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PARTY-STATE CAPITALISM IN CHINA

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Abstract: The "state capitalism" model, in which the state retains a dominant role as owner or investor-shareholder amidst the presence of markets and private firms, has received increasing attention, with China cited as the main exemplar. Yet as models evolve, so has China's "state capitalism." We argue that a resurgent party-state, motivated by a logic of political survival, has generated political-economic dynamics that better resemble "party-state capitalism" than familiar conceptualizations of state capitalism. We demonstrate this by examining three prominent manifestations of China's unique model: party-state encroachment on markets; a blending of functions and interests of state and private ownership; and politicized interactions with foreign capital. Nevertheless, there remain deficits in the party-state's hold over capital, some of which themselves result from Beijing's logic of control. By probing the comparative and historical context of this evolution of China's model, we suggest directions for further inquiry on the consequences of party-state capitalism.

> If the state becomes the omnipotent comptroller of all human activities the question "who controls the comptroller" embraces the problem of whether state capitalism opens a new way to freedom or leads to the complete loss of it as far as the overwhelming majority is concerned.
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> - Friedrich Pollock, "State Capitalism: Its Possibilities and Limitations," 1941.

> It is precisely because of constant adherence to the Party's centralized leadership that we have achieved a great turning point in history, opened the new era of reform and opening and the great rejuvenation of the Chinese nation on a new journey in order to successfully deal with a series of major risks and challenges…
>
> - Xi Jinping, speech commemorating the 40th anniversary of Reform and Opening, December 2018

The term "state capitalism" has experienced a revival in recent years. Broadly speaking, "state capitalism" denotes mixed economies in which the state retains a dominant role amidst the presence of markets and private firms. Although the term has a diverse historical pedigree,[1] contemporary analysts have converged on a general definition that highlights the centrality of a capacious and autonomous state in steering economic development through not only targeted ownership stakes, but also a suite of other institutional and financial interventions.[2] Tools include preferential access to credit, subsidies, industrial policy guidance, and control over managerial personnel. State influence in the economy is exercised selectively, and typically concentrated in strategic sectors, such as defense, energy, communications, and finance. Since the 2008 global financial crisis, neoliberal critics of state interventionism in the economy have re-popularized the term to describe countries with state-owned enterprises (SOEs), private

[1] "State capitalism" historically has been applied to contexts as diverse as late 19th century Germany and Japan, the Soviet Union under Lenin and Stalin, Nasser's Egypt, and contemporary emerging market economies such as Brazil, India and Indonesia (Sperber 2019). Writers at both ends of the left-right ideological spectrum have used the term pejoratively. During the 1950s, some Marxists labeled socialist countries as "state capitalist" for extracting surplus value from labor in a manner akin to private capitalism (James, Dunayevskaya, and Boggs [orig. 1950] 1986).
[2] E.g. Kurlantzick 2016; Musacchio and Lazzarini 2014, 2; Naughton and Tsai 2015; and McNally 2012.

national champions, national oil companies, and sovereign wealth funds.[3] In this broad definition, democratic countries such as Brazil, India, Indonesia, and Norway are also regarded as state capitalist.

State capitalism conveys a more derogatory connotation, however, when referring to autocracies such as China, Russia, Iran, and Saudi Arabia, with some preferring the term, "authoritarian capitalism" to amplify regime type.[4] China is the exemplar of state capitalism under authoritarianism, though observers emphasize different outcomes. Some view state capitalism as the source of China's rapid economic "rise."[5] Others associate the term with the predatory behavior of state agents vis-à-vis domestic economic actors.[6] When describing China's external economic activity, state capitalism implies mercantilist motivations and a drive for international political influence.[7]

While these depictions of state capitalism reflect core characteristics of China's political economy, they fail to capture changes engendered by resurgent-party-state activism since the late 2000s.[8] Drawing on recent literature and empirical trends yet to be studied carefully by

[3] Bremmer 2010.
[4] Bloom 2016; Witt and Redding 2014.
[5] To be sure, explanations for China's economic success range from those based on the unfettering of market forces (Lardy 2014) and unleashing of entrepreneurial local officials (Ang 2016, Lin 2017), on the one hand, to anti-competitive empowerment of state enterprises (Kurlantzick 2016), on the other.
[6] Pei 2006.
[7] See Belesky and Lawrence 2019; Farrell and Newman 2019. China's leaders, unsurprisingly, eschew the "state capitalist" nomenclature, perceiving it as an ideological bludgeon that hypocritically ignores the role of the state in the West's own economic development (Qiu Shi 2018). Instead, Beijing calls its post-Mao economic model, "market socialism with Chinese characteristics."
[8] The trends we describe pre-date Xi Jinping's consolidation of power, but have certainly intensified since his rise. Scholars have identified a number of developments before Xi took power in 2012 that have contributed to a resurgent party-state, including slower growth (Naughton 2019a), the global financial crisis in 2008 (Lardy 2019), the end of required WTO liberalization plans in 2005-6 (Tan forthcoming), and the popularity (2009-2012) of the "Chongqing Model," which advocated party-state intervention through financialization, political mobilization, and extended public ownership.

political scientists, this paper contends that China's political economy has evolved from a form of state capitalism as envisioned in familiar depictions of state-directed economies to a distinctly party-driven incarnation. This is manifested in multiple ways, including enhanced party monitoring and industrial policy guidance, deepening ambiguity between the state and private sectors, and increased political pressure on foreign capital.

Following decades of multi-faceted, non-linear, and contested reforms that included privatization and downsizing of the state-owned sector,[9] by the mid-2000s China's state capitalism was primarily about managing the remaining large SOEs to contribute to economic growth, create wealth for the party-state, and look out for its economic and strategic interests at home and internationally.[10] The nature of state capitalism in China during this period was broadly consistent with its usage in studies of comparative political economy, which cast state capitalism specifically and state economic intervention generally as motivated by developmental or redistributive logics. An earlier generation of thinking on the state's role in steering late industrialization highlighted efforts to overcome "economic backwardness"[11] or to mitigate the less desirable effects of capitalism, such as inequality, business cycles, or an inability to plan long term.[12] Subsequent developmental state scholarship presented state intervention as intended to manage industrial growth and global competition.[13] Extending this

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[9] Lin 2017; Naughton 2018; Oi and Walder 1999.
[10] Ang 2020; Eaton 2016; Hsueh 2015; Pearson 2015.
[11] Gerschenkron 1962.
[12] Shonfield 1966.
[13] See Evans 1995; Wade 1990; Amsden 2001. Although "state capitalism" carries shadows of the East Asian developmental state—coined to explain growth in Japan, South Korea, and Taiwan (Amsden 2001, Evans 1995, Wade 1990)—state capitalism envisions a broader range of tools for direct and indirect state control. Scholars have expected late developers to feature a stronger role for states vis-à-vis markets in leading or directing development (Gerschenkron 1963, Chaudhry 1993, Kohli 2004). However, the focus of "state capitalism" on public ownership and political mechanisms of control goes a step beyond state-directed development. The varieties of capitalism literature also sheds light on different institutional and normative types of capitalism (Hall and Soskice 2001,

lineage, the contemporary state capitalism framework focuses on state ownership and interventions to bolster geo-strategic and/or economic competition in globalized sectors.[14] These complementary logics are all evident in China's political economy.

As institutional and evolutionary approaches to political economy have established, however, even apparently stable systems are pressured to adapt to changing conditions or face the prospect of extinction.[15] Post-war capitalism, for example, adopted the Keynesian principles of "embedded liberalism,"[16] which were later displaced by neoliberal reforms during the 1980s. Likewise, rapid industrialization in the post-war developmental states of Taiwan and South Korea generated structural changes in government-business and state-labor relations that supported their respective transitions to democracy.[17]

By the late 2000s, China similarly faced a critical juncture in its reform process. State capitalist measures to ameliorate effects of the global financial crisis, combined with rising social instability and widespread corruption, called for policy responses. Intellectuals associated with the "New Left" sought correctives to what they perceived as the more pernicious effects of markets and private ownership, especially inequality, bourgeois decadence and a reduced role for the state.[18] Similar views on the need to undo the harms of Chinese capitalism underlay the "Chongqing Model" of Bo Xilai.[19] Concurrently, it also seemed plausible that the People's Republic of China (PRC)'s fifth generation of leadership might introduce bolder market reforms

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Feldmann 2019). However, we find it less helpful for understanding state capitalism insofar as its logic is fundamentally firm-centric and as such obscures the defining role of the state in China's economic system.
[14] Bremmer 2010; Kurlantzick 2016.
[15] Crouch 2005; cf. Greif and Laitin 2004; Nelson and Winter 1982.
[16] Ruggie 1982.
[17] Wade 1990.
[18] Li 2010.
[19] Huang 2011.

to break through bureaucratic and business interests vested in preserving a "partial reform equilibrium."[20] But this did not occur. Under Xi Jinping's rule, the Chinese Communist Party (CCP) has instead extended its authority and reach—organizationally, financially, and politically—into China's domestic and foreign economic relations. While prior developmental goals remain relevant, they have been overshadowed by initiatives that place politics in command with state capitalism more directly in the service of the party's political survival. Moreover, privileging the party's monopoly on power in the contemporary period has brought about substantive changes in the party-state's role that are not fully captured by existing concepts, and reflect a more *sui generis* form of political economy that we call "party-state capitalism."

In this paper, we examine three sites at which we observe the manifestation of party-state power, all of which extend beyond familiar forms of economic dirigisme. First, the tools of managing China's economy entail not only state ownership and market interventions, but increasing institutional encroachment in additional realms of domestic economic activity. These new modalities of control, including financialization and emboldened roles for the party in corporate governance, empower new agents and prioritize discipline and monitoring by party-state actors. Second, while depictions of state capitalism typically suggest a zero-sum relationship between state and private firms, we document a mixing and blending of ownership, function, and even interests. Conceptual dyads in the study of political economy—state versus capital, public versus private ownership—have long been problematic in the study

[20] Hellman 1998; Pei 2006.

of post-Mao China and continue to lose meaning.[21] In particular, although the ownership category of firms remains of interest to observers, in China the distinction between state and private ownership is increasingly blurred in practice. Third, the political imperative driving party-state capitalism is affecting the behavior of global firms and organizations that have stakes in China's market. There has been a marked shift from courting foreign capital with preferential treatment during the initial decades of reform, to expecting that multinationals and their home governments respect political red lines drawn by the CCP.

The final section presents directions for empirical and theoretical inquiry in light of China's turn toward party-state capitalism. Despite the evolution in China's economic model, inner dynamics of the system pose constraints on the party-state's hold over capital. We thus identify ways that new forms of intervention may limit state autonomy with a focus on the generation of old and novel principal-agent problems and potential de-alignment of interests between the state and capital. During much of China's reform era, the CCP emphasized economic growth, which was mutually beneficial for both the state and capital. By contrast, recent intensification of the party-state's political control may alienate important economic actors. Meanwhile, the party-state's obsession with risk mitigation can lead it to assume responsibility for the behaviors of large firms that threaten financial stability or the regime's international reputation.

[21] As we explore below, while work on China's political economy has often come close to recognizing the problems of these dyads as applied to China, in recent years these dyads confound our ability to understand political dynamics of contemporary China.

Manifestations of Party-State Capitalism

Party-state Encroachment

The first site at which we can distinguish China's party-state capitalism is institutional expansion of the state's role in the economy beyond public ownership of large enterprises in strategic industries. Standard definitions of state capitalism referenced above cannot capture the range of tools deployed by the Chinese state. Especially notable is the emergence of institutional and financial modes of party-state encroachment into the private sector.

Party branches and government appointments

A basic indicator of the Chinese party-state's institutional expansion is the resurgence of party cells inside enterprises, including private businesses and even foreign firms. The presence of party cells in private and other "non-state" organizations in itself is not new.[22] Since 1925, the CCP Constitution has specified that any entity with more than three party members should have a party unit,[23] though in practice, party cells in private enterprises and foreign-invested enterprises have varied in their levels of activity and relevance.[24] Under Xi Jinping, emboldening party control and party building in firms became a key priority.[25] At the 19th Party Congress, Xi (2017) declared that the "Party exercises overall leadership over all areas in every part of the country."[26] Since then, both Chinese and international media have noted enhanced vigor and

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[22] The term "non-state" in this context can be read as "private." Chinese official sources use the category "non-state (*fei guoyou*)," which covers small and large private firms, as well as Sino-foreign joint ventures. We use the term private except where referencing Chinese official statistics and statements.
[23] Hou 2019.
[24] Pearson 1992; Yan and Huang 2017.
[25] Leutert 2018.
[26] Fewsmith (2018: 18) concurs that "Xi has asserted the primacy of the party, inserting 'the party controls everything' into the party constitution for the first time."

influence of party organizations in private firms and joint ventures.[27] The CCP (2018) itself reports that by the end of 2017, 1.88 million non-state firms had established party cells, accounting for over 73 percent of all non-state firms. As the party increases propaganda about firm-level party branch construction within private domestic firms, many business owners express anxiety about the potential for state intervention in the management of firm affairs via party organizations.[28]

The party-state's oversight role has taken on an additional dimension. Both the State Asset Supervision and Administrative Commission (SASAC) and key municipalities have assigned government officials to new oversight offices within firms, including some of the biggest companies (such as technology giant Alibaba and automaker Geely).[29] These officers report directly to the government.

Politically-motivated State Shareholding and "Financialization"

A second distinguishing characteristic of party-state capitalism in China is the expansion of state capital well beyond firms that are majority-owned by the state, a process scholars describe as "financialization of the state."[30] Since 2003, the party-state has institutionalized its ownership of firms in SASAC, a body that appoints managers and generally acts like a "capitalist asset manager" rather than a classic state owner.[31] While financialization of the state's role in managing SOEs has been well-documented, the role of state capital *outside* majority ownership,

[27] Wong and Dou 2017; Yan and Huang 2017.
[28] Hou 2019.
[29] Lucas 2019.
[30] Naughton 2019; Wang 2015; Guthrie, Xiao, and Wang 2015.
[31] Guthrie, Xiao and Wang 2015, 76; Sutherland and Ning 2015.

including in so-called “mixed ownership” firms discussed below, is a more recent and less understood development, but nonetheless widespread and politically consequential.

Since Xi Jinping assumed power in 2012, the CCP has encouraged the establishment of “state-owned capital investment companies” that would “invest in non-state-owned enterprises in various ways” to advance industrial policy goals and provide capital to non-state firms with “strong growth potential.”[32] The funds were also expected to generate investment returns in important sectors of the national economy.[33] Investments generally took the form of state shareholding firms acquiring small (typically less than 3 percent) minority stakes in non-state firms through purchases on equity markets. This practice exploded during the stock market crisis of summer 2015 when sell-offs suddenly erased the gains of the prior year in the Shanghai and Shenzhen Stock Exchanges. As part of a menu of bailout actions, the China Securities Regulatory Commission arranged for a “National Team” of state shareholding funds to purchase over 1.3 trillion RMB of stocks on both exchanges between June and September, eventually holding half the shares of all listed firms.[34] This broad financial intervention was not about allocating capital toward growth ends, but rather about risk management and maintaining stability, a core component of the CCP’s narrative about political control.

Expansion of state shareholding has not only been adopted in emergencies. Starting in 2013, the CCP began exploring the idea of “special management shares” for media and technology companies – firms with strategic and political importance. Official documents indicate that special management shares are a class of equity shares with higher voting rights or

[32] PRC State Council 2013, 2015.
[33] Naughton 2019.
[34] Chen, Zheng, and Liu 2020.

special governance power per share.[35] The first purchase under this scheme occurred in 2016 when the *People's Daily* acquired one percent of a Beijing-based internet company and installed a "special director" on the board who possesses veto power over content.[36] The titans of China's digital economy—Baidu, Alibaba, and Tencent—have reportedly been pushed to grant the government one percent special management shares,[37] though SASAC denied rumors that it seeks to convert internet companies into "public-private partnerships."[38]

Industrial Policy's Extended Reach

Another manifestation of the party-state's economic activism is evolution in the scope of industrial policy. Industrial policy has long been a feature of the Chinese reform era economy.[39] Its intensified use as a policy tool since the mid-2000s, and its extension under Xi Jinping to the private sector is evident in the ambitious *Made in China 2025* strategic plan.[40] Launched in 2015 to encourage indigenous innovation, technological self-reliance, and industrial upgrading, the broad contours of the initiative resonate with more traditional "state capitalism."[41] But its implementation, more than previous industrial policies, involves private firms as both the targets and executors.[42] Private firms are executors in the sense that the CCP expects them, rather than just SOEs, to be the innovators and global competitors. They are

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[35] Fang and Wang 2017.
[36] Guo 2017.
[37] Li Yuan 2017.
[38] Jiang 2019.
[39] Heilmann and Shih 2013.
[40] According to Naughton (2019a), China's leaders in the mid-2000s intensified reliance on industrial policy in high technology industries to counteract slower growth.
[41] The scope of Made in China 2025 also is not new, but rather evolved directly from two earlier initiatives: the Medium and Long-Term Program for Science and Technology Development, launched in 2006, and the Strategic Emerging Industries initiative of 2010.
[42] PRC Ministry of Industry and Information Technology 2017.

targets in that they are not expected to achieve a high level of innovation and global competitiveness without the state's help. The policy entails large-scale mobilization of capital through government "industrial guidance funds," managed by both state and private capital managers, and targeted toward private firms with innovative capacity in critical sectors.[43]

The semiconductor sector is instructive. The national government and many local levels of government established semiconductor investment funds beginning in 2014. The national fund alone allocated $21 billion for the sector, and some estimates cite the availability of more than $160 billion over ten years in government equity assistance at all levels of government.[44] In many cases, the funds themselves are run by private managers, including private equity firms who take government-supplied capital and raise additional funds from private sources to comprise the fund.[45] An OECD (2019) report finds significant support for firms at nearly every part of the domestic semiconductor supply chain, and that most of these firms "do not conform to China's own definition of an SOE (p. 48)," complicating international understandings of ownership and influence in the industry. Combined with alarm at China's drive for technological self-sufficiency, this blurring of ownership has deepened international confusion and generated political backlash against Chinese businesses abroad.

These forms of institutional encroachment by the party-state beyond ownership (firm-level party building and the proliferation of state capital) are consistent with a narrative about

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[43] The "state owned capital operation companies" noted above are often major investors in the industrial guidance funds (Naughton 2019). By mid-2018, there were 1,171 government guidance funds with an investment target of 5.85 trillion RMB, equivalent to nearly seven percent of China's total GDP that year (Economic Daily 2018).

[44] Orr and Thomas 2014. Note that these figures are goals, and may overstate the amount of capital actually invested.

[45] Rithmire and Li 2019.

China's political economy that sees an emboldened state. However, these new developments complicate the state's role in the economy in ways that go beyond those in the state capitalism paradigm. As such, the actual impact of state investment on the private sector should be analyzed in a nuanced manner. On the one hand, the government's stated rationale for extending investments into private firms is that many deserving firms lack sufficient access to credit, especially as regulators have cracked down on informal finance and shadow banking in recent years.[46] Research on minority state shareholding in other national contexts, e.g. Brazil, has found that firms with minority state capital tend to invest more and generate more profits, suggesting that state investment can aide rather than supplant the private sector.[47] On the other hand, political motivations may underlie the flow of state investment to certain firms. Indeed, the official rationale for "special management shares" in internet firms is, "to do a good job of controlling and promoting the scientific development of internet companies. This requires the establishment of a reasonable method of supervision through [corporate] governance."[48] In addition to picking winners through state shareholding, the party-state is adopting new means of monitoring private enterprises.

Blending Functions and Interests of the State and Private Sectors

China's private sector has been a major source of the country's economic "miracle," and outpaced the contributions of the state-owned sector by most measures.[49] A common description of the private sector's economic value is "60/70/80/90," meaning that private firms

[46] Tsai 2017, Hachem 2018.
[47] Inoue, Lazzarini, and Musacchio 2013.
[48] Guo 2017.
[49] Lardy 2019.

contribute to 60 percent of China's GDP; and generate 70 percent of innovation, 80 percent of urban employment, and 90 percent of new employment.[50] Meanwhile, SOEs continue to accrue losses and suffer declines in productivity. To some degree these problems are endemic to the sectors in which state enterprises have been concentrated historically, strategic and declining industries, but that explanation is secondary to insufficient profit-maximizing behavior and misallocation of capital by financial institutions.[51] Despite the importance of the private sector to China's economy, the common connotation of the term "private" – that it is relatively hived off from the state – is belied by features of ownership and function. We explore here the intensifying blending of not just ownership, but also function and interests, in a manner that compromises the familiar public/private conceptual binary and illustrates the distinctive political logic of party-state capitalism.

Fuzzy Ownership and Control

Ambiguity surrounding the definition of private ownership in China calls into question a sharp distinction between state-owned and private firms. The *Company Law of the People's Republic of China* defines with relative clarity different types of state-owned enterprises, such as limited liability and joint stock companies.[52] By contrast, the law does not directly define "private" (non-state or *minying*) holdings. Rather than being characterized by a delineated bundle of rights in which the private owner is defined as the residual claimant of assets and

[50] Zitelmann 2019.
[51] Lardy 2019.
[52] State-owned enterprises include traditional state-owned enterprises and state assets that have been corporatized as limited liability companies or shareholding limited companies (Lardy 2019, 19). A significant subset has listed shares on stock markets in China or abroad, i.e., are shareholding companies in which the state is the majority, or dominant owner (Lardy 2014, 47–48). Such companies can be linked to the central state or to subnational jurisdictions such as provinces, municipalities and counties.

income and bearer of risks, subject to government taxation and regulation, in China the term "private" is mainly a residual legal category.[53] Moreover, in vernacular terms, the "private sector" itself includes enterprises with diverse origins, financing, and corporate governance structures. Businesses founded by private entrepreneurs de novo or in partnership with foreign investors differ meaningfully from those restructured from the public sector through asset-stripping and insider privatization.[54] Although both indigenous private enterprises and privatized SOEs reside in the same ownership category in nomenclature, their shareholders possess varying degrees of autonomy from the state in practice.

Complicating this landscape is the advent of "mixed ownership," which the party-state has promoted actively since 2013. The parameters of mixed ownership, like private ownership, has not been defined clearly or consistently.[55] The party's Third Plenum Central Committee meeting in 2013 called for rapid implementation of mixed ownership, defined as, "cross holding by, and mutual fusion between, state-owned capital, collective capital, and non-public capital."[56] It allows private capital to acquire minority stakes in SOEs and may be viewed as "partial privatization" with the goal of making state capital more efficient.[57] It also allows SOEs and state funds to take ownership shares in private enterprises. By mid-2017, SASAC reported that mixed ownership had been introduced to over two-thirds of all central state-owned

[53] Oi and Walder (1999). See also The Property Law of the PRC (2007: ch 5). On the underdevelopment of legal institutions for the private sector, see Nee and Opper (2012), and Segal (2003, 41). The few laws governing private enterprises cover, for example, registration, the number of owners, etc. (Garnaut et al. 2012, ch. 10). Even the otherwise highly specific 2020 Civil Code, Part 2 Subpart II of which discusses property ownership, does little to delineate what constitutes "private" property. (NPC 2020).
[54] Ding 2000; Huang 2008; Lin 2017.
[55] Naughton 2019, 179. "Mixed ownership" was proposed as early as 1999, at the 4th Plenum of the 15th Party Congress (Decision 1999).
[56] Decision 2014.
[57] Meyer and Wu 2014: Economy 2018, 112-114.

firms.[58] However, there is limited evidence that the injection of private capital into less efficient state firms is achieving the intended effects of alleviating the financial burden of state banks that extend credit to SOEs or enhancing the productivity of those firms. A 2014 survey of private business leaders at the Bo'ao Forum ("the Asian Davos") revealed anxiety that SOE representation, even as minority owners, would effectively allow SOE members to gain control of corporate boards.[59] Indeed, a more political interpretation of mixed ownership is that "it provides a way for the state to direct private capital to serve national development and political priorities."[60]

These old and new sources of ambiguity around ownership keep private economic actors in a liminal space, neither secure enough in their autonomy from the state to pursue their own interests with ease, nor necessarily able to benefit from the state's largesse or legitimacy. Ambiguity has been a central feature of the CCP in reform, at times facilitating creative action on the part of state and societal actors,[61] and other times emboldening the state to repress actions perceived as threatening.[62] The political logic of sustained ambiguity in ownership is to tether economic actors to the state and limit their scope for independent action, all with the motivating principle of mitigating risk to the party-state itself.

Governance functions of private firms

Meanwhile, private firms have become key actors in supporting the state's domestic security objectives. Maintenance of social stability has been a political priority for the CCP,

[58] Lardy 2019, 91.
[59] Meyer and Wu 2014.
[60] Xie 2017.
[61] Tsai 2002; Segal 2003.
[62] Stern and Hassid 2012.

particularly since 1989.[63] The digital revolution, however, has diversified China's security industry, as seen in the party-state's growing reliance on technology-intensive surveillance tools and big data to monitor and discipline its large population.[64] In both instances, private firms overwhelmingly dominate the supply of hardware, technology, and information that comprise China's expansive surveillance apparatus.[65] Conventional notions of state capitalism would expect a sector as critical and strategic as domestic security to be dominated by subsidized public entities. Instead, China's largest video surveillance producers, Hikvision and Dahua, were founded by private entrepreneurs. The two firms have ranked among the top five publicly listed security companies globally since 2015—and of particular interest, public units constitute the bulk of their sales. The relationship between China's surveillance equipment companies and the party-state is reminiscent of the military-industrial complex in the US, except in this case, the products are geared towards maintaining domestic rather than national security. Private businesses are developing technologically sophisticated products to satisfy the party-state's vast demand for public surveillance equipment,[66] and profiting from this demand in the process.

Relatedly, a more recent addition to China's monitoring regime is its emerging "social credit system."[67] Initiated in 2014, the system seeks to create a synthetic assessment of "creditworthiness" and "trustworthiness" for individuals and businesses by aggregating digital data on their past and present social and economic activities. The latter goes beyond traditional

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[63] Wang and Minzner 2015.
[64] Qiang 2019; Xu 2020.
[65] Huang and Tsai 2020.
[66] Cf. Weiss 2014.
[67] Qiang 2019.

financial indicators of credit history, extending to normatively "sociable" or "unsociable" behaviors such as donating blood, jaywalking, time spent playing video games, and "spreading rumors" on social media. Those with higher social credit scores enjoy discounts on purchases, priority admissions to schools for children, and lower interest rates on loans. Punitive measures include public shaming, inability to book train/plane tickets, more expensive health insurance premiums, suspension from social media accounts, and so forth. Whether the scores are used for commercial purposes or more Orwellian scenarios, the initiative relies on the capabilities and cooperation of private firms.[68]

Thus far, the relationship between private technology companies and different branches of the party-state is multi-faceted—at times competitive, and yet increasingly mutually dependent. In 2015 the People's Bank of China selected eight private technology companies to pilot consumer credit scoring. Three years later, however, the bank tried to curtail Alibaba and Tencent's independent social credit programs due to concerns about their potential to market risky financial products.[69] Nonetheless, both companies continue to build their own social credit scoring systems, drawing on the digital data of their users as well as that provided by various government entities. In addition to accessing the records of Alipay's one billion users, Sesame Credit collects judicial rulings from the court system and blacklists those who have been convicted.[70] In effect, Alipay assists in enforcing court decisions about imposing "credit

[68] Liang, Kostyuk, and Hussain 2018.
[69] Hornby, Ju, and Lucas 2018.
[70] As of mid-2019, China's courts had identified 14.43 million "dishonest persons" and their blacklisting has prevented 26.2 million airline ticket purchases and 5.96 million train tickets (Xinhuanet 2019). The identities of "dishonest persons" are listed in a public database maintained by the PRC Supreme People's Court at http://zxgk.court.gov.cn/xgl/.

sanctions" by downgrading the Sesame Credit score of convicted debtors or suspending their Alipay accounts all together.[71]

Private firms in China have assumed state functions to achieve other policy goals. Large internet companies have embraced the Xi administration's poverty alleviation efforts in ways that surpass the expectations of standard corporate social responsibility programs and are not contracted for by the government in standard outsourcing schemes. In this sense, we observe a merging between the party-state and private enterprises in achieving public goals. Alibaba, for example, has deployed its Taobao e-commerce platform (akin to eBay) to develop rural product markets and connect rural villages. To be sure, extending e-commerce to rural markets represents a business opportunity, but success in doing so has involved Alibaba in a variety of non-corporate roles, including funding rural road construction, partnerships with local authorities in creating e-commerce training programs for cadres and villagers, and more.[72] Country Garden, one of China's largest real estate developers, has supported modernization of the practices of agricultural cooperatives, even sending "poverty alleviation cadres" to live in villages to earn villagers' trust and understand their needs, methods similar to those of poverty alleviation "work teams" dispatched by the party-state itself.[73] The reproduction of Mao-era mass line discourse and tactics by the vanguard of China's capitalists, property developers, provides further evidence of the blurring public-private divide that once animated fierce political struggle, and even revolution.

[71] PRC Supreme People's Court Network 2015.
[72] Li, A. 2017.
[73] Xue 2017; cf. Perry 2019.

Recent research on the role of large internet platforms goes further in conceptualizing these "private" firms as complements to the state. Liu and Weingast (2018) view Taobao, the online trading platform owned by Alibaba, as developing a "modern legal system that enforces contracts, resolves disputes, and prevents fraud." They further argue that the "government has off-loaded a substantial part of the development of law to private actors." Given that these private actors lack juridical authority to enforce their own "laws," an alternative interpretation of the emergence of such a parallel legal system is that China's private internet companies themselves have joined with the state in a way that also creates hospitable conditions for their capital accumulation. Beijing never directly "off-loaded" developing the rule of law—or surveillance or poverty alleviation, for that matter—to the private sector. Contract enforcement, social stability, and rural development are all public goods that private entrepreneurs value for both normative and instrumental reasons. In the context of China's largest SOEs, Lin and Milhaupt (2013) observe that their managerial elites have assembled "what Mancur Olson called an 'encompassing organization'—a coalition whose members 'own so much of the society that they have an important incentive to be actively concerned about how productive it is.'" China's private technology companies constitute such encompassing organizations as well. Their size and social reach explain why they appear to partner with the party-state to manage Chinese society and also why the party-state seeks direct oversight of their activities.

Expecting Extraterritorial Political Adherence

A third site at which to observe party-state capitalism in contemporary China, one that has not yet received scholarly attention, is the expectation of party-defined political correctness not just by domestic economic actors, but also foreign corporations that do business in China and in territories over which it claims sovereign authority. Some firms have been proactive in demonstrating political compliance by establishing party cells in their China offices. More recently, however, a growing number of major foreign brands and organizations have been pressured to express contrition for various political faux pas, primarily relating to how Hong Kong, Taiwan, and Tibet are portrayed in their advertisements, websites, or social media.[74] Table 1 provides a non-exhaustive list of such apologies by prominent multinationals.

Table 1. International Businesses that have Apologized to China for "Political Errors"

Company	Date of Apology	Political Error
Audi	3/15/17	Used map of China without Taiwan and parts of Tibet and Xinjiang in a presentation in Germany.
Muji	10/2017	Map in catalogue did not include Senkaku Islands
Delta Air Lines	1/12/18	Listed Taiwan and Tibet as countries on website.
Zara	1/12/18	Listed Taiwan as a country on website.
Marriott Int'l	1/12/18	Listed Tibet, Hong Kong, and Taiwan as countries on customer survey.
Medtronic	1/15/18	Listed Republic of China (Taiwan) as country on website.
Mercedes-Benz	2/6/18	Quoted Dalai Lama on Instagram.
Gap, Inc.	5/14/18	T-shirt with map of China did not include Taiwan.
American Airlines	6/25/18	Listed Taipei under Taiwan as a country on website.
United Airlines	6/25/28	Listed Taiwan as country on website.
McDonalds	1/19/19	TV ad in Taiwan showed student ID with Taiwan as a country.
UBS	6/13/19	Economist Paul Donovan referred to a "Chinese pig" during audio briefing.
Versace	8/10/19	T-shirt with "Hong Kong" did not list "China" after it.
Givenchy	8/12/19	T-shirt with "Hong Kong" did not list "China" after it. "Taiwan" listed after "Taipei."
ASICS	8/12/19	Listed Hong Kong and Taiwan as countries on website.
Coach	8/12/19	Listed Hong Kong and Taiwan as regions separate from China on website. T-shirt with "Hong Kong" without country following it, and Taiwan" listed after "Taipei."
Calvin Klein	8/13/19	Listed Hong Kong and Taiwan as separate countries or regions on website.
Valentino	8/13/19	Listed Hong Kong and Taiwan as separate regions on website.
Swarovski	8/13/19	Listed Hong Kong as country on website.
NBA	10/6/19	Houston Rockets General Manager Daryl Morey tweeted support for protesters in Hong Kong.
Tiffany & Co.	10/7/19	Ad with model Sun Feifei covering one eye (Hong Kong protest reference).
Apple	10/9/19	Hosted app HKMap.live used by protesters in Hong Kong to track police.

[74] Niewenhuis 2019.

Dior	10/17/19	Delivered presentation in China with map without Taiwan.
Burger King	3/20/20	Burger King Taiwan referred to "the Wuhan pneumonia" on social media.
Nature Magazine	4/9/20	Associated origin of Covid-19 virus with Wuhan and China.
HSBC	6/4/20	CEO did not immediately sign petition organized by CCP's United Front Work Department supporting new National Security Law for Hong Kong.

Sources: BBC (2020); Chen (2018); Dawkins (2019); Jiang (2020); McArdle (2020); Mok (2020); Niewenhuis (2019); Prasso (2020).

This heightened political sensitivity marks a distinct shift from the 1990s and 2000s when Chinese localities competed with one another to attract foreign direct investment (FDI) by offering a host of concessionary policies, such as tax breaks, preferential access to land and credit, and lax oversight of labor and environmental practices. China's openness to FDI differentiates it from the East Asian developmental states at comparable phases of industrialization.[75] Although foreign investors have faced their share of challenges in China, these frustrations were more regulatory, cultural, and operational rather than political in nature. As a result, China has been the developing world's leading recipient of FDI since 1991, and attracted the most FDI globally between 2002 and 2006.[76]

Heightened political monitoring and censuring of foreign capital is a more recent expression of party-state capitalism. For several decades, Beijing's objections to comments and events perceived to challenge its sovereignty/territorial claims were largely directed at national governments and institutions that hosted controversial figures such as the Dalai Lama or leaders from Taiwan. Since the mid-2010s, however, the party-state has increasingly extended its political radar to MNCs. In addition to publicized solicitation of formal apologies by foreign capital, businesses with significant stakes in the China market have changed their discourse and

[75] Kroeber 2016.
[76] UNCTAD, various years.

behavior, whether due to direct pressure or self-censorship. When a general manager of a U.S. National Basketball Association (NBA) team tweeted support for Hong Kong protesters in 2019, the league was extensively criticized by China's state-owned China Central TV, which suspended its NBA broadcasts and stated, "[W]e think any remarks that challenge national sovereignty and social stability are outside the category of freedom of speech."[77] When protests erupted in Hong Kong against a proposed extradition bill with China in 2019, Cathay Pacific Airlines suspended staff who participated in or expressed social media support for the demonstrations, followed by the resignation of its CEO.[78] When China introduced a National Security Law for Hong Kong the following year, nearly all of the territory's tycoons and international business leaders signed a statement organized by the party's United Front Work Department in support of the law before its text was even released.[79] News outlets refusing to retract their choice of words or coverage of sensitive topics (e.g., *New York Times*, *Wall Street Journal*, and *Washington Post*) have seen their reporters expelled from China on short notice.[80] Political correctness on the part of foreign capital looms in state capitalism, but it is expected under party-state capitalism.

The Political Constraints of Managing Party-State Capitalism

It is clear that the contemporary manifestation of state capitalism in China has evolved, and to a system that we term "party-state capitalism." Table 2 summarizes the main differences between state capitalism, as it emerged in the post-Mao era, to party-state

[77] Shih 2019.
[78] Freed 2019.
[79] Prasso 2020.
[80] Stevenson 2020; Tracy, Wong, and Jakes 2020.

capitalism as it has taken form since the late-2000s.[81]

Table 2. From State Capitalism to Party-State Capitalism in China

	State capitalism *(to late 2000s)*	***Party-state capitalism*** (*since late 2000s*)
Core motivation	Protect core state assets to create wealth and protect interests at home and abroad	Enhanced CCP monitoring and control to ensure political survival
State ownership & financial stakes	Primarily SOEs in strategic sectors SASAC as asset manager Ambiguity in definition of non-state (*minying*) enterprises	Financialization of the state via state-owned capital investment companies, and state purchase of special management shares in media & tech companies Further blurring of ownership categories including rise of "mixed ownership"
Party branches	Primarily in SOEs and large private firms	Extension of party cells to over 2/3rds of all non-state firms Installation of "special directors," e.g., to veto media content
Industrial policy	Targeted at SOEs & mid-tier industrial sectors Preferential access to credit and subsidies	Industrial guidance funds in critical sectors use and target the private sector to implement
Moral hazard	Soft budget constraint of SOEs	Prioritization of stability begets state receivership for troubled firms New layers of agents beyond Party's disciplinary systems
Management*	Top management of SOEs appointed by CCP Top executive positions (general manager, party secretary, board chair) held by different people Latent party cells	Heightened inspections, rotations, and punishment of management via anti-corruption campaign Increased joint appointments of top executive positions (e.g., party secretary and board chair) More prominent role of party cells in corporate governance
Foreign economic policy	"Going out" investment led by SOEs	Belt & Road Initiative; increasing outbound private investment; political correctness expected by MNCs

*Summarized from Leutert (2018).

The novel manifestations of party-state capitalism outlined above—enhanced party monitoring and industrial policy, deepening ambiguity between state and private sectors, and growing political assertiveness with foreign capital—suggest considerable infrastructural power

[81] As is clear from the "State Capitalism" column of Table 2, Chinese state capitalism from early on already contained features – notably party cells and party-controlled appointment of SOE managers – not widely found in other state capitalist systems.

on the part of the party-state.[82] Indeed, most accounts of state capitalism in China emphasize attempts to preserve control over economic actors, as does our analysis of party-state capitalism. Yet it is important to recognize, and pursue research about, how the state is constrained in executing its strategic intentions, including by negative externalities of party-state capitalism itself. Principally, the earlier era of state capitalism in China was characterized by a rough alignment of interests among the state, local officials, and firms who all pursued economic growth and, frequently, personal prosperity.[83] In the context of China's growing global economic footprint and emphasis on regime security, party-state capitalism may threaten this alignment of interests, complicating implementation of economic policy and producing conflict between firms and the state. In what follows, we identify two sources of constraints on state power—China's global engagement and domestic state-business relations—and discuss relevant scholarship and future directions.

Constraints of global engagement

The difficulties of ensuring alignment between state goals with those of firms, including state-owned ones, have been exacerbated by the CCP's ambitious internationalization efforts and integration in the global economy. Recent research on Chinese firms abroad has concluded that the actions of all types of Chinese firms beyond PRC borders are imbued with political import but increasingly complex and difficult to control.[84] A hallmark of Xi's global efforts is the Belt and Road Initiative to foster connectivity and develop infrastructure across the globe. SOEs

[82] Mann 1984.
[83] Ang 2020, Dickson 2008; Wedeman 2012.
[84] Norris 2016; Lee 2017.

can take advantage of preferential policies to take excessive risks with the knowledge that the state will bail them out,[85] or pursue their own profits in ways that may compromise the state's foreign policy goals. A high-profile case of the state-owned telecommunications systems and equipment giant ZTE illustrates such challenges. ZTE worked at the behest of the Chinese government to sell sanctioned technology to Iran and North Korea. But when sanctions were threatened by the US government, market logic forced ZTE into compliance to protect its access to US supply markets.[86] Firms deeply reliant on global value chains in goods and services are subject to a market-driven mechanism that may – and did, in the ZTE case – compromise the party-state's objectives.

Aligning the interests of private businesses with the party-state can prove equally complex. Some firms with political connections have implied closeness to the state to secure advantages in global markets. CEFC China Energy, a privately-owned company, associated itself with China's promises to bring connectivity and growth to Eastern Europe.[87] However, its enmeshment in the Czech Republic's domestic politics triggered a backlash against Chinese influence. The company's chairman was detained in China after his associate was arrested in New York on bribery charges, and the company fell into state receivership with $15 billion in debt.[88] Other companies have similarly made use of the state's internationalization push to expatriate assets. Since 2015, the CCP has regularly issued regulations against outward FDI in

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[85] Shi 2015; Jones and Zeng 2019.

[86] ZTE's Axon M smartphone sources 60 percent of its components from US suppliers, and most of the rest from other foreign locations, rendering it vulnerable to US and other counter-sanctions (Davis, Strumpf and Wei, 2018). Made in China 2025 and technology-focused industrial guidance funds are efforts to counter this vulnerability.

[87] Garlick 2019.

[88] Barboza et al. 2018; Stevenson et al. 2018.

certain sectors and defended its currency as capital outflows threatened both macroeconomic stability and its push to globalize.

Ultimately, the global activities of domestic firms can, in the words of a new state office charged with monitoring them, "disrupt foreign economic cooperation…or harm China's reputation."[89] Chinese firms develop relationships with foreign firms and host governments as they deepen their international ties. These complex sets of relationships can themselves create new political preferences and influence geopolitics.[90] As McNally (2012) notes, China's re-emergence as a major player in international political economy marks the first time in centuries that such a player "espouses values, international viewpoints, and domestic institutional arrangements and power relations that are fundamentally different from those characterizing the dominant Anglo-American model" (p. 745). Further research on China's growing global engagements should attend to the very dynamic domestic arrangements and examine the ways in which the internationalization of party-state capitalism can both undermine and embolden the state under different conditions.

State-business relations in party-state capitalism

Charles Lindblom (1977) observed that all governments depend on economic actors to provide jobs, growth, innovation and other things that states value. While Lindblom focused on the power of firms in democratic market systems, this insight also applies to state capitalist systems, even in the context of a Leninist regime focused on the party-state's centrality.

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[89] Zhang and Glenn 2017.
[90] Abdelal 2015; Hirshmann 1945.

"Reciprocal dependence"[91] underlies state-business relations in contemporary China: the state still relies heavily on non-state investment and economic activity by firms and business elites who wield significant power.

This reciprocal dependence, which from the point of view of political control by Beijing is a longstanding principal-agent problem, has been well-documented in the study of Chinese politics.[92] Under party-state capitalism new agents, created especially through financialization mechanisms, reside outside of that system and dissipate the party state's personnel control. The majority of capital in the new industrial guidance funds are sourced and managed at provincial and municipal levels, or by non-state actors.[93] China Minsheng Investment Group is a prime example. Founded in 2014 by over 50 private companies that invested $75 billion,[94] Prime Minister Li Keqiang gave it the imprimatur to be "the Morgan Stanley of China" and invest in strategic sectors. Bad management and outright corruption ensued. Within five years, China Minsheng accrued over $45 billion of debt, and had to be rescued by the PRC State Council.[95]

Another site at which we observe this structural power of firms is when their activities seem in conflict with the party-state's prioritization of stability and focus on risk mitigation, frequently ensnaring the state in the financial problems of even non-state firms. Overly-indebted, large private companies have been described as "grey rhinos" that pose systemic risk to the country's banking system.[96] By virtue of their size, complexity, and potential disruptive

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[91] Culpepper 2015.
[92] E.g., Cai 2014, Li and O'Brien 1999; Lin 2017; Tan 2020.
[93] Naughton 2019.
[94] CMIG n.d.
[95] Chen and Rithmire 2020.
[96] Almanac of China's Banking and Finance 2017; Gao 2020.

power, these firms constrain the state's autonomy and exist in what Lowi called "a state of permanent receivership."[97] Anbang Insurance Group, for example, was nationalized in 2018 following trophy acquisitions that included the Waldorf-Astoria Hotel.[98] Other huge private firms such as HNA Group (owner of Hainan Airlines) have similarly been accused of acting recklessly abroad. Concern about these threats to financial health and China's international image have thus pressured Beijing to discipline such conglomerates and assume responsibility for their excesses.

Like other "state capitalist" and indeed capitalist political economies, China has its share of extraordinarily wealthy individuals and powerful firms, both of whom can threaten the state and limit its autonomy. Regardless of whether oligarchs accrue their wealth through party-state connections or not, they have strong incentives to defend that wealth,[99] a practice that frequently conflicts with the policy goals of the party-state itself. For example, several pilot programs to tax residential real estate have failed over the years despite its potential benefits for state revenues. In addition to threatening the material interests of real estate developers and their local government allies, such a property tax would require officials to declare their assets.[100]

[97] Lowi 1979.
[98] Hancock 2018.
[99] Winters 2011.
[100] Cho and Choi 2014. More sensationally, the CCP has recently moved against several high-profile capitalists, some of whom (such as Ren Zhiqiang, who criticized the handling of COVID-19 and Xiao Jianhua, a former "banker to the ruling class") remain in state custody and others (such as Guo Wengui, who recently joined former Trump advisor Steve Bannon in attempts to oust the CCP from power) have sought exile abroad. All three entrepreneurs were once thought to have close ties to the party and political elites. Their turns of fate highlight the ways in which party-state capitalism can pit business and political elites against one another, ushering in a new era of relations between capital and the state.

Lastly, we recognize that Chinese companies– whether state or private, at home or overseas – may successfully cultivate state actors to work on their behalf. Arthur Kroeber (2016) cites a phrase popular among Chinese citizens and officials: “There are no state-owned enterprises, only an enterprise-owned state” (p. 104). Although this may be an exaggerated depiction, we concur with the underlying insight: just because the state has a large role in the economy does not eliminate the possibility that business interests may capture elements of the policy making and implementation process. Indeed, the report that over 95 percent of “officially defined large private companies” have CCP connections indicates a measure of mutual dependence and vulnerability.[101] While this paper emphasizes the extension of state capitalism into party-state capitalism, various forms of “capital” retain the driving logic of capital—its accumulation.

Conclusion

During World War II, German social scientist Friedrich Pollock’s (1941) essay, “State Capitalism: Its Possibilities and Limitations,” inspired a strand of debate that seeded the Frankfurt School of critical theory.[102] Identifying “state capitalism” as the historical successor to “private capitalism,” Pollock differentiated between democratic and totalitarian variants, and described the latter as follows:

> Under a totalitarian form of state capitalism, the state is the power instrument of a new ruling group, which has resulted from the merger of the most powerful vested interests, the top-ranking personnel in industrial and business management, the higher strata of the state bureaucracy (including the military); and the leading figures of the party’s victorious

[101] Yan and Huang 2017, p. 38, nt. 7.
[102] Gangl 2016.

> bureaucracy. Everybody who does not belong to this group is the mere object of domination (p. 96).

Deliberating in the context of trends in continental Europe's political economy, founding members of the Institute for Social Research associated the erosion of "monopoly capitalism" with the politicization of economic relations.[103] Herbert Marcuse (1998[1942]) contended that the modern state was conceived to be separate from society, "*non*-political and subjected to its own laws and standards" (p. 70). Under National Socialism in Germany, however, Marcuse observed elimination of the "rational division of functions between the state and society" (p. 71), such that "economic expansion must not only be supplemented, but superseded by political expansion and domination" (p. 74). These anxieties endured and deepened among critical theorists even after the defeat of fascist regimes.[104]

While steeped in normative theory, this earlier exchange over the implications of state capitalism/fascism offers comparative historical insight into dynamics underlying the transition from one type of capitalism to another. Pollock and his peers bore witness to profound empirical changes in state-society and political-economic relations. "Fascism," an Italian term, emerged in the particular historical context of inter-war Europe, although many saw it as a result of "the general crisis of capitalism."[105] By the same token, the emergence of party-state capitalism in contemporary China marks a tangible shift from its preceding and more familiar form of state capitalism. To be sure, many elements of state economic intervention in China—for example, financialization, principal-agent problems, and the structural power of capital—

[103] Sperber 2019.
[104] Gangl 2016.
[105] Bukharin 1934.

can be understood in general terms in the research agenda on comparative capitalism.[106] We argue, however, that the CCP's prioritization of politics in its economic interventions is a significant break with its own past practices and with state capitalism elsewhere, involving novel means of intervention and new agents and partners. Moreover, this fundamentally political mandate to promote the CCP's survival extends beyond the territorial borders of mainland China, commanding compliance with party-defined boundaries of politically acceptable discourse and economic behavior. What we term "party-state capitalism" has created its own effects worthy of empirical and theoretical inquiry.

Indeed, just as inter-war fascism, post-war embedded liberalism, and neoliberalism created political dynamics that undermined their sustainability, party-state capitalism is generating relational shifts inside the state and with social forces that may constrain state power. State encroachment on markets and the private sector has long been a hallmark of China's state capitalism, and this paper has catalogued the party's intensification of control mechanisms since the late 2000s. Yet the "capitalist" side of "state capitalism" merits equal attention by scholars of comparative political economy. We have suggested various ways in which firm interests, now often intertwined with those of the state, may prove dominant and capture state interests as in classic liberal capitalist systems.[107] The Leninist state may deploy both traditional and technology-enhanced tools to assert its dominance. Nevertheless, insofar as China's party-state relies on economic actors for social control, for cooperation in

[106] McNally 2019.
[107] Huang and Chen 2019.

governance, and even legitimacy, the study of power dynamics between state and capital will remain relevant.

Ultimately, the PRC has presided over a system with markets for the past four decades, longer than the preceding decades of revolutionary mobilization under Mao Zedong's rule. As domestic growth declines, the party-state's pursuit of "going out" through grand visions such as the Belt and Road Initiative represent efforts to demonstrate the country's economic prowess and create new markets. Leaving aside ideological judgments about whether those policies constitute imperialism or mercantilism, China's global economic activities are often assumed to be state capitalist with the emphasis on serving national interests. Although we have delineated multiple empirical instances of why it is misguided to conflate the interests of the regime with that of its economic actors (regardless of ownership type), the robustness of such perceptions should be taken seriously. The backlash against Chinese capital—whether state, private, or hybridized—has mixed implications. On the one hand, anti-Chinese sentiment and protectionism could incentivize realignment among businesses across ownership categories in a nationalistic manner. On the other hand, the impulse for continued capital accumulation among all economic actors regardless of ownership type has already created centrifugal forces that are not readily reversed.

While this dilemma resonates in part with that faced by late industrializers during the 1930s, we reserve judgement about history repeating itself. The present relationship between state and capital in contemporary China does not map well onto pre-existing analyses of either the capitalist state or state capitalism because the identities and interests of state and capital are less distinct and dichotomous than expected in the study of comparative political economy.

China's party-state is not driven to ensure the survival of capitalism as an end in itself, but rather, vested in preserving authoritarianism under the leadership of the Chinese Communist Party. Meanwhile, China's capitalists are opportunistic and pragmatic, both commercially and politically, domestically and globally. The transition of state capitalism into party-state capitalism in China has evolved in a manner that obfuscates the boundaries between state and capital, while posing constraints on the autonomy of both. These tensions merit further analytical and empirical exploration.

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