelényi 1988; Nee 1989). These “early optimists” assumed that the demise of state planning and the growth of markets would both spur economic growth and eliminate the financial advantages of membership in the Communist party or managerial posts in government offices and party agencies. Subsequent analysis, however, refuted such optimistic predictions and documented that under market reform income inequality steadily increased and, more surprisingly, that the “newly capitalist” economies rewarded past and current political positions independent of an individual’s education or seniority (Rona-Tas 1994; Wang and So 1994; Bian and Logan 1996; Parish and Michelson 1996; Xie and Hannum 1996; Silverman and Yanowitch 1997; Cook 1998; Gerber and Hout 1998; Khan and Riskin 1998; Maurer-Fazio, Rawski, and Zhang 1999; Zhou 2000).

There are several explanations for the persistent financial returns to political positions and Communist party membership even as the reward structures became more monetized and marketized. For example, some researchers found that political capital whether realized in current political positions or in dense social networks among previous members of the nomenclature systematically advantaged current and former Communist cadres because officials controlled the process of marketization to the personal benefit of themselves and their families. In short, marketization allowed former officials to convert one form of capital into another (Hankiss 1990; Staniszkis 1991; Róna-Tas 1994; Mateju and Lim 1995; Parish and Michelson 1996; Szelényi and Kostello 1996; Walder 1996).

Recently, Eyal, Szelényi, and Townley (1998) have argued that the key is continuity of reward structure. Based primarily on the
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experience of Hungary, they hypothesize that former nomenclatura in Eastern Europe reaped disproportionate financial gain after the demise of state socialism because both Communist bureaucracies and capitalist markets reward technical and cultural knowledge. Thus Eyal, Szelenyi, and Townley are neither surprised by the continuity between socialist and post-socialist reward structures nor willing to attribute the continuity primarily to corruption or asset stripping. However, in the case of urban China, where the Communist party still maintains an effective political monopoly even as it sanctions wide ranging de-collectivization and privatization of the economy, the key questions are less about conversion of different capitals in different political regimes and more about estimating the relative importance of current political capital independent of the gains derived from such non-political capitals as advanced education, financial assets, or extensive social networks. For example, do those who hold official positions and can therefore draw on institutionalized political capital enjoy any distinctive material advantages over those without political authority? Is it the case that increased commodification and privatization of the means of production have created an urban society where individuals and households without political position can rely on their non-political capitals to enjoy all the material success of the Chinese market-socialism? Is it possible, for example, that social capital accumulated through networks of personal connections or expert knowledge provides an alternative to political position? In this essay, using measures of household income, consumption scale, and size of home, we demonstrate that in the Chinese market-socialist economy of the late 1990s there is no single story about market rewards for human capital, or for any other single asset. Rather what we find is that the best way to specify the underlying dynamics of the system is through a model of multiple capitals that explicitly and simultaneously compares the relative impact of financial, human, social, and political capitals and measures of both self-reported income and material standard of living to calibrate the rewards of the new political-economy.

MULTIPLE CAPITALS AS AN ANALYTIC FRAMEWORK

Bourdieu’s analytic framework of multiple capitals builds on the assumption that the social structure of an advanced capitalist society
is not simply a hierarchy determined by income and property ownership. Rather, it is a muddy “social space” in which multiple forms of capital define hierarchically and horizontally distinctive class positions. Although any asset, resource, or good that society values could be a capital (Bourdieu 1985), Bourdieu (1984: Figures 5 and 14) gives particular emphasis to the ways in which unequal distribution of cultural capital creates class specific consumption patterns and family habitus. In our analysis of urban China, we work within this paradigm by assuming that distinctive patterns of consumption identify socially recognized positions of advantage (or disadvantage) and that non-monetary capitals have an independent effect, but we do not privilege cultural capital. Furthermore, in contrast to Bourdieu who theorized within the experiences of an urban, democratic capitalist economy, we work within the context of a low income, still Communist society. Thus while Bourdieu’s work on multiple capitals provides one analytic point of reference, we simultaneously draw from sociologists who deal more explicitly with political capital and variation at the level of macro-economic structures.²

One key referent is sociologist David Grusky who in his theory of multiple capitals generalizable to all forms of human society includes political capital as a basic building block of stratification systems across human history (2000:3–9). For Grusky each stratification system values assets differentially and each therefore can be defined by its principal form(s) of capital. Feudalism privileges economic capitals of land and labor, caste systems value honorific and cultural capitals of ethnic and religious purity, early industrial capitalist societies value ownership of productive properties, and advanced industrialism disproportionately rewards human capital of education and expertise. By contrast stratification in state socialist systems is grounded in possession of political capital in forms of party and workplace authority. For Grusky, therefore, political capital, even when it is not the defining capital, is always a potential source of differentiation and advantage. The empirical questions therefore are not whether or not political capital is relevant, but rather how a society defines political capital and to what extent political capital—alone or bun-

² In Distinction, Bourdieu does devote one chapter to “political space” (1984: 397–465). However he restricts his discussion to an individual’s sense of political efficacy as expressed in patterns of response and non-responses to public opinion polls. In short, political capital is essentially reduced to another form of cultural capital.
dled with other capitals—shapes the distribution of societal rewards.

To date, whether one builds on Bourdieu or Grusky, the impact of political capital has generally been assessed in comparison to economic and human capitals. Nevertheless, despite Grusky’s identification of social capital as one of the distinct bundles, there has been almost no sustained comparison between the independent impact of social and political capitals. Yet in the case of contemporary urban China, this comparison is essential if we are to understand the dynamics by which individuals mobilize assets embedded in networks as well as those that flow from high incomes, superior education, or positions of authority.

Our emphasis on social and political capitals is also grounded in the specific circumstances of China’s experiment with market-socialism where both official and unofficial rules of the game have been in constant flux for almost twenty years. To prosper in such an uncertain environment, residents must cultivate and maintain large, diverse, and resourceful networks not only strive to increase their income. For network theorists, essential resources and opportunities are embedded in the networks of social relations and can be obtained through diverse networks of strong and weak ties (Granovetter 1973, 1985; Lin 1982), through “structural holes” of sparse networks (Burt 1992), or in the Chinese context through guanxi networks of intimate and reciprocal connections (Fei 1949/1992; Fried 1953/1969; King 1985; Yang 1994; Bian 1997). Recently Lin (2001) has put social networks in the center of a theory of social capital, arguing that social capitalization is a process of network accessibility and mobilization of resources for instrumental and expressive gains. We argue that such a process is of particular significance when a society is experiencing rapid structural and cultural changes and when bureaucratic politics and market institutions interplay in a co-evolutionary manner (see also Bian and Logan 1996; Parish and Michelson 1996; Zhou 2000). To get ahead in such a society, one must cultivate and maintain large, diverse personal networks to compensate for the normative and structural uncertainty and to gain access to goods and services that are not fully commoditized. Therefore, we contend that any explanatory model that seeks to capture the multi-dimensional processes of stratification in contemporary urban China must incorporate measures of both social networks and political capital (see Lin [1999] for a review on stratification research from a network perspective in western countries).
We now turn to analysis of data from a yearlong interview project with 400 urban couples conducted in four Chinese cities in 1998. We begin by describing the distribution of multiple capitals among the households and then estimate a series of regression models about the impacts of occupation, political authority, education, experience, and social capital embedded in social connections and mobilized resources.

The couples in our study resided in four of China’s largest metropolitan areas: Shanghai, Shenzhen, Tianjin, and Wuhan. Because of our interest in distinguishing the impact of political, human and social capitals among the managerial strata who no longer needed to work within the nomenclature, we drew a sample that over-represented households headed by managers and professionals. In each city the initial sample of 100 households included 20 households headed by officials above section level in government or party agencies, 20 households headed by managers above section chief, 20 households headed by professionals, 20 households headed by industrial or service workers, and 20 households of migrant labor from rural and other urban areas. In four neighborhoods of each city, the households were chosen by random selection from household registries that listed the occupation of the household head. Each household was visited four times at approximately 3-month intervals between January 1998 and January 1999 and both spouses were interviewed separately about their social activities and purchases for their family and home. In addition to these home interviews, each husband and wife was asked to complete two daily logs of social interactions: the first during the spring festival (Chinese New Year) of 1998 and the second in May 1998. It was from the first log that we created our measures of social network capital at the household level.

The goal of this intensive and extensive series of household interviews was not to create a representative sample of all urban households, but rather to collect a detailed portrait of how households headed by different segments of the managerial elite defined their life style in distinction to each other and in comparison to their blue-collar neighbors and the self-employed. To capture some of the regional variation of contemporary China, we selected two cities which by 1998 had leapt ahead in terms of income and living standards—Shenzhen, a special economic developmental zone adjacent to Hong Kong and Shanghai at the mouth of the Yangtze river—
and two that were closer to the national average—Tianjin in North China and Wuhan in the Central-south.³

Because the household registries used to draw the sample did not always provide an accurate listing of current employment and because the rapid growth of the non-state sector over the decade of the 1990s created higher levels of job mobility than household registries could capture, we relied on respondents’ descriptions of their 1998 job to reassign respondents to occupational categories. The results are 8 categories that correspond more accurately to coherent job conditions than the titles in the household registers (see Table 1).

| Service (N=44) | 11% (7%) | Service (N=59) | 16% (12%) |
| Production (N=68) | 17% (9%) | Production (N=67) | 18% (14%) |
| Small business owners/ Self-employed (N=38) | 10% (100%) | Small business owners/ Self-employed (N=34) | 9% (100%) |
| Large business owners (N=7) | 2% (100%) | Large business owners (N=4) | 1% (100%) |
| Adm. Staff (N=37) | 10% (3%) | Adm. Staff (N=65) | 17% (5%) |
| Professionals (N=88) | 23% (2%) | Professionals (N=111) | 30% (5%) |
| Enterprise Managers (N=69) | 18% (19%) | Enterprise Managers (N=24) | 6.5% (17%) |
| Government/party Officials (N=34) | 9% (0%) | Government/party Officials (N=8) | 2% (0%) |

Service jobs: occupants of these jobs were unskilled or semi-skilled employees who provided a direct service such as retail clerks, repairman, cooks, janitors, and drivers.

Production jobs: occupants of these jobs were blue collar manual laborers who worked in production.

Small business owners/Self-employed: occupants of these jobs were self-employed service or production workers who did not employ others, and some were owners of household business who had few capital assets and also hired less than eight employees. In most Chinese surveys they are described as getihu.

Large business owners: occupants of these jobs were owners of substantial capital assets, ran private businesses, and hired more than eight workers as wage labor.

Administrative staff: occupants of these jobs were office staff and others who performed routine white collar tasks.

Professionals: occupants of these jobs had specialized secondary or post-secondary jobs and performed non-routine white collar jobs but did not have supervisory positions above section chief.

Enterprise Managers: occupants of these jobs held supervisory positions above section chief in an industrial or profit making enterprise.

Government or Party Officials: occupants of these jobs held supervisory positions above section chief in government or party agencies.

³ In 1998, per capita GDP in Shenzhen was 33,282 yuan, in Shanghai 28,240. By contrast in Tianjin it was 14,808 and Wuhan 13,957.
In line with the initial research design to focus on households headed by managers, professionals, and officials, male respondents were concentrated (49.5%) in managerial and professional positions; female respondents (all of whom were wives of male subjects) were well represented among professionals (30%) but less likely than men to be managers or officials (8.5%). However husbands and wives were equally as likely to be manual employees or to be small business owners/self-employed, and we therefore have substantial and coherent clusters of professional-managerial and working class households and a smaller cluster of small business owner/self-employed families. We examine several indicators of living standard that allow us to assess the relative return on various bundles of capitals. We look first at income and then at a range of consumer items that by 1998 were sold widely throughout urban China but still represented an above average standard of living.\(^4\) Our third indicator is the size of the family residence as measured in square meters of usable space.

**Key Variables and Measures**

1. *Income* was measured four times in our yearlong project and each time we exercised a different measurement device in order to gain comparative validation and learn about over-time reliability in income reporting. In this analysis of multiple capitals we use the log of household income reported for 1997 as our sole measure of family income; other measures from our study are about incomes of household members.\(^5\)

\(^4\) Through 1999, less than half of urban households owned each of the seven items that constituted our scale of consumption: 45% owned a hot water heater, 24% an air conditioner, 22% a VCR, 7% a phone, and 6% a personal computer. So few families owned a car or microwave that national surveys did not include them. Statistical Yearbook of China 2000, p. 318.

\(^5\) Fifty-six households failed to report total household 1997 yearly income. However, because we had reports of family members’ individual income through several interviews, we were able to estimate a household income value for each of these “missing” cases and merge these predicted values into the household income variable. Our estimation formula is:Predicted household income = 1115.418 + 0.670 * (husband income) + 0.448 * (wife income) + 14806.731 * (husband as manager) + 4.318 * (husband age square) – 5392.524 * (husband work in government) + 12993.115 * (Shanghai city) + 17298.744 * (Shenzhen city). Run on 354 households with valid information on household income and predictor variables, this equation resulted in an adjusted $R^2$ of 75.4%.
2. Household consumption is measured by a scale that indicates ownership or use of seven consumer items that prior to economic reform were rarely available for purchase and therefore indicated an elite life style. By 1998 all these items could be purchased in the four cities but were expensive and owned by only a minority. The seven items used to create the scale were ownership or personal use of home phone, car or taxi to work, home air-conditioner, home hot water heater, home VCR, home microwave, and home computer.

3. Size of home is the total space, measured in square meters, of the homes of households in our study.

4. Occupational class is, as described above, our chief sampling criterion and also a primary independent variable. Of the eight class categories we constructed from our data, government/party official is used as the reference category in all multivariate analyses that follow. Because 100% of our officials were party members, it is appropriate to consider position as a government or party administrator/manager to be a proxy for cadre status.

5. Human capital is defined as completion of polytechnic or university degree. Although we collected much more elaborated data on education, this dichotomous variable gives us the explanatory rigor and simplicity needed in our analysis. When used as a household variable it ranges from 2 when both spouses are graduates to 0 when neither is a graduate. For the individual model it is a dichotomized variable where 1=graduate and 0=otherwise.

6. Political capital is measured by (1) membership in the Communist party and (2) current tenure and managerial/administrative post in a government or party agency. While positions of party and government authority are occupied by those with a long tenure in the Communist party, a large proportion of party members are never promoted into such positions and these ordinary party members’ political capital is simply the influence and connection that are rendered by their affiliation with the Communist party.

7. Social capital is an index constructed using the network measurement device of “position generator.” In original form, Lin (1999;
Lin and Dumin (1986) relied on inventories of occupational positions in which individuals had kin or social contacts as a proxy for social resources they could subsequently access and mobilize in society. For urban China, we make two modifications in Lin’s original position generator index. First, to capture the dual character of resource allocations in the increasingly marketized urban economy, we weighed both ownership-type (state, collective, or private) and occupational diversity and prestige. Second, we restricted the time frame to one period of particular cultural significance by asking respondents to name occupations only of those with whom they had contact during the Spring Festival of 1998.

Specifically, respondents were asked to keep a log of all people (relatives, friends, other contacts) who came to greet them or telephoned to greet them on each of the first five days of the Spring Festival. They then were asked to note whether any of these greeters came from a list of 20 occupations and 12 workplace sectors. Separately, these occupations and workplace sectors are ranked according to their prestige scores obtained from averaging respondents’ ratings of each of these positions. Thus, households vary in the occupational composition and workplace-sector composition of their greeters in terms of (1) number of occupations which their greeters are from and (2) total prestige scores of these occupations, and (3) number of workplace sectors in which their greeters work and (4) total prestige scores of these workplace sectors. Through a factor analysis, these four variables were used to construct an index (a factor score) that denotes the volume of occupational and workplace-sector resources each household may access and mobilize through their Spring Festival greeters. While detailed procedures used to calculate this social capital index are available elsewhere (Bian and Li 2000), in this study

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7 The 20 occupations are: scientists, legal workers, sales and marketing managers, administrative clerks, cooks, physicians, nurses, drivers, accountants, police officers, engineers, elementary school teachers, middle school teachers, college and university teachers, industrial workers, government officials, party and mass-organization leaders, enterprise and public organization leaders, waiters and waitresses, and domestic workers. The 12 workplace sectors are: government agencies, state enterprises, state nonprofit organizations, collective enterprises, collective nonprofit organizations, household businesses, private companies, foreign firms, international joint ventures, share holding companies, domestic joint ventures, and private nonprofit organizations. See a detailed analysis of these position generators in Bian, Breiger, Davis, and Galaskiewicz (2005).
we use this index as a measure of social capital of the household on the assumption that all members of the household benefit from having access to a wide range of contacts with potential of providing varying resources. Conversely we assume that households where visits and exchanges were with people from only a small subset of occupations or whose contacts were concentrated in low prestige occupations or sectors would be less able to access or mobilize as large networks of social capital.

**Inequalities by Occupational Class**

Table 2 describes mean values of household distributions on the three dependent variables—household income, consumption scale, and house size—and key independent variables by the husband’s occupation. We have carried out the same analyses by using the wife’s occupation as the grouping criterion (not shown), but because the lower age of mandatory retirement for women and less variation among occupations of wives, we use husband’s occupation to identify the occupational class background of each household. In terms of yearly household income, families headed by managers stood at the top of the income ladder with average incomes of 64,800 yuan. With average incomes of 39,600, households headed by government and party officials stood far below managers and rather close to professionals and managers. Moreover, the absolute income advantage in mean income between managers and officials is twice as large as the difference between officials and lowest paid production workers (Table 2, line 1). Thus when viewed simply from the perspective of reported income, it appears that holding supervisory positions in government or party agencies provided no financial advantage over the incumbents of professional or managerial positions in the urban economy of the late nineties.

However, when we compare ownership of a range of luxury goods (Table 2, line 3), households headed by government and party officials emerge as equally privileged as the higher income managers and more comfortable than the wealthier business owners. When one compares size of home (Table 2, line 4) officials greatly surpass managers and are second only to the larger business owners.
Table 2. Distribution of Household and Individual Capitals by Husband’s Occupation

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sample Statistics worker</th>
<th>Service worker</th>
<th>Production worker</th>
<th>Small business owner/ Self-employed</th>
<th>Large business owner</th>
<th>Admin staff</th>
<th>Professional Manager</th>
<th>Government/ party official</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Households</td>
<td>N</td>
<td>44</td>
<td>68</td>
<td>38</td>
<td>7</td>
<td>37</td>
<td>88</td>
<td>69</td>
</tr>
<tr>
<td>Household 1997</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yearly Income (in 1000 yuan)</td>
<td>Mean</td>
<td>27.1</td>
<td>27.0</td>
<td>23.7</td>
<td>52.8</td>
<td>31.3</td>
<td>35.6</td>
<td>64.8</td>
</tr>
<tr>
<td>% Households in City’s Income Top Quartile (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumption Scale (0–7) (b)</td>
<td>Mean</td>
<td>3.15</td>
<td>3.10</td>
<td>2.21</td>
<td>4.57</td>
<td>4.05</td>
<td>4.32</td>
<td>4.79</td>
</tr>
<tr>
<td>Home Size in Squared Meter</td>
<td>Mean</td>
<td>34.9</td>
<td>36.7</td>
<td>30.8</td>
<td>73.4</td>
<td>50.4</td>
<td>49.3</td>
<td>48.1</td>
</tr>
<tr>
<td>% Households in City’s Home Size Top Quartile (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Husband’s Age</td>
<td>Mean</td>
<td>42.0</td>
<td>42.8</td>
<td>31.3</td>
<td>41.0</td>
<td>42.1</td>
<td>47.4</td>
<td>45.2</td>
</tr>
<tr>
<td>% Husbands with College Diploma</td>
<td>%</td>
<td>11%</td>
<td>9%</td>
<td>3%</td>
<td>14%</td>
<td>57%</td>
<td>77%</td>
<td>61%</td>
</tr>
<tr>
<td>% Husbands with Party Membership</td>
<td>%</td>
<td>20%</td>
<td>19%</td>
<td>8%</td>
<td>0%</td>
<td>43%</td>
<td>34%</td>
<td>62%</td>
</tr>
<tr>
<td>% Husbands Work in Private Sector</td>
<td>%</td>
<td>7%</td>
<td>9%</td>
<td>100%</td>
<td>100%</td>
<td>3%</td>
<td>2%</td>
<td>19%</td>
</tr>
<tr>
<td>Household’s Social Capital Volume (c)</td>
<td>Mean</td>
<td>23.6</td>
<td>21.9</td>
<td>16.8</td>
<td>35.1</td>
<td>27.5</td>
<td>30.5</td>
<td>35.3</td>
</tr>
<tr>
<td>Household Size</td>
<td>Mean</td>
<td>3.3</td>
<td>3.1</td>
<td>3.7</td>
<td>3.7</td>
<td>3.4</td>
<td>3.4</td>
<td>3.5</td>
</tr>
</tbody>
</table>

(a) Incomes compared among households in the same city.
(b) Ownership or use of any of these seven items gave one point on the scale: phone, car or taxi to work, home air-conditioner, home hot water heater, home VCR, home microwave, home computer.
(c) An adjusted factor score whose values range from 1 to 100.

**Income Inequality: A Multivariate Analysis**

Results from multiple regressions, as shown in Table 3, further refine the story about income inequality and specify the relative contributions of different assets in determining yearly income of households and husbands. Log-transformed income allows for assessing relative inequality between occupations and Model 1 shows, after controlling for city differences, households headed by small artisan business
owners (getihu), service or production workers have significantly lower incomes than for those headed by government officials. In relative terms, these households’ yearly income is about 59% to 56% ($e^{-0.528}$ to $e^{-0.575}$) lower than for households headed by government officials. City differences in household income are great as well: while Shenzhen’s household income is 28% ($e^{0.250}$) higher than Shanghai’s, households in Tianjin’s and Wuhan’s are only 44% ($e^{-0.827}$ and $e^{-0.823}$ respectively) of Shanghai’s. On the whole, income varies significantly among different occupations, and enormously among the four cities.

### Table 3. Unstandardized Coefficients Estimated from OLS Regression for Log-Transformed Household’s, Husband’s, and Wife’s Yearly Incomes

<table>
<thead>
<tr>
<th>Predictor Variables</th>
<th>(Ln) Household Yearly Income</th>
<th>(Ln) Household Yearly Income</th>
<th>(Ln) Husband Yearly Income</th>
<th>(Ln) Wife Yearly Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>City dummy</strong> (Shanghai omitted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tianjin</td>
<td>$-0.827^{***}$</td>
<td>$-0.808^{***}$</td>
<td>$-0.716^{***}$</td>
<td>$-0.472^{***}$</td>
</tr>
<tr>
<td>Wuhan</td>
<td>$-0.828^{***}$</td>
<td>$-0.813^{***}$</td>
<td>$-0.917^{***}$</td>
<td>$-0.783^{***}$</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>$0.250^{**}$</td>
<td>$0.212^{*}$</td>
<td>$0.201$</td>
<td>$0.327^{**}$</td>
</tr>
<tr>
<td><strong>Husband/wife’s occupation</strong> (government official omitted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large business owner</td>
<td>$0.132$</td>
<td>$0.026$</td>
<td>$-0.387$</td>
<td>$0.207$</td>
</tr>
<tr>
<td>Small business owner</td>
<td>$-0.528^{***}$</td>
<td>$-0.592^{**}$</td>
<td>$-0.496$</td>
<td>$-0.305$</td>
</tr>
<tr>
<td>Enterprise manager</td>
<td>$0.214^{!}$</td>
<td>$0.255^{*}$</td>
<td>$0.195$</td>
<td>$0.232$</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>$-0.242^{!}$</td>
<td>$-0.086$</td>
<td>$-0.123$</td>
<td>$-0.286$</td>
</tr>
<tr>
<td>Professional</td>
<td>$-0.178$</td>
<td>$-0.151$</td>
<td>$-0.106$</td>
<td>$-0.138$</td>
</tr>
<tr>
<td>Service worker</td>
<td>$-0.575^{***}$</td>
<td>$-0.303^{*}$</td>
<td>$-0.516^{**}$</td>
<td>$-0.583^{!}$</td>
</tr>
<tr>
<td>Production worker</td>
<td>$-0.555^{***}$</td>
<td>$-0.308^{*}$</td>
<td>$-0.351$</td>
<td>$-0.498^{!}$</td>
</tr>
<tr>
<td><strong>Husband/wife’s characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>$0.013$</td>
<td>$0.018$</td>
<td>$0.010$</td>
<td></td>
</tr>
<tr>
<td>Age squared</td>
<td>$0.000$</td>
<td>$0.000$</td>
<td>$0.000$</td>
<td></td>
</tr>
<tr>
<td>College diploma ($=1$)</td>
<td>$0.272^{***}$</td>
<td>$0.199^{*}$</td>
<td>$0.420^{***}$</td>
<td></td>
</tr>
<tr>
<td>Party membership ($=1$)</td>
<td>$-0.043$</td>
<td>$-0.143$</td>
<td>$-0.093$</td>
<td></td>
</tr>
<tr>
<td>Work in private sector ($=1$)</td>
<td>$0.373^{**}$</td>
<td>$0.340^{*}$</td>
<td>$0.029$</td>
<td></td>
</tr>
<tr>
<td><strong>Household’s characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social capital volume</td>
<td>$-0.001$</td>
<td>$0.004$</td>
<td>$0.004$</td>
<td></td>
</tr>
<tr>
<td>Family size</td>
<td>$0.052$</td>
<td>$0.015$</td>
<td>$-0.028$</td>
<td></td>
</tr>
<tr>
<td><strong>Constant</strong></td>
<td>$10.791^{***}$</td>
<td>$9.782^{***}$</td>
<td>$10.222^{***}$</td>
<td>$9.875^{***}$</td>
</tr>
<tr>
<td>Adjusted R square</td>
<td>$0.483$</td>
<td>$0.519$</td>
<td>$0.380$</td>
<td>$0.354$</td>
</tr>
<tr>
<td>Number of cases</td>
<td>376</td>
<td>376</td>
<td>376</td>
<td>342</td>
</tr>
</tbody>
</table>

* $p<.10$ ** $p<.05$ *** $p<.01$ **** $p<.001$ for two-tailed tests.

For models 1–3, husband’s occupation and characteristics are used as predictors. For model 4, wife’s occupation and characteristics are used as predictors.
After incorporating additional variables that capture the contribution of individual resources of the husband’s occupation, city differences remain significant. Equally important, however, the full model confirms that political capital, whether measured by party membership or by employment as an official, generates no significant income advantage for households headed by white-collar husbands. Rather, the highest incomes are reported by the households headed by enterprise managers. That is, regardless if the men work in the state or private sector, enterprise managers enjoy annual incomes 29% (\(e^{.29} \)) higher than those of officials. But it is also true that once we check for occupation, the households headed by a college-educated husband in the private sector are the most financially advantaged. Specifically, a husband’s college education raises household income 31% (\(e^{.31} \)) higher than if the husband does not have a college education, and when the husband also works in the private sector, his household income will have an additional increase by 45% (\(e^{.45} \)) than if the husband does not hold a private job. Thus in line with previous work on income inequality in post-reform urban China, we find that when all else is equal, households headed by officials (the omitted reference group) do not have significantly higher incomes than those headed by large business owners, professionals, or administrative staff, but that they do have significantly higher incomes than those headed by artisan business owners or manual workers in manufacturing or service jobs. Thus overall the key cleavage in household incomes is between white-collar and blue-collar jobs. In terms of the impact of social network resources, we found that, contrary to our initial expectations, social capital conferred no direct income advantage.8

In contrast to most previous analyses of income inequality in urban China, we focus on the income of the household rather than the

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8 Moreover, when we tested for the conditionality of social capital as argued by others (see Portes 1998; Lin 2001), we also found no significant result. That is, when we added to Model 2 of Table 3 both two-way and three-way interaction terms involving social capital, party membership, and college education, no interaction term is significant. However, one noteworthy finding from this analysis is that most interaction terms are positive, but unfortunately the small coefficients cannot overcome the large standard errors resulting from our relatively small sample size. What this preponderance of positive signs suggests is that social capital effect, if any, might be higher for those households headed by husbands with a college diploma or a party membership, than for those households headed by husbands without either of these human and political capitals.
individual because we assume that households are the critical unit of consumption and that it is in the family habitus that individuals sustain their identities and social status. We also assume, as has been elaborated in the earlier discussion of the position generator index, that the household is central in the acquisition and activation of social capital. However to put our work in direct dialogue with previous studies that analyzed individual income, we also present estimates for husbands’ individual incomes although the adjusted R square for the household model is higher than that for husband’s models (see Table 3). Overall the husband model confirms the patterns as revealed in the full household model, although in accord with the rank order in table 2 income differentials are not statistically significant between government officials and most other occupational groups. All else being equal, male service workers are the only group that earns significantly less than government officials. In the wife model, there is no significant income variation by occupation. Rather the key to higher earnings for women is a college education: all else being equal, a college-educated woman will earn a 52% ($e^{0.420}$) higher income than her female counterpart without a college diploma.

**Inequalities of Consumption and Residential Space**

In multivariate analysis of income we followed the usual convention to rely on self-reported income as the primary index for assessing inequalities and advantage. And like others, we found that political capital offered no consistent advantage. However in the case of urban China, exclusive reliance on self-reported income is a problematic metric not only because many respondents are reluctant to divulge their total incomes to an interviewer, but in China after 1949 access to many goods and services varied by occupational rank of the employee or the administrative rank of the employer (Walder 1992; Bian 1994). Thus in order to capture accurately the variation in

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9 Nee and Cao (1999) identify 15 studies published between 1988 and 1999 on China and Eastern Europe, all but one—Szelenyi's 1988 article, use income as the primary dependent variable and party membership and education as the primary independent variables.

10 Other sociologists, most notably Zhou, Tuma, and Moen (1997) have questioned the validity of using income differences alone to assess the degree and dynamic
living standards—and by extension the class habitus of different occupational segments of urban society—we turn from analysis of income to access to consumer items and living space. By focusing on consumption and the size of the home rather than self-reported income we gain in two dimensions. First, respondents rarely under-report their use or ownership of these goods and services and, second, all these items can be purchased on the market and thus are reliable indicators of purchasing power and advantage in a consumer society.

Building on the results of the multivariate analysis of income, we examine first whether managers and officials enjoy advantages over blue collar and service employees and second, the degree to which political and social capitals provide advantages independent of income effects. To the extent that income determines consumption and size of home, we conclude that economic capital defines life styles. To the extent that non-income factors are significant, we find support for the argument that political and social capitals create material advantages independent of income.

**Determinants of Household Consumption Levels**

In Model 1 of Table 4 we estimate the impact of city and occupation, and as in our analysis of income, we find that when we control for occupation of the husband, Shenzhen residents no longer enjoy a significant advantage over Shanghai residents (our omitted group) but Shanghai households continue to enjoy a higher standard than those in Tianjin and Wuhan. Controlling for city, the disadvantage of the small business owners and manual production and service workers parallels that found in the analysis of income. However in contrast to determinants of income, where the large business owners and enterprise managers earned far more than party and government officials (the omitted group), when we look at ownership of consumer goods the officials emerge the winners against all other occupations, suggesting that in contemporary China political capital...
has direct effect on material awards that is independent of income. Model 2, where we add indicators of the key assets as well as household size, explicitly weighs the relative contribution of each “household capital” and tempers the initial claim for official advantage across the board. Also noteworthy is that once we include husband and household characteristics, city variation decreases as it did not when we modeled income differences.

Table 4. Unstandardized Coefficients Estimated from OLS Regression for Log-Transformed Household Consumption Scale and House Size

<table>
<thead>
<tr>
<th>Predictor Variables</th>
<th>(Ln) Household Consumption Model 1</th>
<th>(Ln) Household Consumption Model 2</th>
<th>(Ln) House Size Model 1</th>
<th>(Ln) House Size Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>City dummy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shanghai omitted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tianjin</td>
<td>-0.254***</td>
<td>-0.083</td>
<td>0.295***</td>
<td>0.492***</td>
</tr>
<tr>
<td>Wuhan</td>
<td>-0.145*</td>
<td>0.034</td>
<td>0.784***</td>
<td>1.001***</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>0.085</td>
<td>0.144*</td>
<td>0.932***</td>
<td>0.977***</td>
</tr>
<tr>
<td>Husband’s occupation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(government official omitted)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large business owner</td>
<td>-0.035</td>
<td>0.218</td>
<td>0.149</td>
<td>0.649*</td>
</tr>
<tr>
<td>Small business owner</td>
<td>-0.691***</td>
<td>-0.126</td>
<td>-0.665***</td>
<td>0.191</td>
</tr>
<tr>
<td>Enterprise manager</td>
<td>-0.027</td>
<td>0.035</td>
<td>-0.166</td>
<td>-0.039</td>
</tr>
<tr>
<td>Administrative staff</td>
<td>-0.185!</td>
<td>-0.057</td>
<td>-0.310*</td>
<td>-0.077</td>
</tr>
<tr>
<td>Professional</td>
<td>-0.097</td>
<td>-0.005</td>
<td>-0.140</td>
<td>-0.011</td>
</tr>
<tr>
<td>Service worker</td>
<td>-0.492***</td>
<td>-0.209!</td>
<td>-0.698***</td>
<td>-0.229</td>
</tr>
<tr>
<td>Production worker</td>
<td>-0.450***</td>
<td>-0.163</td>
<td>-0.526***</td>
<td>-0.071</td>
</tr>
<tr>
<td>Husband’s characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>0.098***</td>
<td></td>
<td>0.073***</td>
<td></td>
</tr>
<tr>
<td>Age squared</td>
<td>-0.001***</td>
<td></td>
<td>-0.001**</td>
<td></td>
</tr>
<tr>
<td>College diploma (=1)</td>
<td>0.002</td>
<td></td>
<td>0.202**</td>
<td></td>
</tr>
<tr>
<td>Party membership (=1)</td>
<td>-0.019</td>
<td></td>
<td>-0.022</td>
<td></td>
</tr>
<tr>
<td>Work in private sector (=1)</td>
<td>-0.184*</td>
<td></td>
<td>-0.316**</td>
<td></td>
</tr>
<tr>
<td>Household’s characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household income</td>
<td></td>
<td></td>
<td>0.170***</td>
<td>0.225***</td>
</tr>
<tr>
<td>Social capital volume</td>
<td>0.003**</td>
<td></td>
<td>0.004**</td>
<td></td>
</tr>
<tr>
<td>Family size</td>
<td>-0.001</td>
<td></td>
<td>0.042</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.808***</td>
<td>-2.545***</td>
<td>3.468***</td>
<td>-1.405*</td>
</tr>
<tr>
<td>R square with only household income as predictor</td>
<td>0.243</td>
<td>0.074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R square for model as shown</td>
<td>0.266</td>
<td>0.391</td>
<td>399</td>
<td>516</td>
</tr>
<tr>
<td>Number of households</td>
<td>376</td>
<td>376</td>
<td>376</td>
<td>376</td>
</tr>
</tbody>
</table>

! p=<.10  * p=<.05  ** p=<.01  *** p=<.001 for two-tailed tests.
Controlling for income and all else, Model 2 indicates that in contrast to what we found when we modeled income, there are strong positive, but curvilinear effects of seniority and negative effects of being in the private sector. College education again gives a significant positive advantage, but here social capital volume also adds an independent advantage. Family size, which had given a small boost to income, however, becomes insignificant. The husband’s Party membership as before has no effect.

We first draw attention to the curvilinear return on age. We use age as a proxy for seniority on the job, a key asset in redistributive economies that allocate material rewards by years of job experience (Davis-Friedman 1985) but one which should be insignificant when all these consumer items are for sale. Yet, we find that when all else is equal, households increase their ownership of the seven high-end consumer items by 10% ($e^{0.098}$) with every year of husbands’ age until approximately age fifty. Figure 1 displays the tendency for consumer and housing gains to rise until age fifty and then decline thereafter.

We next focus on the negative coefficients for husband’s work in the private sector which departs dramatically from the estimates in the income model where private sector employment significantly boosted income, even among men with a college education. Here by contrast, one finds that all else being equal, households headed by a husband working in the private sector have a lower score on the consumption scale than those working the public sector. We interpret these coefficients as confirmation of our hypothesis that in China’s partially marketized urban economy, non-market channels continue to affect the material standard of living.

Finally, we note the inverse impact of household size and social capital between the models for income and consumption. In the model predicting household income, larger households had significantly higher income, but the volume of their social capital as measured by the network of visitors and greeters during New Years had no significant impact. In contrast when one looks at predictors for higher levels of household consumption, number of family members—and thus number of wage earners or dependents—becomes irrelevant whereas social capital significantly boosts consumption even after holding constant all other sources of advantage.

Thus once again our data confirm an independent and positive return for non-economic capitals when one looks at rewards other than income or wages. Yearly income improves the likelihood of a
Figure 1.

Household Consumption Scale (7 items)

- House Size (Meter square)
family’s ability to enjoy a high level of consumption, but households headed by men with blue collar and service jobs are disadvantaged beyond the impact of lower incomes. Moreover when all else is equal, party and government officials (our omitted group), those working in the public sector, and those with higher levels of social capital have a significant advantage. Thus in contrast to models that rely exclusively on self-reported income, a model that uses consumption levels as the dependent variable documents independent effects for occupational class position, social and political capital. However, we also stress that party membership without a position of leadership fails to create either an income or consumption advantage. For political capital to significantly improve the material standard of living, the party member must be in a supervisory position.

Determinants of Residential Space

In 1949 the new Communist government nationalized all urban land, and over the next three decades all new housing was publicly built and collectively owned (Wang and Murie 1999). A small minority remained homeowners, but the majority became public tenants, most of whom rented apartments built by enterprises or municipal real estate bureaus. Shelter was considered a welfare benefit and was distributed primarily on the basis of workplace seniority. Rents were so low that they did not cover even maintenance. In 1979 as part of market reforms, the Chinese leadership ideologically embraced the benefits of commercializing urban real estate and reducing the welfare obligations on employers (Lee 1995). However the first outcome of reforms between 1979 and 1992 was the largest, public building boom in post-1949 Chinese history. In little more than a decade, the majority of non-migrant households moved into new rental accommodations and average per capita space nearly doubled (Davis 2003). Nevertheless, despite acceleration of market reform in other sectors, 80% of all new construction during the first 12 years of market reform was rented as a workplace benefit at below cost rates and the pathway to a new or larger home continued to be through enterprise housing offices (Davis 1993; Bian et al. 1997). In the five years immediately prior to our interviews, city officials committed themselves to a rapid privatization of publicly owned apartments to sitting tenants and commercial builders began to gain parity with public
investments. But even when buildings were built by international developers for profit, they offered steep discounts to local officials and their families, and when sitting tenants bought their public flats they too enjoyed compensation for job seniority and rank that reduced their payments to less than thirty percent of market rates.

During the year we gathered data, all four cities were in the midst of further privatizing urban residential space. However for the majority of our respondents who had moved to their current home prior to the full marketization, the pathway to their homes—whether rented or purchased—was decisively shaped by non-financial factors. Nevertheless, the market value of their homes by December of 1998 represented far and away their most valuable financial assets. Model 1 and 2 for house size in Table 4, summarizes the relative impact of the various capitals on the size of current residence. Raw square footage is of course not a perfect measure of the quality and value of an urban residence, but during our year of fieldwork, we found very few exceptions to the assumption that “bigger was better.”

Overall the determinants of the size of the house were similar to those for predicting higher levels of consumption. City differences are important, but in contrast to all other models, when we look at house size Shanghai falls behind all three cities and Wuhan draws even with Shenzhen. In terms of occupation, we find a particularly strong advantage for large business owners, an advantage that corresponds to the fact that none of these households had access to public apartments but all lived in the commercial, private sector dominated by large luxury flats.

When we check for city, occupation, and income and estimate the impact of the other key capitals, the outcomes parallel those in the analysis of the consumption index. Age has a curvilinear effect on house size. Based on the positive coefficient of age and the negative coefficient of age square from Table 4, column 4, Figure 1 shows that house size increases with age but after the age of about 55 it decreases. Education increases house size considerably; as compared to a family whose husband has no college degree, the family whose husband has a college degree lives in a house that is 22% larger ($e^{0.202}$). Party membership independent of position as an official has no effect, while human and social capitals provide significant advantage. Private sector employment creates an even greater disadvantage than for other forms of consumption and household size has a modest effect in the expected, positive, direction. Thus in analysis
of the determinants of the size of a family’s home, we find again that when one uses consumption rather than self-reported income to measure inequality, political and social capitals create material advantages and distinctively shape the contemporary urban society in ways that models that argue for the decisive impact of one asset—for example human capital as represented by advanced education—cannot.

Importance of Social Capital

The positive returns to social capital in the consumption and house size models provide strong empirical evidence for the importance of social network resources in creating a household’s lifestyle. Statistically significant in both equations (coefficients of .003 and .004 respectively), our social capital variable is an adjusted factor score, ranging from 1 to 100. Thus, an increase of ten points on this scale of social capital is a small increment margin, but one that would generate an increase of household consumption by 3% ($e^{.003 \times 10}$) and an increase of house size by 4% ($e^{.004 \times 10}$). An increment of 50 points in social capital, or a contrast between an industrial worker’s family having a social capital volume of 30 points and a manager’s family having 80 social capital points, will increase household consumption by 16% ($e^{.003 \times 50}$) and house size by 22% ($e^{.004 \times 50}$). Thus, overall social capital creates a strong positive advantage in creating living standards in Chinese cities.

How would social networks and social capital increase a household’s consumption level or home size beyond the limit of household income when these items are purchased on the market? We believe there are several underlying processes. Obviously in a market economy with serious problems of information asymmetries a diverse social network would channel useful and sufficient information more timely and more efficiently (Granovetter 1973; Burt 2001; Lin 2001), allowing consumers to purchase items they wanted when they prove to be a best buy. In a persistent guanxi culture of China (Yang 1994), it is also possible that one receives financial assistance from relatives and friends for purposes of purchasing homes or durable household items. Our data do not allow us to distinguish which of these underlying processes are at work, but they do point to a significant dimension of our analysis: income alone is not the sole
predictor of a Chinese household’s material well-being; social as well as political capitals are also decisive.

Overall, the consumption and house size models have good explanatory power, evident in the high adjusted R square values (a reduced or explained variation of 39.1% for consumption and that of 51.6% for house size). Household income alone reduces variation in consumption by 24.3% and in house size by 7.4%; all else is due to non-income predictors, including occupational positions, human capital, and social capital.

**Discussion: Market Transition and Multiple Capitals in Urban China**

During the high tide of state planning, urban China was one of the most egalitarian societies in the world and income and lifestyles differentials were muted (Whyte and Parish 1984; Walder 1986; Davis 2000b). During the first decade of market reforms in the 1980s, this pattern of relative income equality persisted, and in at least one city (Tianjin) income inequality decreased when initial wage increases went first to those with lowest wages and enterprise level bonuses were distributed according to egalitarian principles (Walder 1990). As marketization intensified during the 1990s and administrative control over income weakened, positive financial returns to political capital—both to party membership and official posts—appeared to decline or disappear and individuals reported more control over their job choices and wages. Thus it seemed logical to presume that as markets matured, human capital would drive patterns of urban inequality and socioeconomic stratification.

However our comparison of determinants of income and consumption patterns cautions against adopting explanatory models that rely exclusively on reports of individual earnings or income or that ignore the role of institutionalized or socially networked resources. We also want to stress that positive returns on institutionalized and social assets are not primarily evidence to support arguments about the importance of path dependence (Stark 1986; Parish and Michelson 1996; Buroway 1997). Rather these data confirm the independent returns on political and social capital in the contemporary period. Going beyond self-reported income to examine variation in living standards or patterns of sociability, we found that institutional capitals
accessed via political position, job seniority, or public sector jobs provided substantial advantages. In addition when we simultaneously checked for the impact of social capital accessed by personal social networks, the return on political capital remained significant and officials emerged as a class with a distinctive life style. Because analysis of pre-reform urban China could not control for the same range of capitals as we have, it is not possible to measure the degree of change. Nor is there yet an established literature on how marketization in the context of a still strong Leninist party creates or sustains occupationally specific habitus of life style. With the exception of ethnographic accounts such as those by C. K. Lee (1999, 2000) that emphasize the multiple losses of production workers, social scientists have only begun to investigate distinctive class positions in the hybrid political-economy of market-socialist production and consumption.

The new urban economy of the late 1990s transformed the wage structure for urban residents to the advantage of enterprise managers and the disadvantage of production workers and local officials (Groves et al. 1995; Maurer-Fazio 1999; Sheehan 2000). Aggregate trends also document declining wages in the state sector in contrast to those working in the private sector. However, looking beyond aggregate income differences, the story becomes more complex. After checking for human, political, and social capitals, private sector employment becomes a liability, and a current post as a party or government official still confers some advantages. Our data also document significant inter-city variation that speaks not only to the importance of regional variations in wealth but also to the ways in which returns on different bundles of capital can be regionalized. Thus generalization about urban China, not to mention all of China, may misrepresent or mis-specify the social consequences of market transitions. To capture these more complex outcomes, outcomes that identify the social segmentation of urban reality, researchers need to build explanatory models that include the full range of capitals. In an increasingly marketized but still Communist political-economy, a model of multiple capitals most accurately captures the complexity of the reward structure.
References


