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The oligarchy in China: a case study of China's electricity industry, 1978-2013

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Summary

This thesis records research into the oligarchy in China from 1978-2013. In it, I study how an oligarchic power structure affected the formation of an oligopolistic market structure and how oligarchs interacted with oligopolies to effect a change of authority in this formation.

I propose the “politics of oligarchy” to describe a government or constitution ruled by a few, especially wealthy, persons, serving their own interests. Empirically, the oligarchy has three institutional characteristics: embedded, destructive, and temporal. These characteristics form three perspectives to observe the oligarchy in China from 1978-2013. Under these perspectives, the politics of oligarchy focuses on explaining the relationship between oligarchy and oligopoly. In explaining it, I argue that oligopoly arises when political oligarchs appropriate Leninist corporatism. As they appear, oligopolies interact with oligarchs. Because of this interaction, political oligarchs and economic oligarchs coexist and are co-dependent; they interlock to capture the state. To capture it, Leninist corporatism is used by political oligarchs to mobilize support from economic oligarchs to contend for political power. Thus, oligopolies are formally and informally institutionalized to serve a political end. In this process of institutionalization, a kind of governance was formed under the key reformer Deng Xiaoping and then his successors.

For China’s electricity industry, I empirically prove this politics of oligarchy by showing that China’s marketization over 30 years (1978-2013) is not wholly but partly a political process of institutionalizing oligopolies. In this process, an oligopoly is shaped by an oligarchy which is also inversely shaped. On the one hand, oligarchy shapes oligopoly. How political power is arranged determines how oligarchs create and allocate rent. Then the latter determines how oligopolies are institutionalized. This is a process of how to pick winners. On the other hand, oligarchy is also inversely shaped by oligopoly. That means how oligopolies are institutionalized inversely affects how political power is arranged. It happens when institutionalized oligopolies affect rent production patterns. The latter constitutes an agency for economic oligarchs to be able to serve political oligarchs to contend for political power. This is the process of how the winners can be selected. Both approaches share an exchange among oligarchs: rent is exchanged for loyalty. This exchange helps oligarchs to achieve a competitive edge and carry out a series of ad hoc strategies to succeed both in politics and the economy. When this happens, the state and the market interact with each other.

During this interaction, a dominant coalition is essential for the oligarchs to cooperate to capture the state. It is a product of the interaction between the two forces, each comprising operations in opposite directions: centralization vs. decentralization, and nationalization vs. privatization. The dominant coalition is achieved by combining ministries, separating ministries, cohesive supervision, and direct supervision. In politics, it presents itself as a governing instrument. It facilitates governance. Then governance occurs because of adaptation to the interaction between the state and the market in an institutional context. In the economy, it roots itself in a rent chain. This rent chain can be created within Leninist corporatism. It channels the rent from the Tiaokuai structure into that of the oligopoly. Therefore, the dominant coalition is set in Leninist corporatism but active in the oligarchy.

Within this dominant coalition, political oligarchs and economic oligarchs are interlocked. When the interlocked oligarchs capture the state, the relationship between the oligarchs and the state will be realized. For example, in China's electricity industry, Li Peng formed a dominant coalition of coal, electricity, and transportation (*mei dian yun*). As core infrastructure, the energy grid is critical. Then, Li carried out the Three Gorges Transmission Project and unified the scattered regional grid into a compact national network with several 500 kV transmission lines. Except for the physical grid, this dominant coalition possessed formal patron-client relationships and all kinds of informal relationships of *guanxi*, such as kinship, friends, and workmates. It then provided Li and his family with rent to mobilize support. It helped Li seize political power and sustain his influence on China's electricity industry for over 30 years. It also helped his son Li Xiaopeng succeed as a businessman and a government official. This is shown in the case study of Luneng Group and the Three Gorges Project, and that of China Resources and the UHV technology. Policymaking in China's electricity industry (1978-2013) was characterized as an oligarchic oligopoly because the state was captured with interlocking oligarchs. Therefore, further marketization in China must tame oligarchs to tackle the interlocking problem.