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Commanded Capitalism

A Study of the Beijing Financial Street

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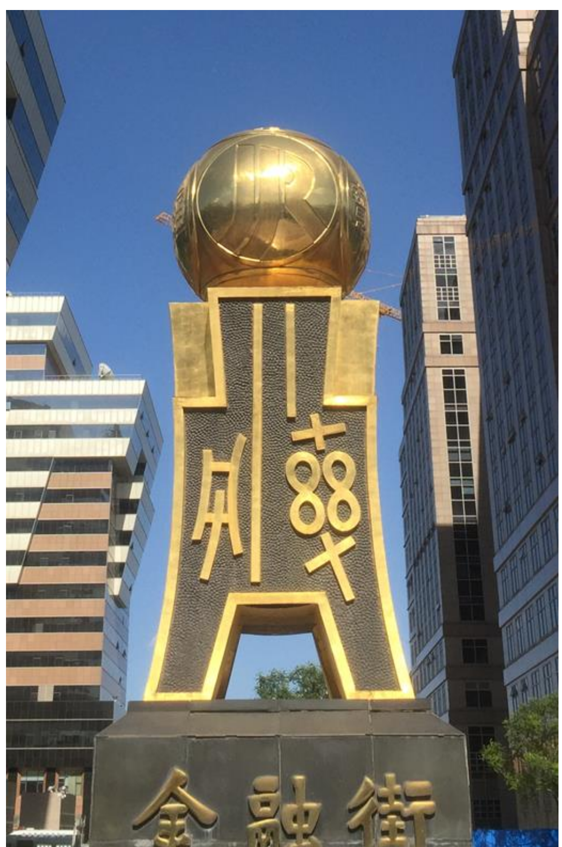
Centre for Cultural Studies



I Mark Fitzgerald hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: M. Fitzgerald

Date: 25/05/2018

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Abstract

China's economy continues to fascinate. For some time now, it has been the focus of a discourse centred on the nature and implications of the phenomenon of Chinese state capitalism. Much of the research on this phenomenon has highlighted the country's industrial sector. However, another distinctive yet comparatively under-researched characteristic of contemporary Chinese state capitalism is its financial system. Although the basics of this system are widely understood, the specifics remain very much a black box. In what follows, I position Beijing's financial centre as a scholarship void that that will provide grounded insights into this lacuna in our understanding of a particular aspect of state capitalism in China. In particular, this study focuses on the Beijing 'Financial Street' (*jinrong jie*; 金融界). Drawing on a strand of economic sociology that focuses on institutions, networks, social capital and culture, the financial centre is seen here as a setting supporting a central component of China's model of economic model. This setting is characterised by a networked hierarchy of firms constitutive of the commanding heights of the country's financial system. In turn, this networked hierarchy is shown to be embedded and configured according to larger, more elaborate networks inclusive of the party-state. It is argued that the organisational structure of Chinese state capitalism in the Financial Street takes the form of a *political financial industrial complex*, which differs from the popular image of financial centres as spaces of globalised capital flow.

Financial centres are phenomena of our time. They are the organisations according to which the economic landscapes of capitalism are configured. Whilst what is written here may be read as an attempt to bring the financial centre back down to earth, to ground it in a sustained scientific inquiry, this thesis is also meant to fit into the broader field of multiple capitalisms research. As a focal point for state capitalism, studying the Beijing Financial Street can tell us how China's particular brand of capitalism is being constructed. It provides a window into some of the mechanics of Chinese economic development. This is important for deepening our knowledge and understanding of the nature of capitalism in general.

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List of Abbreviations

ABC	– Agricultural Bank of China
AIIB	– Asian Infrastructure Investment Bank
BFSHI	– Beijing Financial Street Holding Company Ltd.
BFSIG	– Beijing Financial Street Investment Group Co. Ltd.
BOC	– Bank of China
BOCOMM	– Bank of Communications
CADF	– China-Africa Development Fund
CAE	– Chinese Academy of Engineering
CAS	– Chinese Academy of Sciences
CASS	– China Academy of Social Sciences
CBD	– Central Business District
CBEX	– China Beijing Equity Exchange
CBRC	– China Banking Regulatory Commission
CCB	– China Construction Bank
CCP	– Chinese Communist Party
CDB	– China Development Bank
CCDI	– Central Commission for Discipline Inspection
CDI	– China Development Institute
CEB	– China Everbright Group
CIC	– China Investment Corporation
CICC	– China International Capital Corporation
CIRC	– China Insurance Regulatory Commission
CFELSG	– China Financial and Economic Leading Small Group
CFETS	– China Foreign Exchange Trade System
CFFEX	– China Financial Futures Exchange
CFWC	– Central Financial Work Commission
CHI	– Central Huijin Investment Co. Ltd.
CKGSB	– Cheong Kong Graduate School of Business
CMG	– China Merchants' Group
COD	– Central Organisation Department of the Central Committee
CPS	– Central Party School
CSFC	– China Securities Finance Corporation
CSRC	– China Securities Regulatory Commission
CSTS	– China Securities Trading System
CYL	– Communist Youth League
DCE	– Dalian Commodities Future Exchange
DIT	– Discipline Inspection Team
DRC	– Development Research Centre
GAWC	– Globalisation and World Cities Research Network
GCR	– Greater China Region
GFCI	– Global Financial Centre Index
GJS	– Guotai Junan Securities
HKEX	– Hong Kong Exchange
HSBC	– Hong Kong and Shanghai Banking Corporation
ICBC	– Industrial and Commercial Bank of China
IMF	– International Monetary Fund
LSE	– London School of Economics
MOF	– Ministry of Finance
MOST	– Ministry of Science and Technology
NASDAQ	– National Association of Securities Dealers Automated Quotations
NBS	– National Bureau of Statistics
NCSSF	– National Count for Social Security Fund
NDRC	– National Development and Reform Commission

NEEQ	– National Equity Exchange and Quotations
NET	– National Electronic Securities Trading system
NIFR	– National Institute of Financial Research
NJSCB	– National Joint-Stock Commercial Banks
NSSF	– National Social Security Fund
PBC	– People's Bank of China
PICC	– People's Insurance Company of China
PRD	– Pearl River Delta
PSBC	– China Postal Savings Bank
SAC	– Securities Association of China
SAFE	– State Administration of Foreign Exchange
SASAC	– State-owned Assets Supervision and Administration Commission
SATS	– Shares Agency Transfer System
SHFE	– Shanghai Futures Exchange
SFFE	– Shanghai Financial Futures Exchange
SOM	– Skidmore, Owings and Merrill
SSE	– Shanghai Stock Exchange
SSF	– Social Security Fund
STAQ	– Securities Trading Automated Quotation system
STMA	– State Tobacco Monopoly Administration
SWA	– Sasaki, Walker and Associates
SZSE	– Shenzhen Stock Exchange
TPEX	– Taipei Exchange
TWSE	– Taiwan Stock Exchange
UN	– United Nations
WTO	– World Trade Organisation
YRD	– Yangtze River Delta
ZCE	– Zhengzhou Commodity Futures Exchange

Introduction

China's economy continues to fascinate. For some time now, it has been the focus of an entire army of scholars, politicians, and businessmen in- and outside China, who are variously intellectually positioned vis-à-vis the country's future and what it might mean for the rest of the world. In one way or another, most of the research produced by these figures has had to do with the nature and implications of the phenomenon identified most generally as Chinese state capitalism. Chinese state capitalism and the various manifestations-there-of has been the most consistent theme underlying and running through the critique of China since the beginning of the country's reform era. As it appears to present a new type of capitalism, it poses a whole range of questions for the disciplines, including those disciplines that historically have had very little to do with East Asia. Despite the huge amount of literature that has emerged concomitant with China's economic rise, however, the features and operations of this economic system and its functions are still poorly understood. Whilst theories of state capitalism are numerous, *Chinese* state capitalism is still in the early stages of its development and we are still far from knowing all there is to know about how this system currently takes form, let alone how it might ultimately look in the future. The multitude names given to describe the 'China model' of Asian economic development would alone seem to attest to this fact.

Much of the research centred directly on the subject of state capitalism in China has highlighted the country's industrial sector, i.e., the field of enterprises engaged in material production, and the key role played by around 100 massive, central state-owned and run enterprises as one of its most distinctive and significant characteristics. This is not incorrect. However, another, likewise distinctive yet comparatively under-researched characteristic of contemporary Chinese state capitalism is its financial system. This system itself is characterised by an equal, perhaps even greater number of state-controlled entities, which form a complex corporate world composed of banks, asset management and securities companies, and insurance and reinsurance companies. At the centre of this group, the banks dominate. With the exception of the US, where the financial system is dominated by thousands of non-bank financial institutions and financial markets, a similar thing can be said of most other developing and developed countries' financial systems, where the economic realm is often led implicitly by a central bank and underpinned by a plethora of commercial banks that, as highly diversified intermediaries *par excellence*, provide the foundations for financial life. What truly separates China's banking sector from the banking sectors of these other countries is: (1) the rather more visible and formal interventionist role played by the central bank (which for example explicitly sets the minimum and maximum interest rates for loans/deposits), and; (2) its high concentration in a monopoly composed of around a dozen or so gigantic state-controlled commercial banking institutions. Something peculiar to the Chinese system of finance is also its triad of specialized state regulatory agencies, by which the regulatory environment can be characterised by both competition (between each regulatory agency) and cooperation (between each regulatory agency and the financial entities that fall into its jurisdiction). Of course, one of the most significant things that sets China's financial system apart from those of most other countries and, in particular, the so-called 'global' financial network of the developed world, is ownership and control by the state.[1] The state is the principal actor within China's financial system. It is the organisational power underlying the entire setup.

Although its basic features are by now more or less known, China's financial system – particularly its organizational structure and the composition of the governance regime that surrounds the network of its state-controlled institutions – is still very much a black box. It is hard to analyse for two reasons. Firstly, because of the speed of China constructing capitalism, which is marked by frequent, major changes in the structure and regulation of the country's financial world and which makes this world more liable to impressionistic accounts of it as opposed those grounded in empirical detail. Secondly, it is because China's financial system is highly opaque. It is a closed system in that it is has been purposely walled-off by the Communist Party of China, which is the sovereign enshrined in both the country's constitution and in the state apparatus encasing the system as a whole. Despite it's incorporated, i.e., 'public', nature, it is therefore not as open to the same depth of investigation as might be possible in other countries. Consequently, the complexities and internal workings of this financial system have remained largely hidden and are not readily understood even within China. In fact, the system's opaqueness should probably be added to the Chinese financial system's list of defining features; and it is a feature that has perpetuated a mass of generalisations about what lies beyond the veil. Vis-à-vis the world of Chinese finance, we know that the Chinese financial system is there, but we also don't know. It is something of a lacuna in the world of China-oriented scholarship.

In what follows, I position Beijing's financial centre as a scholarship void that that will provide grounded insights into this vacuum in our understanding of an aspect of state capitalism in China. The Beijing finance centre is centred on the city's 'Financial Street' (北京金融街) and the district in

[1] It is recognised that this is not necessarily a characteristic unique to China. Countries like Russia and Venezuela as well as many developing Asian economies historically have financial systems characterised by high levels of state ownership and control. The comparative differences between the financial systems of these countries and the financial system in China runs to overarching questions about the different types of roles played by the state in capitalism, theories about which are the root of the concept of state capitalism itself.

which the Financial Street is located (西城区).[2] It is home to around 1,700 financial institutions and over 200,000 financial professionals, within which number the district's character is must fully expressed by a corporate group of around 170 large and super-large financial institutions. Almost all of these are controlled by the state. Furthermore, they are not only state-controlled but *central* state-controlled, which makes a big difference. It means that the network of financial institutions that compose this corporate group can be seen positioned at the apex of China's hierarchical political economy of finance. Like the financial system as a whole, banks also dominate within this network. The Beijing Financial Street is predominately a centre of banking. All of China's major state-controlled banks are headquartered there. The vast majority of the firms that make up the other parts of the financial sector within this network are also the headquarters of their respective institutions and sit at the top of their own internal corporate organisational hierarchies. The district is also home to the head offices of the state's financial regulatory apparatus, including those of the central bank, the trio of state regulatory agencies, and a plethora of less well-known but incredibly powerful vice-ministerial- and ministerial-level entities. Aside from serving as the base for all these headquarters, the Beijing Financial Street is also the centre for China's rapidly expanding over-the-counter (OTC) market for stocks and bonds and their exchange-platforms. Altogether, it has two exchanges, but the second can be broken up into more than a dozen smaller exchanges and is also one-third of a multi-province umbrella exchange forged by a regional equity trading agreement signed between Beijing, Tianjin and Hebei (i.e., the Beijing-Tianjin-Hebei Equity Market Development Alliance). Lastly, the Beijing Financial Street is also the site for a number of Sino-joint ventures established between the state and some of the world's most significant multinational financial corporations (e.g., Morgan Stanley, Goldman Sachs, CITI, HSBC, etc.).

Whilst the Chinese financial system is made up of more than just the entities located in the Beijing Financial Street, there are a few, excellent reasons why this institutional complex should be studied and studied now and before other financial centres like, for example, the financial centres of Shanghai or Shenzhen. The first of these reasons has most importantly to do with its significance in the national economy. It is a major part of it. The central bank and the five large commercial banks based there alone manage over RMB110 trillion in assets, accounting for 47% of the assets of the financial sector as a whole (PBC, 2016: 203).[3] Since this doesn't include all the various other state-controlled financial institutions headquartered there, most of which are relatively smaller but, by international standards, still absolutely massive, the actual share of financial assets collectively

[2] In pinyin, *beijing jinrong jie, xicheng qu*.
[3] Data is for the 2015 YE.

managed by the Beijing Financial Street complex is likely to be much, much higher. Secondly, I mentioned that these institutions are positioned at the heights of China's financial system. This is not just because they own and control the lion's share of the country's financial assets. Their ownership and control over such wealth is in the first place a result of their having been formally designated as 'key national financial institutions' and purposely positioned as such at the top of country's state-controlled financial pyramid. In this sense, they also evince most fully the nature of finance capitalism in China. Outside China, they are the global face of this model of Chinese financial power. Many of them now appear frequently on and dominate the top spots of the Fortune Global 500. Of the army of intellectuals I mentioned earlier, many are positioned very much around questions about what implications entities like those headquartered in the Beijing Financial Street will have for the rest of the world in the future (e.g., Fishman, 2006). If this is not enough to rationalise the chosen course of study, then finally, the Beijing Financial Street is now plays host to the headquarters of the recently formed Asian Infrastructure Investment Bank (AIIB). China is no longer just the world's workshop; it is now trying to build workshops, or the bits of infrastructure to support them, all across the globe. The AIIB is part of this global construction effort. It is a major financing vehicle for the so-called 'One Belt, One Road' initiative to revive the old Silk Road and maritime trade routes that once composed the global economic network of the ancient world. Through its activities as an international investor and an issuer of RMB-denominated bonds, the AIIB is also playing a role in China's project to internationalise the Chinese *yuan*. The Beijing Financial Street can therefore be seen to be doubly-significant on the world stage. It is becoming a player in the world stage's direction.

Similar to the task currently engaged in by other students of China, the task here has been defined as one aimed at unpacking some of the mysteries of Chinese state capitalism. The plan here is to focus on the corporate group headquartered in the Beijing Financial Street as a novel way to do so. As a financial centre housing the core of the financial sector connected with the Chinese party-state, the Beijing Financial Street is an ideal unit of analysis. The high concentration of major state-controlled financial firms in the area (in fact in an area the size of about 40 square kilometres) represents an opportunity, a window, through which China's financial system might be studied. By looking at the Beijing Financial Street, it is possible to get beyond impressionism to gain a better, more empirical understanding of how the country's financial system is constructed, how the network of its financial institutions is organised and structured, how it operates, and what its principle functions are or are meant to be. My analytical focus here is not an attempt to say something about the efficacy of these national financial institutions or this sector of the country's financial system. It is not meant to resonate with the (largely Anglo-American and European) band of academics who approach China from the standpoint of a *lack* – a lack of efficiency, a lack of productivity, a lack of legal protections for investors, economic rights, etc. - and who would appear either implicitly or explicitly to favour and support the idea of a neoliberal China (although it does touch on some of these issues). Nor is it an attempt to defend China's state-controlled financial enterprises and the China model of financial economic development. Generally, this thesis is not about how things *ought* to be, but how things *are.* At its root, it is then fundamentally about order: the order of individual and institutional actors in the Financial Street, these actors' actions and behaviour, their connectedness and the contexts in which the relations between them take place, and the rules and procedures that govern these relations. It is also about power, particularly the political-economic framework of power in which the Beijing Financial Street's order of finance is embedded. In this respect, this thesis touches particularly on the political forms of organisation of economic life in China.

In the most immediate sense, the insights I provide into the world of Beijing's financial centre are meant as a contribution to the sociology of finance, which is part of an emerging body of academic research oriented toward the serious study of a subject historically cornered by the economist and the opaqueness of the economist's profession. It speaks to and has been inspired by the idea that economies are 'socially rich: full of "social stuff" that can and must be studied' (Arnoldi, 2007: 91). Of course, this idea and a whole host of other ideas that underpin and serve collectively as the intellectual foundations of the work produced here can be seen extending from the field of economic sociology more generally, particularly from the work of people like Mark Granovetter and Harrison White. Otherwise, the approach here has been inspired by some of the current work of Scott Lash – my principal supervisor – and notions of the 'substantivist economy' from Karl Polanyi that have influenced him. My approach has also been tempered by the interventions of political theorist, Michael Dutton, who has applied his expert knowledge on China to a thorough lashing of some of the wild claims that otherwise might have appeared here. Finally, what has been written here has beneath its foundation been inspired by the general substantivism found in the work of the philosopher, Georg Simmel, especially in his *Philosophy of Money*. On an abstract, philosophical level, one can see this thesis as essentially being about the centres of exchange in which the forms of economic life are embedded. It is about the design of the promise, or the architecture in which promises are exchanged, if promises can be said to be the lifeblood of finance.

Whilst what is here may prove to be a useful resource for anybody interested in financial centres, perhaps particularly the geography of financial centres in China, it is also meant to fit into the broader field of multiple capitalisms research. The Beijing Financial Street is not only a powerful prism through which to capture and understand a finance centre, it is also key to understanding a crucial aspect of Chinese state capitalism. As an entity constitutive of the commanding heights of the country's financial system, it can tell us how China's ascendant political economy is being constructed. It can provide detail into the mechanics of Chinese economic development. Ultimately, this thesis is about finding a logic, a key explanan to the castle of Chinese capitalism.

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The pages of this thesis are arranged in a series of eight chapters, with what I hope is a sufficient amount of signposting along the way. Each of these chapters deals with a different aspect of the Beijing Financial Street, namely in terms of the different institutions of which it is made up. The order of progression of each chapter is meant to move the reader theoretically and conceptually from an understanding of the financial centre as an outgrowth of the market to an understanding of the financial centre as *constructed* from a depth of social and political complexity. With this in mind, the order of progression of these chapters is as follows.

The first chapter of this thesis positions the Beijing Financial Street not just within the literature, but within the geography of finance and financial centres in China. It lays the groundwork for this thesis by first of all defining what a financial centre is and how financial centres are formed, before going on to identify the most important financial centres in China and in what we might perhaps call controversially the 'Greater China Region'. Within the geography of financial centres, the Beijing financial centre is positioned as part of a regional network composed of the financial centres of Shanghai, Shenzhen, and Hong Kong, as well as Taipei and a number of smaller, still emerging financial centres on the mainland including, but not limited to, Dalian, Guangzhou, Tianjin, Qingdao and Zhengzhou. Within this network, the Beijing financial centre is positioned as an empty space: a void that has never received any significant attention from the academic community and has never been researched in any depth or detail outside or inside China. It is, one could say, a complete an utter black hole in our understanding. What is written here constitutes the first sustained engagement with this black hole, with a view to shedding as much light on it and mining and presenting as much information from it as possible. Compared with what has come before it, it is also an attempt to study something that, historically, has been eclipsed by studies of Shanghai, Hong Kong, and the rapidly developing south.

The second chapter in this thesis is a continuation of the first. Drawing on a particular strand of economic sociology that focuses on institutions, networks, social capital and culture, it moves critically from the market-based methods of approach employed in the existing studies on financial centres discussed in chapter one to develop a different methodology based on substantive economics. Based on a substantivist notion of economy, the financial centre is then redefined as a cultural complex constructed not only of the economic, but exchange as a form of life and of social interaction generally encompassing the full content of a definite society. The rest of this chapter then details the method and process by which I have tried to fill out this cultural concept of the financial centre and its content in Beijing. My capacity to explore the Beijing Financial Street in this sense has been the result of unique access. My actual enquiry into the Beijing Financial Street then took the form of two-year period of sustained ethnographic research studying its institutions and interviewing some of the financial professionals who work there. This was complemented by an equally if not more lengthy and intensive engagement with secondary source-material. It is from the combination of both these methods that the mass of empirical data on which this thesis is based has been drawn, collected and presented throughout various chapters.

China constructing capitalism is China constructing the urban. Chinese capitalism has become a force for the spatial restructuring of the city (Keith et al, 2013). Chapter Three contextualises the rise of the Beijing Financial Street as part of the new urban economic-spatial dynamics in Beijing. It looks at how the financial centre complex came to be physically formed as an architectural design project planned and executed by the city. Such studies which root the study of finance within a more material construct of space are rare. Here, I present the project to build the Financial Street as a *national* project illustrative of a process of multi-level state capitalism, in which the capacity to realise urban form reflects the cumulative outcome of intense, long-term relations between the central state, local government and financial interests combined with architectural and planning practices and the transfer of knowledge from the West. This process is contextualised within the matrix of social and economic reforms post-1978. This chapter is therefore unique in that it looks at the financial centre in an aspect not usually covered by most of what gets written on the subject, whilst also contributing to knowledge on the urban structure of Beijing.

If Chapter Three examines the way in which the Financial Street was constructed, then Chapters four, five and six examines its content as a container of institutions and people. Chapter Four in particular looks at the Beijing Financial Street from a network perspective. It looks at who the main institutional actors in the area are, who owns them, how they are related and connected to one another, and how the state is structured into these relationships. It pictures the Financial Street as a pyramidal business group composed of sets of interlocking institutions positioned at the apex of China's political-hierarchical economy of finance. Using an analytical construct developed by Lin & Milhaupt (2013), it then proceeds to dissect and discuss the components of this political economy. The Street is illustrated as being composed of a descending hierarchy of Party, state and commercial organisations. The comZmercial core is composed almost exclusively of the parent companies – the headquarters and head offices - of massive, state-proximate and/or state-supported corporate groups, in particular a group of 16 key national financial institutions. These groups are also networked together into larger systems of industrial organisation – financial industries in turn controlled by the state. They are also linked inter-industrially into networks of both competition and cooperation spanning different types of financial activity. From here, the remainder of the chapter considers the Financial Street as a complex encompassing more than just sum of its parts, as an economy of scale and scope manufactured at the level of state.

Much of what distinguishes Chinese state capitalism from other types of capitalism is the way in which it operates by involving commercial corporate groups into larger networks inclusive of the party-state. The purpose of Chapter Five is then to look at these larger political networks in which the Financial Street corporate Atlas is embedded. Such embeddedness is understood to take the form of institutional bridging, of which there are two types: vertical and horizontal. Such types of institutional bridging are in the Financial Street characteristically a function of: 1) business associations; 2) equity ownership based on a controlling shareholder regime; 3) party-state institution-administered governance (red governance), and; 4) a political-administrative hierarchical ranking system. What is particularly striking is the way in which the Party can then be seen through these forms of institutional bridging to sit organisationally centre-stage and everywhere within the district's firm-network. It is an organisational power. Like a spider, or a clutter of spiders, the party-state moves variously along the web of the Financial Street's complex of institutions, exercising control over flows of money, assets, and personnel - their allocation, their distribution. In this light, the Financial Street appears as not only more than the sum of its parts, but a whole that is a discourse constantly being constituted and disciplined by a political logic.

The Financial Street is not only held together through the types of institutional bridges discussed in Chapter Five, but by a kind of biopolitics according to which a class acting as a vertical interlock between the party-state and the corporate business groups it controls becomes constituted through forms of party organisational membership. Chapter Six introduces this class through the lens of political history. It is understood as part of a historical process of institutional engineering and the installation of a Soviet-inspired *nomenklatura* system of social control in the Financial Street. The rest of the chapter then constitutes the only presently existing study on the class of *nomenklatura* working at the top of China's state-controlled financial system. It focuses on 703 senior managerial personnel employed at the top of the Beijing Financial Street's core and most important financial institutions. It provides an empirical analysis of their demographic characteristics, including biographical information and information about their family and educational backgrounds. It also looks at the relationship between them and the Central Party School, which functions as a system of rotational training for the systematic education and indoctrination of the Financial Street leadership as well as mechanism for their incorporation into the Party's high echelon. Insofar as this class underwrites a significant part of the controlling biological architecture of the Financial Street's corporate network, it is argued that they are the most important individuals to take note of for understanding the financial centre as an integral part of China's political system.

The Beijing Financial Street is not just the context for China's network of state-controlled financial institutions; it is also the catalyst for more a more extensive series of economic organisational arrangements. The first of these is the interbank bond market, which is considered briefly in Chapter One. The second is the NEEQ, that is, the National Equity Exchange and Quotations (OTC) stock market, which is the subject of Chapter Seven. Chapter Seven looks particularly at the making of this stock market. It begins by providing an overview of China's existing capital markets structure. It then historicises the rise of the NEEQ as the product of a process of institution-building ensconced by the state system and realised through varying degrees of central and local government control. The final parts of Chapter Seven then look in more detail at the workings of the NEEQ stock market today. It is argued that, contra to the received image of it as a thriving bit of market capitalism in China, the NEEQ is a closed market encased within a system for its effective maintenance, regulation and control by the party-state. As such, it a model of a stock market under state capitalism. Furthermore, it speaks to the Chinese state's role in capitalism as an entity that has begun to transition from its previous role as a market provider to become an effective market designer in the economy.

The eighth and final chapter of this thesis concludes by positioning the Beijing Financial Street as a point of contrast against the popular image of the financial centre as a phenomenon of global capitalism. The financial centre here is contextualized instead as a setting supporting a central component of China's economic development model, i.e., a model of centrally-managed capitalism. This setting is characterised by: 1) a network of firms that are all apex-firms constitutive of a deeply political hierarchy within the Chinese economy of finance; 2) the simultaneous embeddedness of this network in a Marxist-Leninist framework of Party organs and government administrative bodies; 3) its population by a class of elite *nomenklatura*, which acts as a key interlock between the state and capital constitutive of the Financial Street as a super-large, state-controlled business group. In this light, the financial centre then appears less like a construct of a market-organised economy than a politico-sociological construct. More than that, as part of an authoritarian political regime, the Financial Street forms a discipline – an infrastructure of means – the role and function of which is not only the construction of the state's power within the network, but the exercise of the network's financial power pursuant to political directives. As a political construct, most of the Financial Street's financial power is exercised as a matter of domestic economy policy. In the final part of this chapter, I then consider the Financial Street as an infrastructure of means 'to go out' in connection with the 'One Belt, One Road' project. As a pillar of financial support for this project, the Financial Street can then be seen in yet another light, that is, in the light of the momentous occasion of China's return to history as an economic superpower.

The Geography of Chinese Finance: Positioning the Beijing Financial Centre

In an article by Clark (2005: 99), it was argued that 'the global finance industry is an essential lens through which to study contemporary capitalism from the top-down and the bottom-up'. However, few studies of contemporary capitalism have been performed in the social sciences along these lines. The social sciences have generally had relatively little to do with the financial industries as an avenue of enquiry into capitalism. Combining perspectives from anthropology, economic sociology, STS, political economy, and cultural studies, social studies of finance focus for the most part on *financial markets* as a field of sociological enquiry, particularly the epistemological and technical dimensions of financial markets (e.g., Callon, 2007; Knorr-Cetina & Preda, 2004; 2014). And whilst they constitute a rather exciting field of research, they all appear to be born essentially from the economist's own paradigm handed down to the social sciences, which has led to its becoming oriented toward the devising of sociological models of financial behaviour. They are economistic in that they tend to follow from the perspective of quantitative financial theory, then taking the market as their frame to try to see inside it the cultural and social dimensions of society present. Rather like the field of economics itself, this has led to a rather kaleidoscopic view of the world of finance based on the fragmented reporting of the results of empirical analysis into the niches of markets, which contain only bits of information.

This is not to be conceived of as an attack on the utility of these studies. Personally I find them fascinating and useful. It is only that, from a global perspective, the ubiquity of these existing studies has had the unintended effect of impoverishing the sociological imagination with respect to the big picture. What is missing is a way of theorizing, conceptualising and seeing empirically worlds of finance as a whole. Instead, such theory-building has come from a different direction. In particular, it has come out of the new economic geography, which, as opposed to taking for granted the old relations of production, has recently begun to stress the importance of money and the financial industries in the economic landscapes of capitalism (see again Clark, 2005; Clark & Wojcik, 2005; 2007; see also Cohen, 1998; Lee et al., 2009; Leyshon & Thrift, 1998; Martin, 1999). According to this view: 'money flows like mercury' and in so doing constructs and can be studied to map the contours of a world financial geography. As centres of money-accumulation, the changing configuration and status of financial centres over time and space has then become the subject of a more specialized field of researchers working in the field of the geography of finance, whose research is aimed at explicating the spatial and temporal logics of global capital flows (e.g., Chen & Chen, 2015; Sassen, 2002; GAWC, 2017). Financial centres have been recognised as performing different economic roles and functions and at different geographic scales. Across the globe, the geography of financialisation has been observed to follow the rise and fall of financial centres. Whilst some financial centres have declined, others have been able to amass vast concentrations of wealth and money such that they have become positioned as centres of economic command and control.

In this context, the emergence and growth of financial centres in China and their implications for the world economic ecosystem has recently become the subject of interest both in- and outside academia. China is unique in that no other nominally communist government has ever acted as host to the centres of a capitalist system's commercial, banking, and financial activities. The consequences of this can scarcely be overestimated. China is now the world's second largest economy. As it shifts from a production to a consumption-oriented economy, its financial centres are now playing an increasingly significant role in the country's efforts to build a modern financial system and financial services industry supportive of its growth, development and integration internationally. In particular, a discourse has emerged that centres on an emerging inter-city network of financial centres that includes not just Shanghai and Hong Kong, but now also Beijing, Shenzhen, Dalian, Qingdao, Taipei, Zhengzhou, Tianjin, and Guangzhou. Each of these appears positioned to assume potentially a critical role in the contradiction that is China constructing capitalism. The aim of this chapter is to situate Beijing within this rising intra-city network of finance. To do so, I will begin the first section here by drawing on existing studies in the field of geography and economics to develop a general conceptual-theoretical background for understanding the role and position of financial centres and finance in contemporary societies. The second section continues to develop this background through a discussion of the ways in which financial centres come to be formed. Sections three and four identify the most important financial centres in the Greater China Region. Section five then looks specifically at the position of the Beijing financial centre within this context. There is a gap in the literature in that, between Shanghai and Shenzhen and the other elements of the emerging network of finance on the mainland, recognition of Beijing's place in the order of things financial is mixed and has generally been downplayed despite its obvious significance. Few scholars have paid it any real attention. As I will argue in the following chapter, this is because approaches to financial centres are undertaken from the standpoint of the market as their frame of reference, which is inappropriate to the task of understanding a financial centre under a state capitalist economy.

What is a Financial Centre?

Broadly speaking, a financial centre is a clustering of financial institutions where a large amount of financial transactions take place relative to other places. Institutionally, a financial centre is typically comprised of three financial industries – banking, portfolio management, and insurance – although the magnitude of each one's presence may differ. Each of these industries corresponds to a particular set of banking and/or non-banking financial institutions that engage in particular types of financial activity (Table 1). Banking is the foundation of any financial centre. Banking presupposes the possibility of a site becoming a full-fledged financial centre (Reed, 1981: 55). The industry of portfolio management is the result of financial deepening thereafter and is characterised by specialisation in certain financial activities undertaken by banks (Fratianni, 2007). Insurance is usually the last to develop and is the smallest industry relative to the other two. The common denominator among all three industries is capital, in terms of which each is a chief source in the economy. Here one should take note that a financial centre is basically just a massive build-up of the stuff: financial centres are storehouses of value in the form of capital. Financial centres are also defined by their ability to control capital: financial centres tend to be the spaces for the agglomeration of financial institutions' head offices, whose primary function is not the production of profit, per se, but the management of the making, storage and transformation of it. For this reason, they are sometimes referred to both in popular discourse and in academia as the 'headquarters of economies', defined as places that are sufficiently resource-rich to attract clusters of corporate financial headquarters (see, for example, Ni, 2012; Pan et al., 2015). As such kinds of places, financial centres tend to be characterised by the behaviour of their institutions as entities that play a co-ordinating role in economies, most typically through the allocation of capital and co-ordination of payment and settlement of transactions in markets (Cassis, 2011).

Table 1: The Three Industries of the Financial Centre

Industry Type	Firm Type	Primary Source(s) of Capital	Primary Types of Financial Activity	Client Base
Banking	The Bank	Deposits	Wholesale commercial banking and account management; intermediary *par excellence* (engages in most other types of financial activity).	Depositors (natural & legal persons)
Portfolio Management	Asset Management Company	Investment	On the sell side, creates, promotes, analyses and sells securities to the buy side; On the buy side, manages and invests investors' assets in mutual funds, hedge funds, pension plans, etc., etc.	Investors (individual, inc. high- & ultra-high net worth, and institutional)
	Securities/Brokerage Firm	Investment	Market making: connecting buyers and sellers in capital markets & facilitating the execution of transactions; in-house broker-dealer trading.	Investors (individual, inc. high- & ultra-high net worth, and institutional)
	Dedicated Investment Bank (e.g., boutique investment bank)	Deposits / Variously raised financial capital	Underwriting; IPOs; M&A & restructurings; securities trading; brokerage and advice services.	Clients (mostly corporate)
Insurance	Insurance Company; Reinsurance Company	Insurance premiums	Financial protection: creation of liabilities from links with clients for whom they provide 'coverage'; financial investment: to create assets; reinsurance business.	Individual & Institutional Customers

Beyond the institutional content of the financial centre, it is useful to look at Walter's (1988) theoretical-conceptual framework for understanding financial centres' role and function in the economy. Walter came up with three words – 'Client', 'Arena' and 'Product' – which is a vocabulary that can be used to delineate the space that the institutions of a financial centre occupy. 'Client' refers to the client base of the firms that constitute the centre; 'Arena' the particular catchment area that the centre as an aggregate of financial institutions serves. The third dimension of Walter's theory, 'Product', refers to the kinds of financial services the centre's institutions provide. Walter's theory has been described in more detail by Tschoegl (2000), who also adds a fourth dimension that takes into account the stance of the firms of a financial centre vis-à-vis the type and configuration of the market economy in which they are embedded more widely. This is rendered in terms of a financial centre's position in the value-added chains of economic production within a particular region: the space of the financial centre consists of the activities that its firms engage in, where the Tschoegl defines such activity as the combination of stages in the value added-chain of a financial service product aimed at a client from a particular arena (Ibid: 3 PP).

According to Walter's and Tschoegl's conceptual framework, the space of a financial centre can be classified in terms of its geographic range and influence as local, transnational, or international/global in scope.[4] Local financial centres serve primarily domestic clients based either in the immediate local vicinity (e.g., a province) and/or nationwide. These centre's financial institutions are more likely to be domestically incorporated and their financial products and services tailored specifically to serve the financing needs of the economies in which they are geographically situated. Sao Paulo, Rome, Taipei, and Dalian – these are all examples financial centres of this type. Transnational financial centres, by contrast, have client interests extending beyond borders of one country. Their financial institutional base is still likely to be domestically incorporated but multinational in scope, with firms engaging in cross-border financial activity for a particular region that cuts across national boundaries. Taipei is perhaps a good example of this type of financial centre. So is Shenzhen. International financial centres are those characterised by an institutional space comprised in the main of firms whose scope of business is global, regardless of where they are incorporated. Crucially, their client base is also composed in the main of customers who will have crossed national borders to reach these institutions and vice versa. Such financial centres are typically the dominant centres within their respective home countries but then emerge as part of a larger, global economic network between nations, often serving as centres for cross-border international lending and the clearing and settlement of payments made in currencies other than the domestic one. London, New York, and Tokyo are the most well-known in this category, but there are several others.

In addition to space, time is also important. Laulajainen (2003: 160) has argued that time is 'the most fundamental geographical element of finance'.[5] The image of the international financial centre as an organisation located in one place but with activities crossing borders and involving multiple other places all over the globe - a possibility afforded to it by developments in technology - has created the illusion of a supra-orbital financial world of 'flows' and zero friction. Corresponding with this vision of the world, there is a vast globalisation literature that downplays the significance of space, from some of Castells' (2000) work to O'Brien's (1992) 'end of geography' thesis, the 'death of distance' thesis proposed by Cairncross (1997), and ideas about the tendency of globalisation to override the economic sovereignty and autonomy of nation-states put forward by authors like Ohmae (1999; 2001) and Kobrin (1997). Their de-emphasis on space would lead us to believe that

[4] This is my classificatory scheme, not Walter's.

[5] As a dimension of geographical analysis, time was first put forward by Torsten Hagerstrand, who is credited for his work on migration, cultural diffusion, and the origin of 'time geography' and now 'time-space geography' as an evolving transdisciplinary approach to the study of spatial and temporal phenomena in society.

the geography of finance is 'a homogenous communication and transaction surface' (Laulajainen, 2003: 384). Yet in reality the geography of finance is anything but. Financial centres are only found in dense urban areas – cities - and they are separated by various terrain: rural country, rivers, deserts, mountains, oceans, etc. As Laulajainen (2003: 384), 'this creates breaks in the financial space, which are intensified by…three stylised eight-hour time zones': New York, London, and Tokyo. The point is not only that space still matters, but increasingly time too as a factor only infrequently considered in any depth by economic geographers. Finance is a physically and temporally conditioned geographical surface. Financial centres in particular embody core infrastructure elements of messaging, payment, and clearing and settlement systems, which at the end of an eight-hour working day all get switched off. The exchanges of the stock markets typically open their order books at around 10:00am and close them at around 4:00pm, local time. Time zones determine the daily rhythm and practice of every firm constitutive of every financial centre. Consequently, the global geography of financial centres can be seen on a map to be divided according to time zones that segment financial dealings. Between each segment, friction is the result of asynchronism. Within each segment, time is an order: time imparts to zones of financial centres the imperative of having to conform to it. Biologically, day/night matters. The 'Wolf of Wall Street' has to sleep at some point, regardless of how much cocaine he is believed to be taking.

Theories of Financial Centre Formation

A number of theoretical explanations of agglomeration have become standard in the literature that deals with the emergence and development of financial centres. Most of these explanations are derivative of work in economics. Book 4, Chapter 10 of Alfred Marshall's (2013 [1890]: 222-231) *Principles of Economics* is typically the source from which most of the literature both in- and outside economics ultimately emanates. In particular, the Marshallian Industrial District – a concept based on a pattern of organisation that was common to Britain in the late nineteenth century (in which industries engaged in similar types of manufacturing concentrated in certain localities) – was picked up by economists early on and has since served as the inspiration for economic geographers seeking to explain the ontological foundations of financial centres (see, for example, Alonso, 1972; Ellison, 1997). The Marshallian Industrial District is characterised in the main by a high degree of vertical and horizontal specialization and a heavy dependence on the market as a mechanism of exchange. For Marshall (2013: 225, 232-242), the industrial district is a 'constant market' that presents three economies influential in firms' choice to locate there. These economies are largely synonymous with the economy of the city. The first is an economy of skill: the division of labour and labour market pooling due to the propinquity of firms offers the possibility of hiring special kinds of labour more easily and at cheaper prices, leading to a thickly populated industrial district. The second is an economy of machinery: certain types of machinery required for production, especially the heavy and expensive kind, are more easily obtained in a district where the same kind of production is already in play. The last is an economy of material: as one author puts it, industrial 'concentration occurs as a function of a common [need or] desire to locate close to the source of an industry's key input' (Lovely et al., 2005: 168; see also Alonso, 1972). Insofar as the key input for the financial services industries is information, subsequent authors have picked up on a fourth, immaterial economy also alluded to in Marshall's work, that is, an economy of information and communication. The financial centre has an informational advantage in that where industries concentrate, they also communicate and consequently 'the mysteries of the trade become no mysteries; but are as it were in the air' (Marshall, 2013: 225). Technological innovation and improvements in machinery, processes and general organisation in business become automatically discussed. They are the electric in this 'air'. The industrial district is a community in which ideas circulate, interact with others, and then become new ideas that create an atmosphere of growth in which subsidiary trades are born and integrated into the whole. Consequently, we might see the financial centre as an intellectual construct; an intellectual construct conducive to the economy of its 'material'. In general, however, Marshall emphasised each of these economies in terms of their economisation function. For Marshall, the principle benefit of locating in the industrial district was the aggregate reduction in transaction costs for each firm from the availability (cheapness) of labour, machinery, and resources.

Marshall's work was eventually followed by Christaller's (1966 [1933]) 'Central Place Theory'. Central Place Theory argues that the numbers, sizes and spatial distribution of human settlements can be explained by special economic-geographical laws of supply and demand. It concentrates on the retailing of goods and services between consumers and suppliers. Suppliers are 'profit maximisers' whose economic behaviour is oriented to the maximisation of profit from the sale of goods and services. Consumers are 'distance maximisers' oriented toward the minimisation of the efforts and costs of obtaining the goods and services they need (Clark, 2003: 66). It is suggested that the development of centres of exchange of goods and services depends on: 1) the minimum required population of consumers and number of sales sufficient for the establishment of an economically viable enterprise (*threshold*); 2) the maximum distance the consumer is capable or willing to travel to obtain a particular good or service (*range*). As functions, the twin concepts of range and threshold express the boundaries of a market. According to Christaller's theory, a centre of exchange is then more likely to emerge where the conditions of possibility of exchange – the market (as a function of threshold and range) – are the most developed. Christaller used the concepts of threshold and range as a method of classifying human settlements, giving rise to a 'central place hierarchy' of lower-, middle-, and higher-order centres. His theory then served as the foundation for the study of cities as systems of cities as opposed to independent economic units. Insofar as the financial centre is today synonymous with the city, the implications for the study of financial centres are rather obvious. Geographers have used Central Place Theory to locate the emergence and growth of financial centres in the context of their 'hinterlands' system economies of their surroundings. Seen from the opposite angle, however, we might adapt Christaller's theory to say that financial centres have what Marshall (2013: 226) would perhaps call a 'supplementary character': financial centres will arise emerge as a function of the level of development (the demand) of the regional economy in which they are embedded. That said, how does this explain the centres of exchange whose sphere of economic reach and influence extends beyond the regional to the potentially global? The answer here simply has to do with modernisation and the impact of improved means of communication and other technologies on the geographical distribution of industries. As Marshall (2013: 227) wrote: 'every new facility for the free interchange of ideas between distant places alters the action of the forces which tend to localise industries'. Technology enables internationalism: combined with the lowering of import-export tariffs in freer markets, the world's population becomes the suppliers' oyster as technology enables consumers to buy at a higher 'range' in the Christallean sense of the word. Through technology, the centre's skill economy is also enlarged: in terms of a highly mobile, transnational class of professionals, the world constitutes the pool of labour from which the centre picks and chooses.

Both Marshall and Christaller, especially Marshall, wrote in a time before the true significance of finance capitalism had come to light. As such, they talk mostly of industrial production and commerce and their ideas have had to be modified by other authors to make them applicable to explaining finance and financial centres. Today, however, with the significance of finance capitalism being generally understood, finance and financial centres have become the object of attention of researchers explicitly concerned with the ontological foundations of the latter's development. However, most of the work of these researchers can be grouped broadly into the category of 'scale economics', the point of departure for which is Charles P. Kindleberger's (1973) *The Formation of Financial Centres* – this particular economic genre's 'classic'.[6] Kindleberger was one of the first to apply scale economics to understanding and explaining the development and organisation of

[6] Kindleberger is more popularly known as the master of the genre on financial crisis for his book on *Manias, Panics and Crashes* (Kindleberger & Aliber, 2005; Nelson, 2012).

financial centres and capital markets. He also considered physical proximity in exchange markets to be one of the key deciding factors in the financial centres' formation. Proximity in exchange leads to information densities: he argued that clustering of the financial services industries develops when the high risks (economic costs) of financial activity can be reduced by the 'continuous interchange of information'. For Kindleberger, however, the conditions of possibility of such continuous interchanges had less to do with infrastructure and communications technology than it did with the capacity to communicate face-to-face. Such form of interaction can only be achieved if firms locate close to one another in the same place. Kindleberger (1973: 86) argued this point effectively by noting that 'the central financial district of lower Manhattan minimises communications costs: in 1960, a financial house with 120 lines to New York houses would pay $420 monthly rental if located in New York, $230,000 if Chicago, and $640,000 if Los Angeles (see also Robbins & Terlecky, 1960: 35). Kindeberger essentially put the 'space' back into economics and geography when he pointed out that, regardless of the technological capacities for communication in advanced modern societies, distance still costs money. In addition, Kindleberger (1973: 12) also followed Christaller in essentially asserting centralisation as a principle of economic order. He noted that 'the metropolis grows to serve a hinterland through four phases: 1) commerce; 2) industry; 3) transport; 4) finance'. He also noted the significance of certain 'positive externalities' as having an agglomerating effect, including government administration and policy, 'culture', and a strong currency to enable money and capital markets to develop. A strong currency in turn requires a central bank and the pooling of foreign-exchange reserves. Lastly, Kindleberger (1973: 14) noted some 'diseconomies of scale', which 'work against centralisation and favour regional markets'. Chief among these are the cost of information and knowledge deficit (the costs of being a stranger with no access to localised information) and time-zone differences involving the 'dislocation of the working day of at least one party' (Ibid: 14).

The ideas articulated by Marshall and then essentially reformulated through and re-applied by Kindleberger in what amounted to a genre-defining piece of prose have over the years been gradually expanded on and empirically worked out by researchers spanning a number of disciplines. Chief among them are Gehrig (1998) and Krugman (1991). Between the two, it is argued that the formation and development of financial centres depends on their success in generating local externalities. These externalities include, but are not limited to: local markets for specialised labour, level of demand for intermediary financial services, technological spillovers, information spillovers, economies of scale in the mechanisms for payment and clearing, market liquidity, and thick markets (markets with many buyers and sellers). All of these are deemed to be important factors for the agglomeration of firms in financial centres and would suggest that the development of any financial centre requires a certain amount of external attachment. In recent years, such attachment has been associated with the real or perceived external economies of scale of the city (Quigley, 1998). It is argued that firms can reduce transaction costs when they operate in the city context. Along these lines, the positive externalities of the city can be grouped into three broad categories that bracket the mass of contributions from various authors after Gehrig and Krugman. They are: 1) human economies of scale; 2) infrastructure economies of scale, and; 3) information economies of scale. This taxonomy is not dissimilar from and can be observed to follow in general the ideas first formulated conceptually by Marshall. The only difference is that these ideas have been updated for the contemporary world.

Human economies of scale. Cities are human-capital rich in that they offer an abundance of expertise and skill, the result of the stock of accumulated knowledge embodied in their complex divisions of labour (Lucas, 1988; Romer, 1994). On the firm side, this is important for two reasons. Firstly, the richness of cities' labour markets increases the likelihood of a match between the knowledge, skills and expertise of the demographic and that required by the financial services industries (Krugman, 1993). In general, the depth and breadth of a city's labour market reduces the search costs of specialized labour and of employers looking for such labour. Secondly, the ready availability of labour is important in the added sense of the availability of specialised workers working in related technical fields on which the financial industries are also dependent. The typical financial firm is reliant on the city's differentiated economy of advanced producer services, for example law firms, firms in accounting, advertising companies, and so on, which can reduce the costs of business.

Infrastructure economies of scale. Since Kindleberger, various authors have reiterated the point that the need for face-to-face interaction leads to the agglomeration and geographical proximity of firms (e.g., Storper & Venables, 2004). In addition, Kindleberger's point about information densities being embedded in face-to-face interaction has moved others to study the economic content of social relations more deeply (see, for example, Brown & Duguid, 2002).Yet increasingly today it is also the capacity to interact over extremely long distances that can have a deciding agglomerating effect (Laulajainen, 2003). International corporate financial groups in particular prefer to locate their headquarters in areas possessing vast concentrations of material resources that enable them to communicate and connect with their affiliates and subsidiaries around the world and develop a global empire. In general, a substantial portion of financial firms' locational decisions are made on the basis of the presence, density and quality of the kind of transport and telecommunications infrastructure that would allow them to conduct economic transactions within regions and across borders and engage in financial markets both locally and globally (Zhao et al., (2004). However, even despite the rapid technological progress of the twentieth and twenty-first centuries, there are still relatively few places on earth today that possess the kind of 'world class' infrastructure that financial industries require in this sense. Such level of infrastructural development can only be found in cities and even then only in the most economically developed cities (exemplified in many cases by a nation's capital). These are the 'wired' cities: the cities that make up the planetary urban networks of Graham's (1999) 'global grids of glass'. For the financial services industries, they are attractive because their level of infrastructural development provides them with competitive 'edge' in terms helping them to integrate seamlessly with and create connections with other financial centres and distant financial markets with virtual instantaneity and high levels of synchronicity. Furthermore, insofar as certain cities are 'connected' in Graham's sense, the infrastructural economy of scale that the financial centre benefits from is not the city's per se, but potentially that of an entire system of cities that constitute the urban network of a particular region or part of the globe.

Information economies of scale. According to Laulajainen (2003: 332-3), the ability to collect, exchange, rearrange and interpret and transmit information is the most basic and fundamental characteristic of any financial centre. As such, the city doesn't just offer the financial centre an infrastructural advantage; it offers it an information advantage. First of all, the city is a hub for information-oriented facilities - libraries, government offices and institutions of higher education and research etc. – which Lovely et al. (2005) argue offer 'natural advantages' (see also Ellison & Glaeser, 1997). Secondly, the city is an information heartland (Zhao, 2013). The city offers an informational advantage in that it is 'where information is produced or generated, collected and disseminated' (Ibid: 311). There are two sides to this. The first conceptualises the city as a Hayekian construct: a giant market institution that solves the information problems of firms. It says that financial institutions agglomerate in the city not only because of the possibilities of information exchange with financial institutions nearby (with whom they benefit from exchanging information), but because of the relative availability of differentiated information producer services supportive of the functions of high finance (e.g., access to modern professional services like advice, consulting, law, advertising, etc., which is highly concentrated in cities) (see, for example, Bel & Fageda, 2008; Davis & Henderson, 2008; Henderson & Ono, 2008; Lovely et al., 2005; see also Pan et al., 2015). This is similar to the point about human economies of scale in the city, but viewed in the dimension of information as opposed to labour. The second then presents the advantage of the city as the site where information is disproportionately (asymmetrically) produced and located, which requires financial firms to position themselves close to it as its source. However, the source of this information density is not the market but the state, or perhaps rather the state *in* the market. The market is served by networks of government financial and regulatory institutions that constitute the sources of information in the city economy (e.g., through policy and regulatory moves) (Gu & Chan, 2006; Zhang, 2003; Zhao, 2003; Zhao et al., 2004; Zhao et al., 2005);

It is recognised that the city is not the exclusive context on which financial centres are dependent. Insofar as the city itself can be understood as a crystallisation of the larger economic milieu in which it is embedded, such surroundings also constitute a point of external attachment for the financial centre. This attachment has been typically conceptualised in terms of a financial centre's 'hinterland', for which Christaller can be understood as a point of conceptual origin (see also Porteous, 1995). In terms of the information economy of scale discussed above, for example, a financial centre can be understood as positioned as the best access point for the profitable exploitation of the information flows of an 'information hinterland' and will grow from it and dynamically move and change as it changes (Zhao, 2013: 35 PP; see also Wang et al., 2007). The concept of hinterland also encapsulates different economic strata. If we take Reed's evolutionary hierarchy (1981:57; see also Laulajainen, 2003: 329), for instance, financial centres' hinterlands may encompass in order of their evolutionary development:

1. their immediate surroundings
2. an area wider than the local one
3. the national space
4. contiguous countries and political dependencies
5. finance centres worldwide

This development, in turn, is connected to the general development of the economy that a financial centre is a part of. It has been suggested that the development of financial centres is in general connected with the size and power of their domestic economies, the strength of their nation's currencies, and the role that these nations play in the global economy over long periods of time (Cohen, 1998; Krugman, 1984, Economist, 1992). Cassis (2011), for example, argued that the size of the economy in which a financial centre is embedded is the most important determinant of its development in the long-term. This explains the changing status of certain financial centres historically. For example, London was the world's leading financial centre during the nineteenth century. As America rose, London was eventually replaced by New York. Today, however, the development of some international financial centres can be understood to be dependent on the state of the global economy in general as effectively their economic hinterland. New York is exemplary here. Owing to its level of dependency on other financial centres and their economies worldwide, New York was hit hard by the 2008 global financial crisis, as was London, and the current arrangement is such that both now compete year-by-year for the top spot in world finance.

The International Financial Centre World: Asia/Pacific Rising

Although there is a general consensus on which are the leading financial centres, academics as yet have not reached a consensus on the proper method of identifying, measuring, and classifying them. When it comes to the study of financial centres, about the only thing agreed on is that the unit of analysis should be the city. Using various factors, attempts to measure financial centres then usually proceed by trying to quantify the size of the financial sector within a city, before then subjecting it to statistical analyses forming an index (see Abraham et al., 1994; Alfarano & Milakovic, 2008; Begg, 1991; Chen & Chen, 2015; Choi et al., 1986; 1996; Kerr, 1965; Liu & Strange, 1997; Park & Essayyad, 1989; Poon, 2003; Porteous, 1995; Reed, 1980; 1981; Scholtens, 1992; Taylor et al., 2009; Zhao, 2004). Among them, Campayne's (1992) study is notable for not only creating an index for centres but distinguishing between centres and financial activities and then relating the two. Some other, qualitatively-minded studies like Kui's (1998) and Wigley's (2008) have used interviews, workshops and participant surveys to understand financial centre's relative positioning and status. Today, there is also a tendency in many communities of academic practice to equate the financial centre with the 'world city' within the framework of globalisation (Friedmann & Wolff, 1982; King, 1990; Short & Kim, 1999; Sassen,; 1994; 1996; 2001). Empirically, the Globalisation and World Cities group at Loughborough University took this one step further, building an inventory of the 'world city network' based on the office networks of advanced producer service firms and measures of network connectivity. Aggregating the results, they produced a roster of hundreds of cities, which are classified into a hierarchy of alpha, beta, and gamma levels of 'world city integration' (GAWC, 2016; for their methodology, see Taylor, 2001). Mainelli (2006) also used this in his study of financial centres.

In the present study, I use the Z/Yen Global Financial Centres Index (GFCI), which is a rather valuable resource for anyone interested in financial centres. Although it has also been met with some criticism[7] it is still the most rigorously researched and comprehensive index available to date. It is

[7] Moosa et al. (2016) criticised it for its tendency to confirm and uphold pre-conceived beliefs and assumptions about where financial centres are, what they are, and what constitutes a 'good' financial centre overall.

considered by industry professionals to be the best existing classificatory scheme available. It profiles, rates and ranks financial centres all around the world. Financial centres are ranked according to their 'ratings', which are calculated by a 'factor assessment model' utilising two distinct sets of quantitative and qualitative inputs. Most of the evidence was sourced from the mass of data provided by independent and reputable institutions such as the World Bank, the World Economic Forum, the IMF, the UN, etc. The resulting index thus bears the residual weight of the research excellence found in those institutions. In recent years, the Z/Yen Group has also teamed up with the China Development Institute (CDI) – a think-tank with major links to the Chinese government based in Shenzhen. It thus also bears the additional weight of official information obtained directly from official sources in China. According to the Z/Yen GFCI, the world of international financial centres looks something like this:

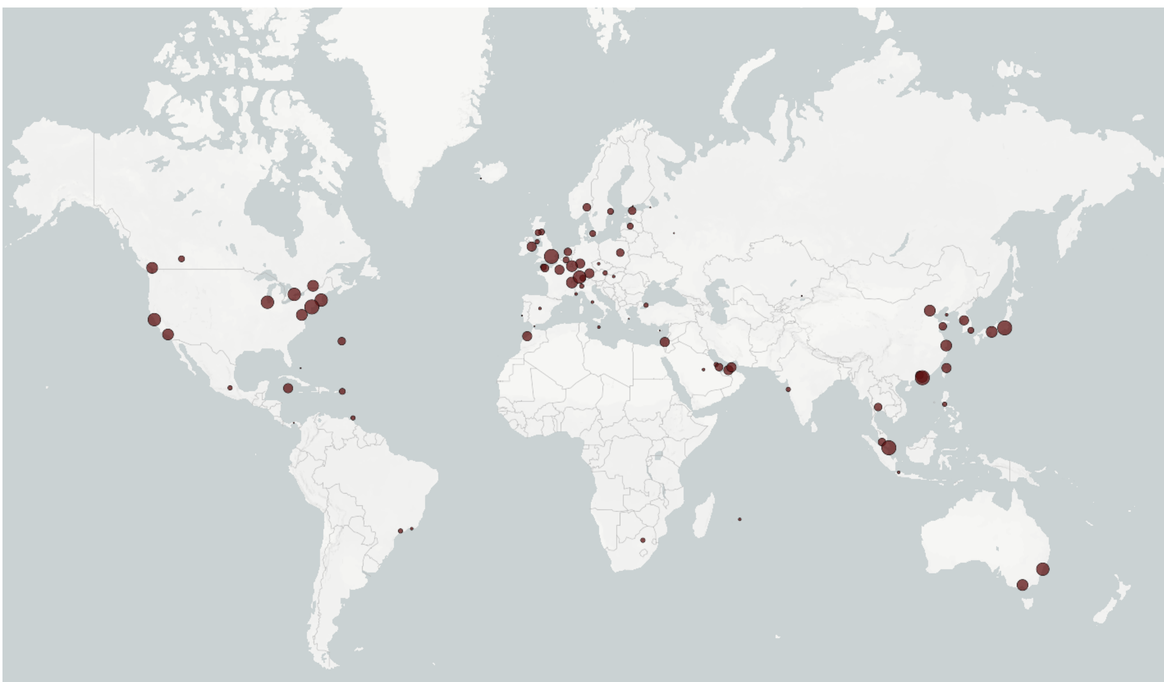


Figure 1: The IFC World[8]

As we can see, the global geography of financial centres is not so global. With the exception of Australia, the south is largely devoid of the presence of financial centres. The vast majority of financial centres are actually concentrated and distributed across the earth's northern hemisphere, the size of which the Mercator map here actually exaggerates. North of the equator, financial centres can also be seen clustered in certain areas roughly corresponding to the most economically

[8] Created using Mapbox.

developed regions of the world. Beyond this simple illustration, the global financial centre situation can be understood as follows.[9]

(i) The Global Centres

Despite the initial shock of the 2008 financial crisis, which caused financial centres' relative positions to become volatile and fluctuate worldwide up until 2012, the existing global geography of financial centres has remained largely intact, suggesting that the centres of finance capitalism have been able to re-establish order amongst themselves. Such an order can be observed by looking at the current status of the centres that we typically associate with global financial power – London, New York – which still lead and occupy the top spots in the financial hierarchy as the 'twin sister-cities of world finance' (Z/Yen, 2010: 1). London and New York are followed by Singapore, Hong Kong, and Tokyo, which means there has been no change in the top five positions. However, the gap between the latter and the former is closing rapidly. Singapore especially is now not far behind New York.

(ii) Canada, the United States, Central America, Latin America and the Caribbean

This group of financial centres can be divided into those located in the north and those located in the central/south. In the north, Canadian and U.S. centres of finance dominate the top 20. Canada has three in the top 20: Toronto, Montreal and Vancouver. The U.S. has six, which aside from New York includes San Francisco, Chicago, Boston, Washington D.C., and Los Angeles. All of the latter are rising, L.A. rapidly so. As an aggregate of financial centres, the Central and South America have climbed gradually over the past six or seven years. However, with the exception of Mexico City, Sao Paulo, and Rio de Janeiro, most of the financial centres there are jurisdictions classified by the IMF as off-shore financial centres and should not be considered indicative of the region's level of financial development whatsoever (IMF, 2000). The three named financial centres are the only important ones and their development continues to be subject to many ups and downs.

(iii) Western Europe, Eastern Europe, and Central Asia

In Europe and Central Asia, the financial crisis continued to be reflected in the declining rankings of the financial centres of the weaker countries in the region until they recovered in 2014. Western Europe is now a region in flux, with the results of 'Brexit' raising questions about London's future position and status. With London, Zurich, Luxembourg and Geneva constitute four out of the 20 top-ranked financial centres in the world. By comparison, none of the centres in Eastern Europe and

[9] Unless otherwise stated in the text, the following discussion is based on data from the various indexes of global financial centres published by the Z/Yen Group.

Central Asia are ranked above 40. Warsaw, Tallinn, Riga, Prague and Istanbul are the top five financial centres in the region. Istanbul used to be the top 40, but has declined reportedly due to terrorism, its proximity to a war zone, and the rise of an authoritarian president. Within the region, Greece's misery is reflected in Athens' ranking at 88th and last on the index. Before the financial crisis struck, it was ranked 46th.

(iv) Africa and the Middle East

There are only two centres of finance on the African continent: Casablanca and Johannesburg. Casablanca is ranked 30; Johannesburg 59. Generally speaking, most countries on the continent have not achieved the level of economic development and levels of transport, information and communications infrastructure to be able to support modern financial life. The Middle East, however, is a different story. Under *sharia* law, interest-earning business (*riba*) is forbidden in much of the Islamic world and as long as it is so the accumulation of long-term investment capital – the foundation of financial centre development – will always remain hampered (especially insurance business, which depends at its core on treaties pertaining to uncertain future events again illegal under *sharia* law). That said, the United Arab Emirates' legal system is based on a mix of common and civil law with Islamic influences. Dubai and Abu Dhabi rank 25th and 28th respectively. The same might also be said of Qatar, where Doha is ranked 39th. Lastly, Israel's ancient port city, Tel Aviv, is ranked 32nd in the world.

(v) The Asian-Pacific Centres

Table 2 shows the rankings of the top 20 financial centres in the Asian-Pacific. Whilst it is true that the existing order of financial centres largely prevails, the average ratings of the centres in each region on the GFCI shows that the historical dominance of the centres in Western Europe and North America is being eroded by the centres on this list. The East is experiencing a second financial 'revolution' and the distributed power of financial markets is shifting from financial centres in North America and Europe to those located in Asia. Some of this power is connected with the rising status of the Asian-Pacific region's leading financial centres - Singapore, Hong Kong, Tokyo, Sydney, Seoul. However, a larger part of it now has less to do with the historical success of such places and more to do with China's ascendant economic position in the region. China is now a new financial power rising in the East. In particular, the landscape of finance capitalism in the Asia/Pacific is beginning to be redefined by an emergent inter-city network of Chinese financial centres that now includes Beijing, Shanghai, and Shenzhen at its core and several other centres as well. Within the region, China's inter-city network of financial centres is also becoming increasingly bonded to Hong Kong and Taiwan, forming a pan-Asian network of regional cross-border financial activity. For lack of a better terminology, I will refer to the three countries of China, Hong Kong and Taiwan as the 'Greater China Region'.

Table 2: Ranks and Ratings of Financial Centres in the Asian-Pacific[10]

Asia/Pacific Centres in GFCI 21			
Centre	**Asia/Pacific Rank**	**Global Rank**	**Rating**
Singapore	1	3	760
Hong Kong**	2	4	755
Tokyo	3	5	740
Sydney	4	8	721
Shanghai*	5	13	715
Osaka	6	15	712
Beijing*	7	16	710
Melbourne	8	21	702
Shenzhen*	9	22	701
Seoul	10	24	697
Taipei**	11	26	689
Kuala Lumpur	12	35	659
Bangkok	13	36	656
Guangzhou*	14	37	650
Qingdao*	15	38	649
Busan	16	50	626
Mumbai	17	63	612
Jakarta	18	67	608
Mauritius	19	71	603
Dalian*	20	75	597

Note:*Indicates financial centre located on the Chinese mainland; ** indicates financial centre defined as part of the Greater China Region.

Chinese Financial Power: The Chinese Inter-City Network of Financial Centres

Figure 2 shows the geographical location of each financial centre in the Greater China Region. The network of inter-city financial centres on the mainland is made up of Beijing, Chengdu, Dalian, Guangzhou, Shanghai, Shenzhen, and Qingdao – these are financial centres that have reached a level of development sufficient for them to appear on the GFCI 22. Within this group, however, Beijing, Shanghai, and Shenzhen are by far the most developed, which is reflected in their relatively high rank-positions on the GFCI. There is a huge gap between them and Chengdu, Dalian, Guangzhou, and Qingdao, all of which are much less established and which by contrast with the others rarely appear in the literature on the geography of finance centres. Tianjin and Hangzhou

[10] Created based on the Global Financial Centres Index 21.

belong to an entirely different class of emerging financial centres, which may or may not become fully-fledged ones in the future. Zhengzhou is nowhere considered a financial centre, but I have included it here because it hosts one of China's exchanges (the Zhengzhou Commodity Exchange). Outside of China in the Greater China Region, Taipei and Hong Kong are both well-established centres of finance that form part of the larger regional network of finance of which Beijing, Shanghai, and Shenzhen are a part. In terms of the extent of their financial activity, Taipei is now surpassed by Beijing, Shanghai and Shenzhen. Hong Kong surpasses them all and is the only truly global financial centre in the region.

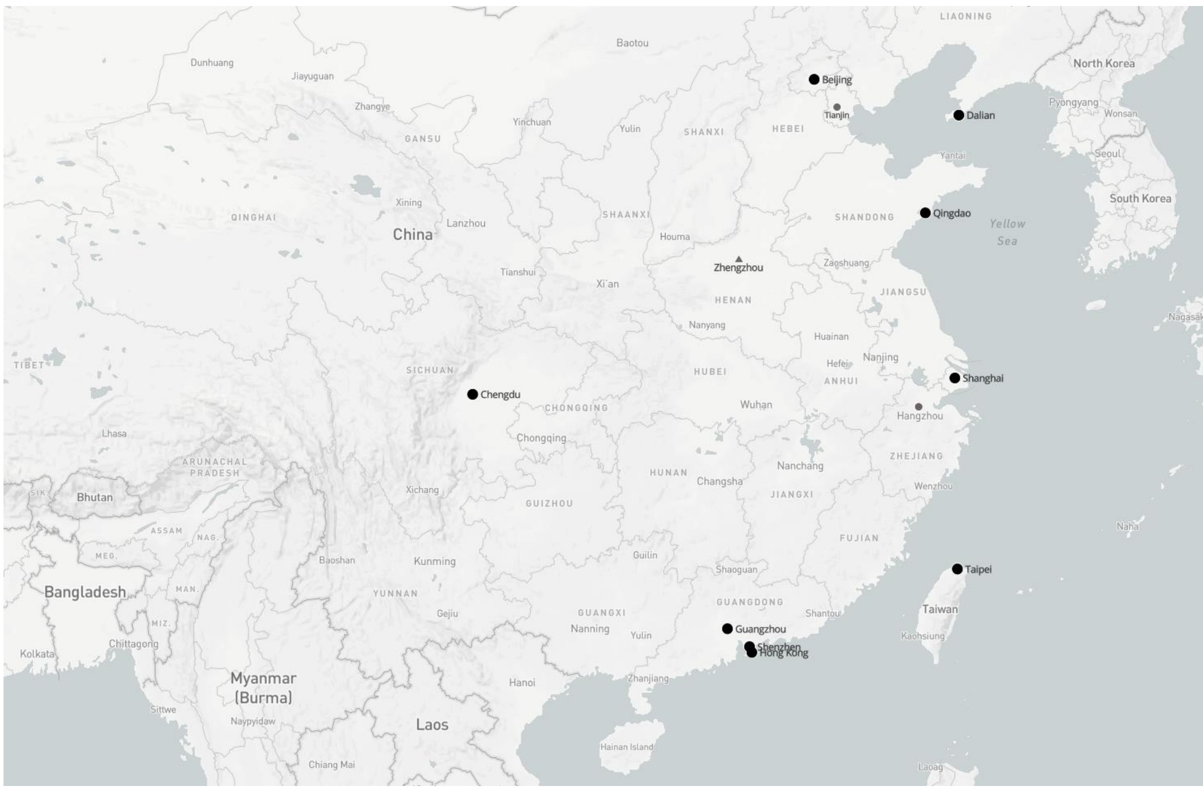


Figure 2: China's Inter-city Geography of Financial Centres[11]

Within China's inter-city network of finance, what is particularly striking is the speed with which Beijing has been able to achieve its position over the course of such a short space of time. Figure 3 shows the centre's rise in rating since 2007. Anything over 700 puts a financial centre on the map of globally systemically important financial centres; anything under 522 takes it off the current GFCI entirely. In the space of just 10 years, Beijing has gone from 513 to 710; from essentially being bottom to being amongst the top most historically influential financial centres in the world. Along with Chengdu, Hong Kong, Shanghai, Shenzhen and Qingdao, Beijing also ranks 13th on the GFCI's list

[11] Created using Mapbox.

of the fifteen financial centres likely to become even more significant in the future, which corresponds with its history as a financial centre that has moved no less than 33 places during its lifespan – a lifespan which, compared with the histories of centres like London and New York, has thus far been relatively short indeed. In the last year alone, it has moved 16 places to be where it is now (Figure 4). The fact that it even appears on the same lists as Hong Kong is a testament to the speed of China's financial revolution.

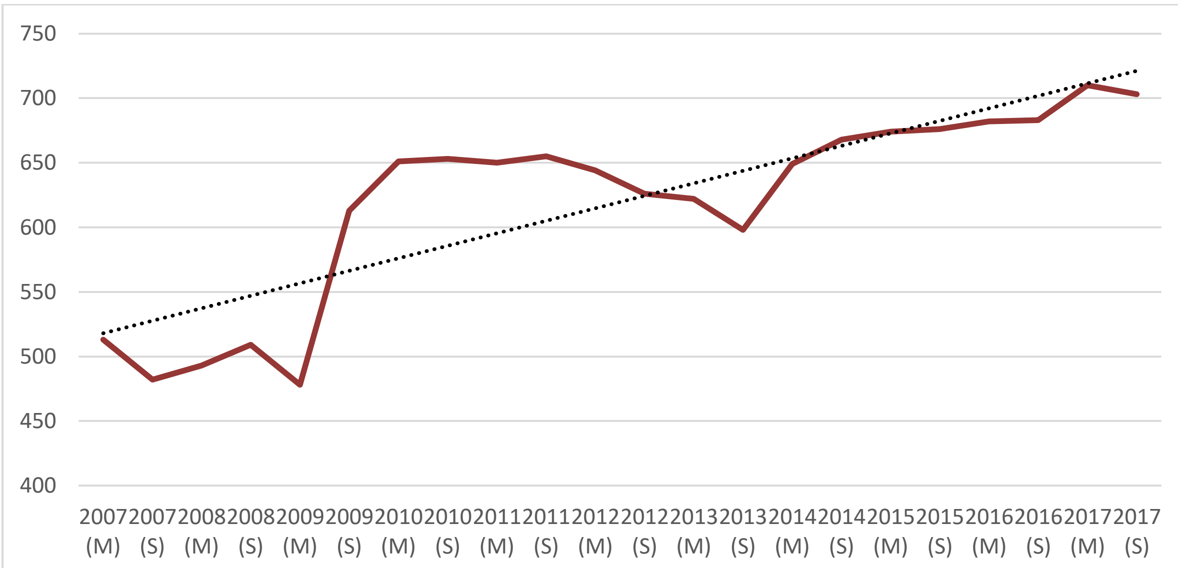


Figure 3: **Beijing Financial Centre Rating (2007-2017)**[12]

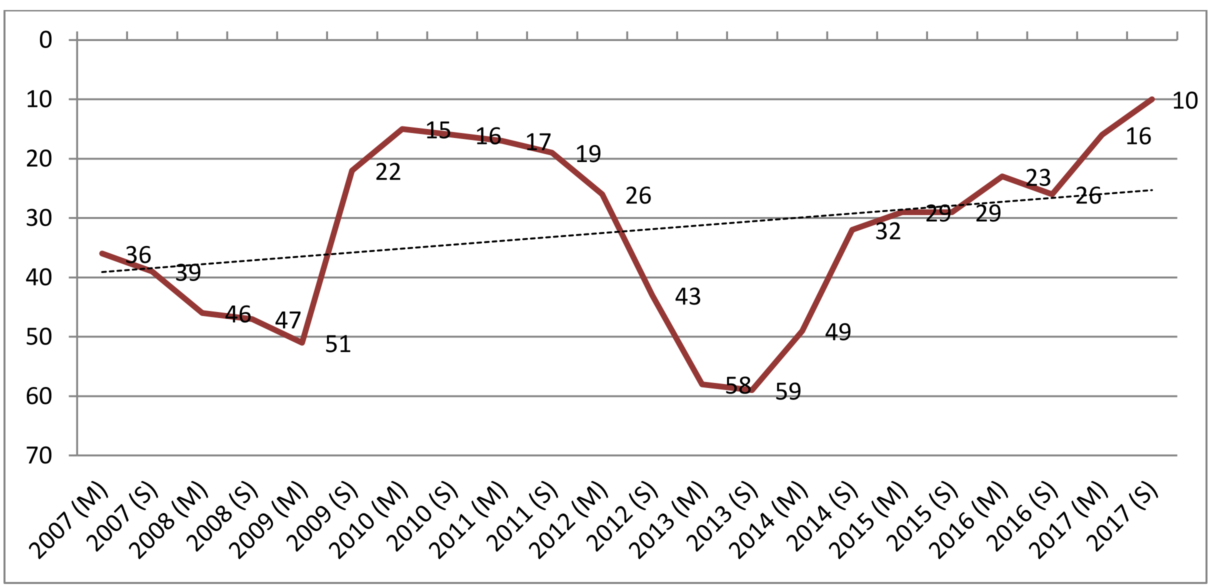


Figure 4: Beijing Financial Centre Ranking (2007-2017)

[12] (M) indicates March. (S) indicates September.

In what follows, I will outline, compare and contrast some of the core features of the Beijing financial centre relative other financial centres. I will focus particularly on comparing and contrasting the city's financial features to those of Shanghai and Shenzhen. Beijing, Shanghai, and Shenzhen are the financial centres that matter the most in China. Together they express what is going on with regard to the rise of Chinese financial power in Asia. This comparative exercise is ordered in terms of Beijing's history, the immediate urban economy and the economic hinterland in which it is embedded, its institutional environment, the role of the state in its institutional environment, and the city's command of and involvement in local, regional and international financial networks.

Positioning the Beijing Financial Centre[13]

Table 3: Three Cities' Socio-economic Status (2015 YE)

	Beijing	Shanghai	Shenzhen
Population (10,000)	2171	2415.27	1137.87
Population Growth Rate (%)	3.01	2.45	18.36
GDP (RMB100m)	23014.59	25123.45	17502.86
GDP Per Capita (yuan/person)*	106497	103795	157985
GDP Growth Rate (%)	6.9	6.9	8.9
% of National GDP	3.4%	3.7%	2.6%

Note: * calculated using urban resident population

Beijing's Urban Economy

Table 3 provides some basic social and economic information on China's three major financial centre cities. Compared with Shanghai and Shenzhen, Beijing is ancient. Before it became the nation's capital in 1949, it had long and illustrious history as a political and cultural centre in China stretching back around 3,000 years (Wang, 2011). It is often said in China that Beijing is the capital of politics and culture, whilst Shanghai is the capital of money and finance. Shenzhen, on the other hand, is developing an identity as the capital of entrepreneurialism. Shanghai's status has been attributed to it because of its history, which closely parallels the development of finance in modern China prior to the communist revolution. Between the signing of the Treaty of Nanjing in 1842 and the outbreak of

[13] Most of the data for this section has been compiled using the China Statistical Yearbook (various years) and the statistical yearbooks for Beijing (BMBS, 2016), Shanghai (SMBS, 2016), Shenzhen (SSB, 2016), Taipei (DBAS, 2016), and Hong Kong (CSD, 2016). Information for China has also been cross-referenced with the online database of the National Bureau of Statistics, which is available in both English and Chinese at http://data.stats.gov.cn/english/. Unless otherwise stated, all data is for 2015.

the Sino-Japanese War in 1937, Shanghai served for a time as the predominant financial hub in the Asian Pacific. By contrast, Shenzhen is a city without history. 40 years ago, Shenzhen was still basically rural – a tiny fishing village wedged between Guangzhou and Hong Kong. In the space of the past few decades, the city has grown rapidly, so rapidly that it has given rise to the expression, 'Shenzhen Speed' (深圳速度). The speed of its development contrasted with its history, or rather it's lack-there-of, is one of the reasons why the city has been characterised as a centre of entrepreneurialism (an identity that also been forged in connection with its reputation as a site for technological innovation).

(i) Industry

Whilst Shenzhen is too young to have been impacted by the communists' coming to power, the effects of socialist ideology on the urban economies of Beijing and Shanghai are today well-documented. During the communist era, Beijing and Shanghai underwent a great transformation from consumption- to production-oriented cities made up of 'work-units' that combined residential and industrial spaces (Bray, 2005). Beijing was transformed into a city of heavy industry. With reforms after 1978, this heavy industrial sector has become increasingly advanced. The city is now characterised by a large number of production industries in the field of modern manufacturing, high technology, and information, which constitutes a vibrant part of its economy. This industrial base also includes most of the state-owned enterprises directed by the State-owned Assets Supervision and Administration Commission (SASAC) – the entities frequently referred to as China's 'national champions'. Many of them also engage in what China calls its 'strategic industries', which includes an old as well as new generation of production enterprises involved a wide range of industrial activity (chemical fertiliser, cement, steel, coal, etc. vs. energy conservation and environmental protection, next generation IT, biotechnology, new energy and materials, and new energy automobiles). Beijing's industrial base is however overall smaller than that of Shanghai and Shenzhen. By comparison, Shanghai's and Shenzhen's industrial bases are more diverse and much bigger both in terms of the size of their contribution to the cities' overall GDP and their actual GDP output. This can be gathered by looking at Table 4 below. In both cases, this has a lot to do with Shanghai's and Shenzhen's status as port cities.[14] Since China is an export-led economy, its industrial

[14] Beijing itself has no port, or at least not a sea port. Instead, it imports and exports its products through the dry ports of Beijing Capital International Airport, Fengtai Cargo Transport Port, Beijing West Railway Station Railway Port, Pinggu International Land Port, and Beijing Tianzhu Comprehensive Bonded Zone. Between these, the total value of the city's import-export trade is less but still comparable to Shanghai and Shenzhen. If one were able to include the amount of trade bound for and exported by Beijing through the port of Tianjin, then the value of Beijing's import-export trade would likely

enterprises will be more likely to agglomerate in proximity to a port in order to ease the costs of transportation overseas. Tianjin, for example, is a port city and has an industrial base that surpasses that of Beijing and even Shenzhen. Historically, it also has to do with Shanghai's and Shenzhen's status history as established manufacturing bases for the Yangtze and Pearl River Delta areas respectively.

Table 4: Distribution of Industries in Beijing, Shanghai and Shenzhen (RMB100m/%)

	Beijing '78	Beijing	Shanghai	Shenzhen
City's Total GDP	108.8	23014.59	25123.45	17502.86
Tertiary Industry Value-Added Contribution	26.0	18331.74	17022.63	10288.28
(% contribution to city's total GDP)	23.9	79.7	67.8	58.8
(% of national total)	2.96	3.36	3.66	2.55
Financial Industry Added-Value Contribution	-	3926.3	4162.7	2501.57
Financial Industry Added-Value (% of total city GDP)	-	17.06	16.57	14.30
Growth Rate of Financial Industry Value-Added (%)	-	16.9	22.41	12.6
Secondary Industry Value-Added Contribution	77.2	4542.6	7991	7207.9
(% contribution to city's total GDP)	71.0	19.7	31.8	41.2
Primary Industry Value-Added Contribution	5.6	140.2	109.82	66.48
(% contribution to city's total GDP)	5.1	0.6	0.4	-

(ii) Commerce

Whilst it is true that Beijing still serves as a centre for heavy industry, most of the old communist factories have been shut down and/or forced by the state to relocate to the outside the city in the province. In their place, only the corporate headquarters of the city's heavy industry remain inside the city proper, i.e., the command centres exercising the strategic high management functions of their corporate groups. That industry is still present is a fact indicated only by the thick smog that constantly hangs over the city. Post-1978, the city-proper has experienced a complete reversal, now from a production-oriented economy to a post-industrial, again consumption-oriented one. The scale of this transformation can be understood by looking at Table 4. As Table 4 is meant to illustrate, Beijing has made a volte-face in terms of the distribution ratio between its secondary and tertiary

be equal to or surpass that of Shanghai or Shenzhen (the total value of import-export trade between 2011-2015 equalled the equivalent of 2, 2.2, and 2.3 trillion US dollars in Beijing, Shanghai, and Shenzhen respectively).

industries, with the latter now far surpassing the size of the former in terms of the market value of what the city produces (GDP). Back in 1978, the contribution of Beijing's tertiary sector to the province's overall GDP was less than quarter. The same can be said of Shanghai, whose tertiary sector at the time contributed even less (18.6%). Beijing's tertiary sector is characterised by already hugely developed modern and advanced producer services industries and a great deal of commercial and retail trade, which account for respectively 56.5%, 52.89%, and 10.22% of the city's GDP. 22.49% of the city's GDP also comes from its high-tech sector exemplified by the technology hub of *Zhongguancun* (中关村), once dubbed the 'Silicon Valley' of China (Zhou, 2008). A relatively large part (13.81%) of the city's urban economy is additionally composed by cultural and creative industries.

(iii) The Financial Sector

The institutions belonging to Beijing's tertiary sector now account for 48.3% of all the energy consumed in the city. They have displaced Beijing's primary and secondary industries as the city's economic base. They constitute the scenes of Beijing's new identity as a new consumption-oriented city (see, for example, Broudehoux, 2004). Embedded in this landscape is Beijing's financial industry, the size of which relative to the rest of the city's economy is illustrated in Table 4. Although the origins of modern finance in Beijing can be traced back to experiments with a 'socialist shareholding system' that took place in the middle of the 1980s, the real progress in the city's financial industry runs concurrent with the history of shareholding and modern enterprise reform that began in the early '90s. This is also the case for the development of finance in Shanghai and Shenzhen. The financial sector in each city then rose up quickly. In Beijing, it grew at an average rate of 19% each year and now contributes a huge chunk to the city's GDP – 17% in 2015 (Figure 5). To put this into perspective, Hong Kong's financial sector contributes 16.6% to its GDP (CSD, 2016).[15] As shown in Table 4, the size of Beijing's financial sector is also comparable to that of Shanghai and Shenzhen. In fact, in terms of their size and growth, Beijing and Shanghai's financial sectors have developed along an almost identical track (Figure 6). Shenzhen is a slightly different story. Statistics for 1978 to 1993 are not shown here because the data for Beijing and Shanghai could not be obtained, but the average annual growth of the Shenzhen's financial sector between these years is 54%. Between 1993 and 2015, Shenzhen's financial sector grew at an average rate of 33% each year. However, if one takes only the past 5 years, then the average growth of the financial sector in Shenzhen is 14%. By comparison, Beijing and Shanghai's financial sectors both grew at an average rate of 16% over

[15] Data is for 2014.

the last five years. In other words, not only are Beijing and Shanghai's financial sectors more or less the same size and developing at a relatively equal rate on average, but they are now developing faster than Shenzhen's.

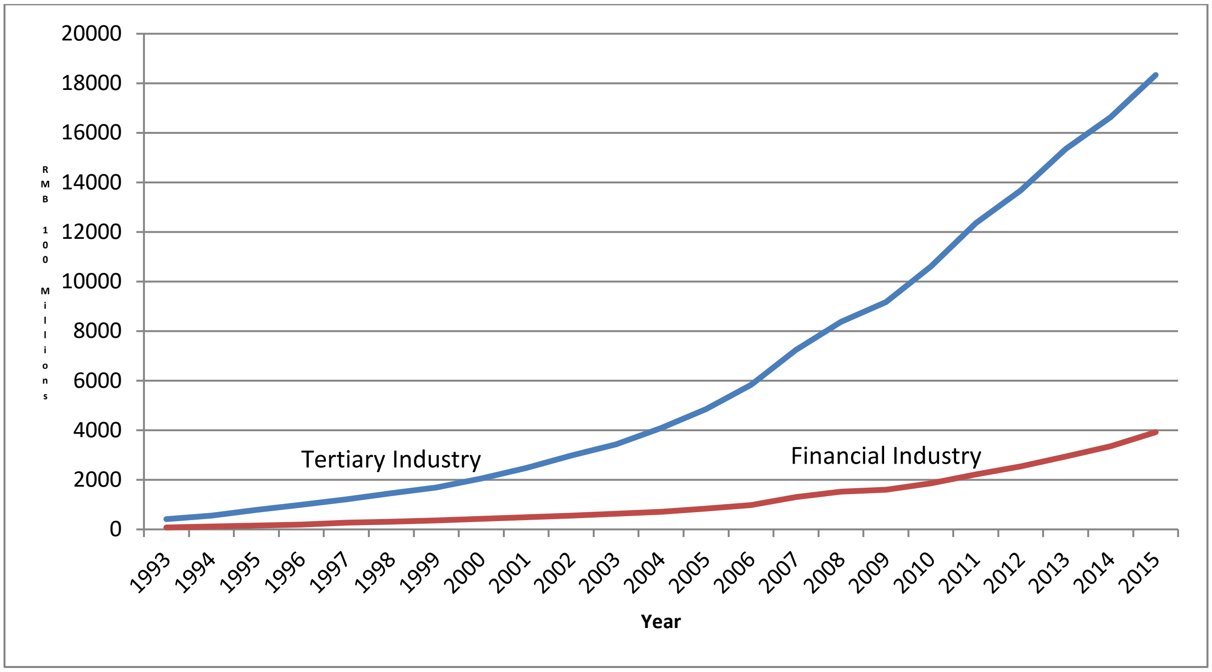


Figure 5: Annual Growth of Financial Industry Relative to the Growth of the Tertiary Industry in Beijing

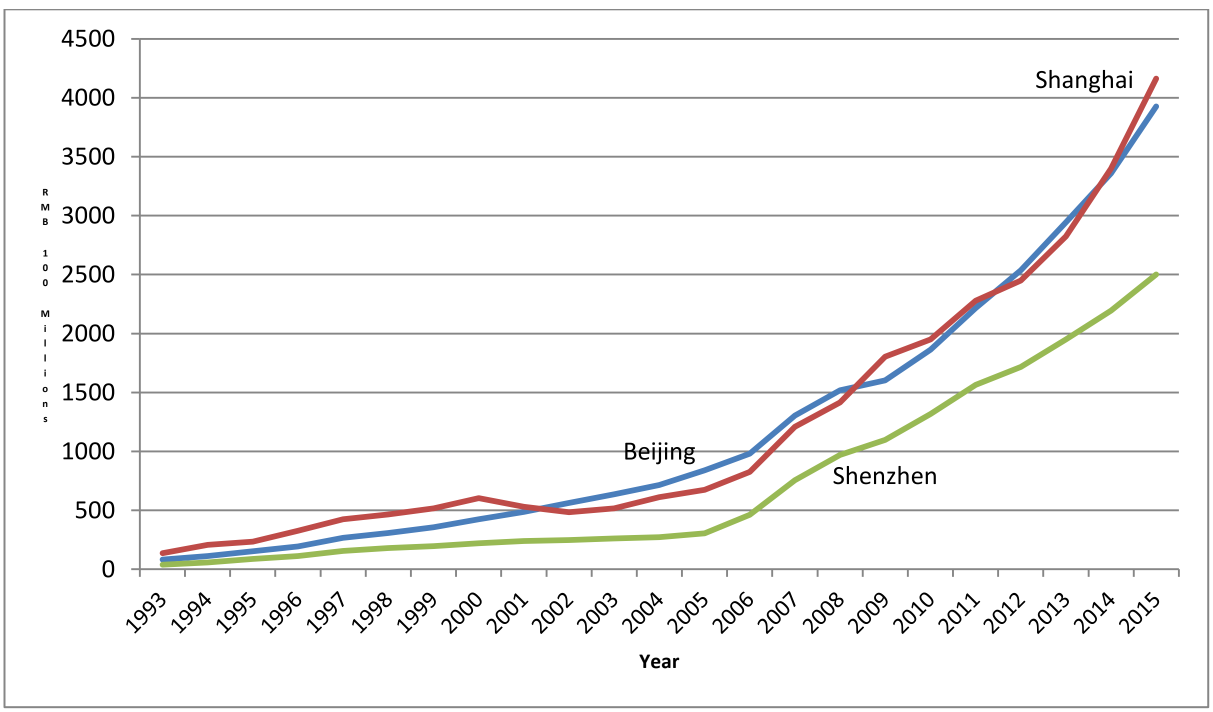


Figure 6: Comparison of the Annual Growth of the Financial Industries of Beijing, Shanghai, and Shenzhen

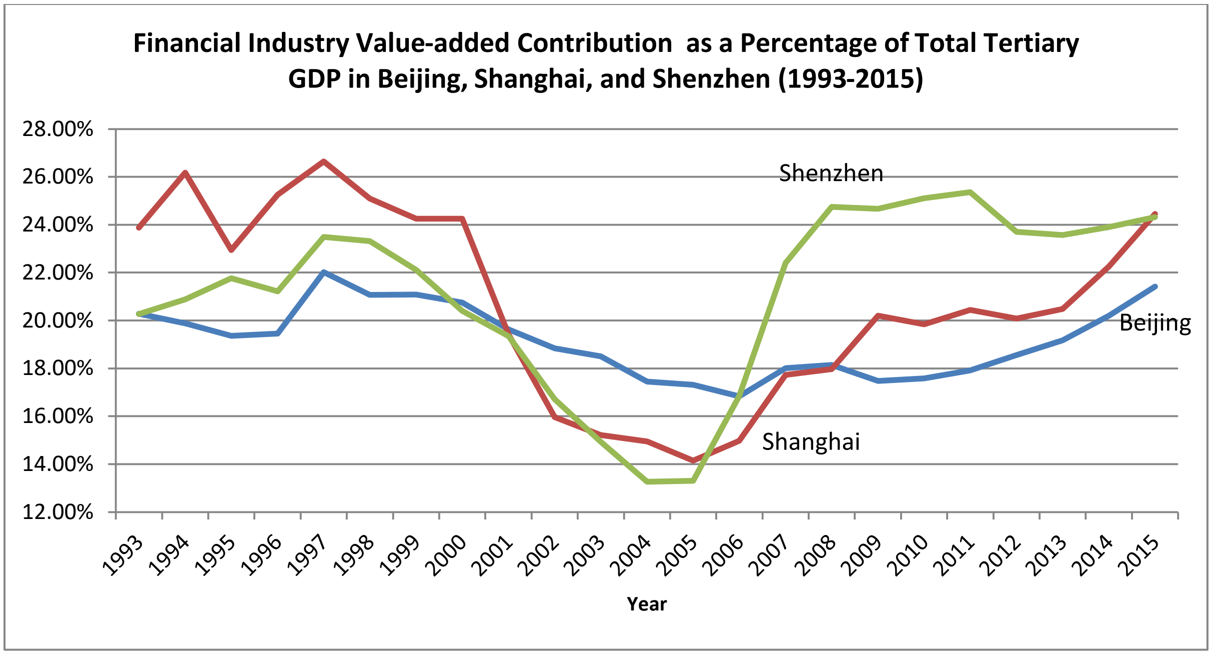


Figure 7: Financial Industry Value-added Contribution as a Percentage of Total Tertiary GDP in Beijing, Shanghai, and Shenzhen (1993-2015)

(iv) The City's Foreign Economy

After Shanghai, Beijing has become one of the biggest recipients of FDI in China in recent years, accounting for 10% of all inflows into the country in 2015 (Table 5). Understood as the amalgamation of capital, technology, marketing and management (Cheng & Kwan, 2000), FDI has been perceived as having historically contributed markedly to the city's economic growth and the restructuring of its urban economy and is now part of the city's official development strategy.[16] FDI is also thought to contribute to financial development by creating a demand for a well-developed financial system that, in turn, contributes to economic growth by putting recipients in a better position to reap the benefits of FDI inflows and acting as a drawing force for FDI in the future (Herme & Lensink, 2003; Lee & Chang, 2009). FDI in Beijing was distributed between 29396 foreign-funded enterprises in 2015 – far less than in Shanghai and Shenzhen. Here, foreign funds refer to 'foreign cash, technology, and equipment that the Chinese government, departments, enterprises and other economic organizations raise through attracting foreign direct investment and other ways' (NBS, 2016). Notably, the vast majority of this capital is from Hong Kong. However, what is really worth noting here is that, as a percentage of the total capital formed by these foreign-funded enterprises, only 3% of it is actually sourced and constituted from FDI. The remaining 97% is made up of funds raised domestically. The story in Shanghai and Shenzhen is much the same and this

[16] Most recently, officials in Beijing redoubled their efforts to attract foreign investors by promising to widen market access and improve the regulatory environment (Reuters, 2017, Xinhua, 2017a).

would seem to suggest that the impact of FDI on these cities is typically overstated. Despite the frequently cited correlation between the growth of the economy and the growth of FDI in China (e.g., Huang, 2003), the proportion of FDI to these cities' GDP is small and it is hard to see how one can think of them as having been built or substantially affected by money from abroad. Rather, it would appear that these cities are doing what they are doing on their own. That said, viewed in terms of technology, marketing and management, Beijing's urban economy might be understood to characterised by a great deal of 'spillovers' from its foreign sector, which is generally thought to have supported the upgrading of the city's economy over the past few decades through the transfer of knowledge, expertise and skills from foreign to domestic labour and enterprises.

Table 5: FDI in China in 2015 (USD100m)

	China, ex. Hong Kong and Taiwan		
Total FDI (inflow)*	1356.1		
Total FDI as % of world total	7.7		
Net FDI inflows as % of National GDP**	2.2		
Total value of actually utilised FDI in China	1262.67		
Total FDI by Hong Kong	708.67		
Hong Kong FDI as a % of total utilised FDI	56.13		
Total value of utilised FDI in China's financial sector	149.68		
…as % of total utilised FDI in China	11.85		
	Beijing	**Shanghai**	**Shenzhen**
FDI actually absorbed by city	129.96	184.59	64.97
% of Total Utilised FDI in China	10.22	14.63	5.15
No. of FDI projects established	1386	1338	3359
No. of Foreign-Funded Enterprises	29396	74885	37529
Total Inv. of Foreign-Funded Enterprises (FFE)	3809.63	6612.37	1694.91
FDI as % of total investment of FFE	3.41%	2.79%	3.83%
Top 5 Foreign Direct Investors By Country	Hong Kong 99.31 British Virgin Islands 18.96 Germany 3.57 Singapore 1.64 France 1.60	Hong Kong 112.95 Singapore 21.70 United States 10.02 Japan 4.89 Germany 4.30	Hong Kong 56.1412 Singapore 0.83 Japan 0.43 United States 0.11 Taiwan 0.07

Note: *FDI here is calculated based on information in the UNCTAD World Investment Report (UNCTAD, 2016). **Data here is from the World Bank (WB, 2017). The rest of the information in this table is calculated based on China's statistical yearbooks.

Beijing's Economic Hinterland

Perhaps because of the geography, Beijing is sometimes misconceived as standing somewhat alone as the nation's capital, with only itself, i.e., the wider province, to form its economic hinterland (see, for example, Chen & Chen, 2015: 17). The city is situated in a semi-circular basin at the point where two mountain ranges meet, which might give the impression that Beijing is somewhat cut off from the rest of the country. Further, it is said that Beijing therefore pales in comparison to Shanghai and Shenzhen, which have some of the largest and most economically developed hinterlands in China. Shanghai's hinterland – the Yangtze River Delta - is composed of Jiangsu and Zhejiang, which rank respectively 2nd and 4th in terms of GDP output (2015), whilst Shenzhen is a 'central place' for the Pearl River Delta (PRD), including Hong Kong, Macao, and Guangdong – China's most productive province and the world's so-called 'factory'.[17] However, by contrast with the received view of Shanghai and Shenzhen as cities with all-round superior hinterlands in financial geography, a rather less well-known fact is that Beijing is situated in one of the most extensive and economically powerful hinterlands in all of China. This hinterland is known as the Bohai Economic Rim, which has come together as the result of a series of major economic and infrastructural changes over the past few decades. With a land area of over half a million square kilometres, the Bohai Economic Rim is the largest and second-most populous economic region in China. Historically, the region has served as base for heavy and hi-tech industrial manufacturing epitomised by the factory activities of the aforementioned big corporate groups headquartered in Beijing. Its core area is composed of two municipal cities, Beijing and Tianjin, and dozens of other prefectural-level cities in the surrounding provinces of Hebei (the so-called Bohai-Tianjin-Hebei Metropolitan Region). The provinces of Liaoning and Shandong and an associated network of cities then make up the region's outer rim. The region also encompasses the Bohai Sea to the east, from which Beijing is connected 150 kilometres inland through the port of Tianjin. With 14 additional ports dotted along its coastline, the Bohai Sea is one of the busiest seaways in the world.[18] The financial centres of Dalian and Qingdao sit on the Liaoning and Shandong peninsulas that jut into the Bohai Sea from the North and South respectively.

[17] Shenzhen's hinterland is called the world's factory because it is characterised by a large number of processing, assembly and export trade industries. Actual manufactured components tend to come from Shanghai's hinterland. The Yangtze River Delta is the region where most of the components for the goods 'Made in China' are manufactured. The manufactured components are either shipped to the Pearl River Delta or out of the country through the port of Shanghai. In Guangdong, they are processed, assembled and exported through the port of Shenzhen. As Shenzhen's high-tech industry booms, the products processed and assembled in the factories of Pearl River Delta are also increasingly being bought up and utilised by the enterprises based in the city itself. To a significant extent, Shenzhen's contemporary rapid growth is being fuelled by the reclamation of the goods it was initially alienated from as a result of their being exported to other countries. On this subject, see Wired Magazine's *Shenzhen: The Silicon Valley of Hardwar*e (Wired, 2016).

[18] In 2013, container throughput for the Bohai, Yangtze and Pearl economic regions equalled respectively 53.1, 69.58, and 53.1 million twenty-foot equivalent units (TEUs), although the latter figure excludes Hong Kong (Wang et al., 2016; see also Wang & Gao, 2012).

Each of them doubles as a major port in the area. East onto the Yellow Sea then lie the two Koreas, which serve the region as immediate destinations for Northeast China's exports. Over the years, Beijing has gradually become strategically positioned as the 'heartland' of this region, which now serves as the geographical context of its economic and financial development.

Table 6: Key Social and Economic Indicators of the Economic Hinterland of the Beijing Financial Centre

Hinterland Region	Land Area (km sq)	Pop. (10,000)	Pop. Growth Rate*	Prefectural-level Cities	GDP (RMB100m)	GDP Growth (%)	% of National GDP
Bohai Economic Rim	**519161**	**19494**	**3.02**	**44**	**161030.2**	**6.8**	**23.49**
Beijing	16801	2171	3.01	1	23014.59	6.9	3.36
Hebei	187700	1547	5.56	11	29806.11	6.8	4.35
Liaoning	145900	4382	0.42	14	28669.02	3	4.18
Shandong	157000	9847	5.88	17	63002.33	8	9.19
Tianjin	11760	1547	0.23	1	16538.19	9.3	2.41
Yangtze River Delta	**210741**	**38422.7**	**3.16**	**25**	**138126.3**	**7.8**	**20.15**
Jiangsu	102600	2415	2.45	13	70116.38	8.5	10.23
Shanghai	6341	7976	2.02	1	25123.45	6.9	3.66
Zhejiang	101800	5539	5.02	11	42886.49	8	6.26
Pearl River Delta	**182670.3**	**11643.7**	**3.23**	**23**	**93678.48**	**-3.3**	**13.26**
Guangdong**	179800	10849	6.8	21	72812.55	8	10.62
Macau	115.3	60	2	1	380.7	-20.3	0.06
Hong Kong	2755	734.7	0.9	1	20485.23	2.4	2.99

Note: All data is for 2015. *Population Growth Rate here excludes migration; **Includes Shenzhen

Figure 8: The Economic Hinterland of the Beijing Financial Centre[19]

[19] Created using Mapbox.

The Local Institutional Environment

As a financial centre, Beijing hosts 1888 unique financial institutions.[20] By comparison, Shanghai has 1430. If we include the branches and subsidiaries of financial institutions, then Beijing has 5117, whilst Shanghai has just 2258. It is unknown exactly how many financial institutions there are in Shenzhen, but the number is approximately similar to the number in Taipei (466). Hong Kong has at least 2172.[21] Of the 1888 based in Beijing, 505 are monetary and banking institutions, 550 are capital market service institutions, and 398 are institutions in insurance. 435 cannot be easily classified into one group or another and include highly diversified financial institutions and intermediaries for financial institutions. Altogether, these institutions employ over half a million people in the city, who manage a combined total of 16.91 trillion U.S. dollars in assets.[22] To put that into perspective, this accounts for 53% of the total value of *all* assets in the country's formal financial system (USD$31.91 trillion; CBRC, 2016). On these terms, Beijing has to rank above any other financial centre in China as the centre that controls and commands the lion's share of the country's financial wealth. The following sections will look briefly at each component of the Beijing financial centre's institutional environment.

Table 7: Number of Financial Institutions and Employment in the Financial Sector in Beijing

	Beijing	Shanghai	Shenzhen
Unique Financial Institutions (unit)	1888	1430	Est. 400+
Total No. of Financial Institutions (inc. branches and subsidiaries)	5117	2258	-
Employment in Finance Intermediation (10,000) (in legal entities; 2015 YE)	50.9	35.07	11.55
…as % of total employment in tertiary sector	5.4%	4.1%	2.4%
…as % of total employment in city	4.3%	2.6%	1.3%
Total Employment (City; 10,000)	1186.1	1361.51	906.14
Tertiary Sector Employment (10,000)	935.0	855.8	483.4
…as % of total employment in city	78.8%	62.9%	53.4%

[20] This number considers only those 'above designated size', which is a category of enterprise used by China's National Bureau of Statistics to calculate the number of institutions of economic significance (usually assessed in terms a combination of factors, including the sector they operate in, their size and their business income). This category also excludes international organizations.

[21] The Hong Kong government does not provide definitive statistics on the total number of unique financial institutions there. I have arrived at this number based on statistics for the total number of corporations licensed to operate in the country's securities and futures markets in 2015 (CSD, 2016:280).

[22] These employees are also highly paid. The average annual wage in the financial sector in Beijing is RMB285795, which is almost three times the average for urban workers (RMB113073) and almost twice that of the average in the technology sector (RMB158210). The average annual wage in Beijing's financial sector is also increasing by double digits each year.

Monetary and Banking Institutional Environment

Beijing is a bank-dominated financial centre. Its banking industry is also the largest in China. The vast majority of the state-controlled financial system's banking architecture is based and headquartered there, including the headquarters of the central bank, the three policy banks, the five national commercial banks, and some of the shareholding banks. In addition, Beijing's banking industry is composed of the headquarters of several regional banks as well as the branches and subsidiaries of multitude banks scattered all across the country. There is barely a bank in China that is not represented by or in some way connected or affiliated with a bank in Beijing. Increasingly, the city is also becoming a location for the regional representative offices of multinational banks, the major functions of which are to network with the central government and host visitors from the global headquarters (Wei & Yu, 2006: 384). Generally, however, Beijing's banking industry is characterised most by its domesticity. The size of this industry relative to the rest of the city's financial sector can be gauged by looking at Table 8. As one can see, the vast majority of the wealth controlled by the firms composing Beijing's financial institutional environment is concentrated overwhelmingly in the city's sector of banking. The central bank and the five large commercial banks based there alone manage over RMB110 trillion in assets, accounting for 47% of the assets of the financial sector as a whole (PBC, 2016: 203). By contrast, Shanghai's wealth is encased within a much more diverse mix of state-controlled and non-state-controlled as well as foreign banks, with an emphasis usually placed by authors on the latter. Within China's financial world, many see Shanghai as a centre of foreign banking as it possesses the largest number of foreign bank headquarters, not to mention deposits and loans of foreign financial institutions (Zhao, 2013: 47). Shenzhen in this context is less significant. The only thing that puts it on the map of big banking in China is the headquarters of the China Merchants' Bank.

Table 8: Division of Assets among Financial Institutions based in Beijing

	Beijing
Total assets (discoverable)	1123217
total calculable	924141
…as a % of total discoverable	67%
Assets in monetary and banking financial institutions	757129.5
…as a % of total assets calculable	82%
Assets in capital market service institutions	33269.56
…as a % of total assets calculable	4%
Assets in other financial institutions	88354.58
…as a % of total assets calculable	10%
Assets in insurance financial institutions	45387.21
…as a % of total assets calculable	5%

Capital Services Institutional Environment

Approximately 550 unique financial institutions comprise Beijing's capital market services institutional environment, understood here as the intersection of various types of financial activity engaged in by dedicated asset management companies, securities and futures companies, and investment banks. By contrast, Shanghai has 100 less. The environment in Beijing is dominated by a few dozen state-controlled institutions, most notably the so-called 'Big Four' asset management companies (Cinda, Huarong, Great Wall, Orient) and a handful of securities and futures investment companies (Galaxy Securities, China Jianyin, and more). However, whilst the number of capital service institutions in Beijing actually outstrips the number in Shanghai, the total assets held by them is much smaller compared with that held by the former's banking industry and the asset management and investment industry of the latter. Generally, it is well known that Beijing's asset management and investment industry is less established, less developed and less diversified and ultimately pales in comparison to that in Shanghai, which has grown up rapidly around activity on the city's stock exchange (where they are pioneering the use of derivatives). The fund markets of Shanghai generally outperform that of Beijing. Owing to the incredible speed with which its capital services market environment has been constructed, Shenzhen's status as a financial centre within this context is perhaps the least understood, but it possesses a relatively high number of asset management and investment firms, especially private equity (PE) firms, for which it serves as the PE industry's base. It is also a hub for venture capital and has the most venture capital firms of any financial centre on the mainland. Similar to the symbiotic relationship between this industry and the Shanghai stock exchange, the growth of the venture capital industry in Shenzhen is connected with the city's exchange as IPOs are the primary exit route for venture capital firms to claim back profits from investments (Zhao, 2013: 50-51). Lastly, Shenzhen has become noted for its role in the development of 'fintech' and blockchain financial technology – the two new 'it' concepts in finance (FNHK, 2017).

Insurance Institutional Environment

Table 9 contains some basic information about the size and state of the insurance industries in Beijing, Shanghai, and Shenzhen. Beijing is shown to possess the largest number of insurance institutions between all three cities. However, the numbers here include insurance intermediaries (brokers or agents who represent customers in insurance transactions) and the number of the insurance institutions proper in Beijing is in fact much smaller than this. The same can be said of Shanghai, but because Shanghai serves as the centre for the headquarters of foreign insurance companies it does in fact possess more insurance institutions than Beijing. Shanghai also hosts the headquarters of China Pacific Insurance Group - one of the most powerful insurance companies in China - which laid the foundation for the growth of the city's insurance industry since it was setup in 1991. Shenzhen hosts the headquarters of Ping An Insurance, which is similarly the key to its status as an insurance centre and an organisational factor in the agglomeration of insurance companies and intermediaries increasingly becoming based there. Beijing's insurance sector is again an incredibly state-ized affair, composed at its core as it is of China Life, China Post Life, Sinosure, New China Life, and the People's Insurance Company China – the behemoths of the insurance industry in China. It also possesses the headquarters of China Reinsurance Group, which is the state's monopoly on the country's reinsurance business. Between these institutions, the insurance industry in Beijing has been able to gather enough capital substance to rival although perhaps not surpass Shanghai's insurance industry (foreign insurers are excluded from the statistics here). In terms of financial power, however, there is no question about the situation between Beijing and Shanghai: the group of state-owned insurance companies in Beijing is paradigmatic in terms of its influence in China's insurance sector.

Table 9: Size and State of the Insurance Industry between Three Cities

	Beijing	Shanghai	Shenzhen
No. of insurance institutions	398	382	22
Premium income	1403.9	1125.16	647.55
Income from Life	1059.2	769.77	216.87
Income from Property	344.7	355.4	227.86
Compensation expenses	506.6	473.59	176.74
Expenses from Life	300	282.22	43.53
Expenses from Property	206.6	191.38	109.6
Insurance density (per capita expenditure)	6467	4659	5691
Insurance penetration (premium income as a % of GDP)	6.10	4.48	3.70

Note: Primary figures are in RMB100m.

Regulatory Institutional Environment

In addition to serving as a centre for traditional types of financial activity and its associated institutional environment, Beijing also plays an administrative role in the economy, hosting the vast majority of state financial and regulatory institutions determinant of financial economic life both in- and outside the Bohai Economic Rim. Most of the financial sector in Beijing is controlled by the state. In particular, Beijing is the headquarters location for the state's so-called 'key national financial institutions' – a group of 15 super-massive state-run corporate groups that control the business and allocation of key capital assets in the Chinese economy. In addition, Beijing is the headquarters of the state's regulatory apparatus, including the Ministry of Finance, the head office of the central bank and the State Administration of Foreign Exchange, the headquarters of the China Banking, Securities and Insurance Regulatory Commissions, and a plethora of less-well known but still incredibly influential financial authorities. Within China's inter-city network of finance, these institutions perhaps express most fully Beijing's financial character as a city that now performs a qualitatively distinct but complementary role as the country's political administrative centre of financial command and control, whilst Shanghai and Shenzhen are both more private-commercial in nature and Hong Kong offshore (Lai, 2006; 2012).[23]

The Role of the State in the Local Institutional Environment

As a country in which the government plays a dominant role in economic development, China's financial centres have grown up in a state-cradle. Both the central and local municipal governments have played and continue to play a key role in shaping their financial institutional environments.

[23] Until quite recently, the island of Hong Kong has had a tendency to be treated by wealthy mainland Chinese as an off-shore conduit for the transfer of their money and assets overseas utilising complex financial structures.

Turning cities into centres of finance is considered a way to advance economic growth and grow world cities. The Beijing, Shanghai and Shenzhen municipal governments in particular have tried to build their respective cities into headquarter economies of finance, defined here as places where the headquarter functions of big financial corporate groups are highly concentrated (Pan & Xia, 2014; Pan et al., 2013; 2015). They do so through the manufacture of unique institutional contexts designed to attract the head offices of large corporate financial firms. In Beijing, this manufacture takes the form of the Beijing Financial Street (*beijing jinrong jie;* 北京金融街) – the subject of the following chapter.[24] In Shanghai and Shenzhen, it takes the form of Lujiazui - the locality forming Shanghai's iconic vista often pictured from across the Huangpu river on the Bund - and the twin districts of Luohu and Futian.[25] Not only have these sites been gifted a raft of preferential policies designed to lure in prospective firms, but the very fabric of their urbanity has been engineered to look like what financial industry professionals want, making them seem to look like the perfect environments for business. As areas earmarked for a specific kind of development, such environments have also been purposely complemented with their very own financial holding companies (which control and determine the allocation of much of the real estate in their areas), their own administrative committees (that act as a one-stop-shop for information on approval procedures for firms that want to locate there), and their own official government websites (e.g., www.jinzi.org).

[24] In pinyin, *beijing jinrong jie.*

[25] The Bund is the city's old financial and business district. Lujiazui (陆家嘴) itself is part of the new Pudong area, which is a piece in the geography of China's specially designed open economic zones.

Table 10: History of Institutional Support for the Beijing, Shanghai and Shenzhen Financial Centres[26]

City	Type of Local and/or Central-State Support
Beijing	• 1993: As part of the city's 1993 Master Plan, establishment of the Financial Street as an area designated to host all major government financial and financial regulatory institutions • 1993: As part of the city's 1993 Master Plan, establishment of the Chaoyangmen CBD as an area designed to grow the city into a world financial centre • 2009: Municipal government announces plan to build Beijing into a world city • 2013: The Beijing Financial Street officially designated as the national financial management centre
Shanghai	• 1990: Designation of Lujiazui area as the city's financial district by State Council • 1993: Creation of Pudong New Area Special Economic Zone • 2005: Re-affirmation of Lujiazui's status as the only finance and trade zone among 185 state-level development zones on the mainland • 2009: Passing of a bill envisioning the development of Shanghai as an international finance and shipping centre by 2020 • 2013: Launch of the Shanghai Free Trade Zone (SFTZ) by the State Council
Shenzhen	• 1979: Designated the first special economic zone in China by the State Council • 2010: Establishment of the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (Qianhai New District) as a hub for modern service industry development

The role of the state in Beijing's institutional environment is not limited to the city itself. As part of the drive to turn Beijing into a 'world city', the city's economic hinterland has also been the subject of a great deal of state intervention. The level of this intervention has been equal to if not superior compared with the level of support showered on the hinterlands of Shanghai and Shenzhen. The best example of this is the state's attempt to co-ordinate the development of the so-called Beijing-Tianjin-Hebei Extended Metropolitan Region (see again Figure 8; Yang et al, 2013; see also Gu & Yu, 2002; Wu, 2000; Yu, 2006). Examples of recent projects implemented at this scale typically follow the improvement of regional transportation systems meant to increase the level of integration between Beijing and other key cities in the area. Probably the most well-known example would be the high-speed inter-city railway recently constructed between Beijing and Tianjin. However this is only the most publicly visible improvement. There are actually many more.

Positioning in Regional, Transnational and International Networks

Positioning in the Mainland Inter-city Network

Beijing's position and significance within the mainland inter-city, Asian-Pacific, and international networks of finance can be immediately glimpsed by looking at Table 11. On the mainland, Beijing is

[26] Reproduced, modified and updated from Chen & Chen (2015: 16).

ranked second only to Shanghai. Even then, there is in fact little difference between them in terms of their actual ratings (more evidence, perhaps, that Shanghai's reputation outweighs the truth of its existence as a financial centre in reality). The real differences are rather qualitative. As of 2013, Beijing's status as a national financial management centre has been confirmed. It is *the* centre embodying the strategic functions of financial command and control in China, meaning that on the mainland it possesses the most financial power in terms of the role of allocating capital and investment in the Chinese economy. Shanghai by comparison has become the object of a plan to turn it into an international finance and shipping hub, where 'shipping' reflects recognition of Shanghai's status as more than just the pretty face of Lujiazui; as in reality the product of the interconnection between its multi-provincial industrial base (the Yangtze River Delta area), its deep sea port, and the technologies of logistics capitalism. Shenzhen is the little brother in this equation. Despite its rapid development, the city is small and still developing relative to the cities of Beijing and Shanghai and this is a fact reflected not only in the various statistics and ranking of its financial sector presented here but in its youth and identity as a site for everything innovatory. Given that its technology and financial sectors appear to be developing hand-in-hand, it may become a centre for financial technology in the future (like what is currently happening in L.A.).

Table 11: Index of Financial Centres in the Greater China Region[27]

GFCI World Ranking			Asia/Pacific Ranking			Greater China Region Ranking		
Centre	**Rank**	**Rating**	**Centre**	**Rank**	**Rating**	**Centre**	**Rank**	**Rating**
London	1	780	Hong Kong	1	744	Hong Kong	1	755
New York	2	756	Singapore	2	742	Shanghai	2	711
Hong Kong	3	744	Tokyo	3	725	**Beijing**	**3**	**703**
Singapore	4	742	Shanghai	4	711	Shenzhen	4	701
Tokyo	5	725	Sydney	5	707	Taipei	5	689
Shanghai	6	711	**Beijing**	**6**	**703**	Guangzhou	6	650
Toronto	7	710	Melbourne	7	696	Qingdao	7	649
Sydney	8	707	Shenzhen	8	689	Chengdu	8	604
Zurich	9	704	Osaka	9	688	Dalian	9	597
Beijing	**10**	**703**	Seoul	10	686			
			Taipei	11	677	Tianjin	10	
Shenzhen	20	689	Guangzhou	12	668	Hangzhou	11	
Taipei	27	677	Wellington	13	661			
Guangzhou	32	668	Qingdao	14	649	Zhengzhou	12	N/A
Qingdao	47	649						
Chengdu	86	604	Chengdu	22	604			
Dalian	92	595	Dalian	23	595			
Tianjin	N/A	638	Zhengzhou	N/A	N/A			

[27] Modified from the Global Financial Centres Index 22.

Hangzhou N/A		
Zhengzhou N/A N/A		

Greater China Region and the Asia-Pacific

Both on the mainland and within the Greater China Region, Beijing's importance as a financial centre is derived in large part from its status as the political centre of the world's most powerful nation. The government's financial and regulatory institutions based there constitute an organisational power in China's economy of finance, with the decision-making capability to determine the state of play in the largest and most sought after and exploitable 'market' in the world. Many financial centres in the Asia-Pacific, especially Taipei and Hong Kong, are poised to act on the financial-economic decisions made about the country's regulatory environment in the capital, which follow from a politics of how much the country's economy should be 'opened' and in what way and how much it should be 'closed' to protect it. In this sense, Beijing is already the centre around which not only the Greater China Region but the entire Asia-Pacific is poised and configured. With respect to Shanghai's and Shenzhen's positions in the Asia-Pacific, part of the plan to turn the former into an international finance and shipping centre involves turning Shanghai into a centre for the development and trade, pricing and settlement of RMB-denominated financial products – something intended to compliment Hong Kong's role within the region in this sense as a centre China is trying to use to internationalise the RMB. Shenzhen's importance as a financial centre is derived mainly from its extremely close proximity to Hong Kong. The latter has invested much in Shenzhen and tens of thousands of Hong Kong firms have relocated to do business there over the last few decades. Some financial professionals believe that the future of the region now lies not in Hong Kong, but in Shenzhen as the capital of an emerging Pearl River Delta megalopolis. Between Guangzhou, Hong Kong, and the Pearl River Delta, Shenzhen is positioned as a regional hub – a role that has also been officially attributed to it by the Chinese government. [28]

Position in the Globe

Looking back to Walter's Client-Arena-Product theory, the extent to which a financial centre can considered international might be understood as related to the extent which it serves as a nexus for traffic between the elements of the domestic economy in which it is situated and the elements of the economies in which it is not. What makes an international financial centre international is not its functional capacity to service the domestic economy's needs *domestically*, i.e., through the

[28] See *the Outline of the Plan for the Reform and Development of the Pearl River Delta* (NDRC, 2008).

provision of domestic services, but rather the level of its capacity to serve the needs of the elements of the domestic economy wherever they are best serviced (Mainelli et al., 2017: PP). Thus one can be measured in terms of the level of access it provides to global financial services – in other words, increased choice as a function of the provision of an expanded market for financial services. The concomitant enlargement of the client's position, in this regard, is in turn a function of the number and size of: a) domestically incorporated firms with cross-border scope (domestic multinationals), and; b) the regional representative office headquarters and/or branches and subsidiaries of foreign incorporated multinational firms – what we typically call global financial institutions. According to these measures, Shanghai is still the preeminent centre of foreign finance in China (Table 12). Data could only be obtained for 2004, but additional data on the deposit and loan balances for foreign financial institutions in 2015 backs up this conclusion in the present. It also suggests that Shenzhen may have surpassed Beijing in this respect as well. That said, Beijing's status as a 'world city' overall may surpass Shanghai. A recent study by Pan et al. (2015) showed that Beijing now has the most headquarters of firms on the Global Fortune 500 Companies (surpassing Tokyo in 2013). In another study, it was found that, of the 500 companies on the Fortune 500, 123 of them based their regional head offices in Beijing, while 48 of the top 81 Chinese enterprises on the list had based their headquarters there (JLL, 2013: 3). The presence of foreign finance in Beijing is also readily observable. The Financial Street in particular is now characterised by the brand-signage of a number of world-renowned foreign banks, including Goldman Sachs, Citi, JP Morgan, Morgan Stanley, Societe Generale, etc.

Table 12: Number of Foreign Financial Institutions in Beijing, Shanghai, and Shenzhen.

	Beijing	Shanghai	Shenzhen
No. of Foreign Financial Institutions (2004)	44	88	20
Banks	20	46	14
Insurers	12	20	4
Other	12	16	2
Balance of Deposits in Foreign Financial Institutions (2015)	2461.00	6881.30	3244.27
Balance of Loans in Foreign Financial institutions (2015)	1994.3	5655.17	1850.65

Note: Balances are in RMB100m.

The Exchanges & Financial Markets

Table 13 lists key data concerning the main exchanges in the Greater China Region. This data can be used to understand the position and the role that each of the financial centres in the Greater China

Region plays as a constituent of financial markets, which form part of a higher order of financial activity not necessarily located in one individual centre. Shanghai boasts three exchanges: one for stocks (SSE), one for futures and derivatives (SFFE), and one for bonds and foreign exchange (CFETS/NIFC). By contrast, Shenzhen only has one exchange (SZSE), but it still serves as the platform for China's second-largest financial market after Shanghai. Both cities' exchanges are platforms for domestic financial markets, which is a fact that can be gathered by looking at their market capitalisation-to-GDP ratios. Centres with high exchange market capitalization-to-GDP ratios typically serve as transnational or international financial hubs. Taipei and Hong Kong fall into this category. The extremely high ratio of the latter is indicative of its status as one of the world's most global financial centres. Not only are the ratios of Shanghai and Shenzhen then much lower than both of these, indicating their status as predominately domestic centres of exchange that cater largely to the financial needs of domestic-economic-concentrated firms, but only Chinese firms can list on them and with the with the exception of certain types of qualified investors, foreigners are barred from participating in their markets. As domestically-oriented exchange, both also serve as platforms for China's bond market, which is a major source of long-term credit financing for the central and local governments and large corporate groups incorporated on the mainland. Along with Dalian and Zhengzhou, Shanghai also currently serves as the centre for derivatives market experimentation in China. However, the derivatives activity between these three cities pales in comparison to that in Hong Kong, which is a highly diversified exchange-animal in that the activity of the HKEx encompasses investment in a wide range of complex financial instruments. In recent years, the geography of exchanges between the mainland and the HKEx have become progressively more integrated as a result of the Shanghai- and Shenzhen-Hong Kong Stock and Bond Connect Programs, which have further institutionalized the connection by enabling the transfer of firms from the boards of one stock market to another and cross-border investment in their shares (e.g., by enabling investors licensed to invest in one market to invest in the companies listed on another)

Table 13: Key Metrics for Exchange Stock Markets in the Greater China Region[29]

	Shanghai (SSE)	Shenzhen (SZSE)	Hong Kong (HKEx)	Taipei (TWSE)	Taipei (TPEx)	Total GC Region
Country GDP (USD billions)	11,060		309	523	623	12,515
Exchange Market Capitalisation (USD billions)	4,098	3,213	3,193	844	84	11,432
Exchange Market Capitalisation Relative to GDP	37%	29%	1033%	161%	13%	91%
No. of Listed Companies	1,182	1,870	1,973	911	732	6668
Domestic	1,182	1,870	1,872	833	699	6,456
Foreign	0	0	101	83	33	217
Market Concentration	47%	69%	69%	68%	39%	58%
No. of New Listed Companies (2015-2016)	451	124	126	21	36	758
% Change	38%	7%	6%	2%	5%	11%
No. of Trading Participants	470	140	556	1,041	938	3,145
No. of Trades (equity shares only; thousands)	2,396,148.0	3,623,904.9	207,649.1	161,843.9	47,729.2	6,437,275.1
Total Value of Share Trading (USD billions)	75,101	116,130	13,498	5,119	1,560	211,408
Turnover Velocity of Domestic Shares	192%	374%	42%	59%	171%	168%

Table 14: Key Metrics for Exchange Bond Markets in the Greater China Region

	Shanghai (SSE)	Shenzhen (SZSE)	Hong Kong (HKEx)	Taiwan: Taiwan	Taiwan: Taipei	Total Region
Value of Bonds Listed (USD billions)	38,575	67	420	176	355	40
Value of Domestic Bonds (USD billions)	36,109	67	401	176	268	37
Value of Foreign Bonds (USD billions)	N/A	N/A	19	0	87	106
No. of Bond Issuers	3,205	2,039	357	3	465	6,069
Domestic	3,205	2,039	337	3	356	5,940
Foreign	N/A	N/A	20	0	109	129
No. of Bonds Listed	4,709	2,073	892	116	1,519	9,309
Total Value of Bond Trading (USD billions)	383	56	3	No data	268	1
No. of Bond Trades (thousands)	2,648.20	973.2	126.2	No data	No data	3,747.60

[29] Both tables here are based on data from the World Bank (2017) and the OECD (UNCTAD, 2016; TE, 2017) and World Federation of Exchanges (WTF, 2016) respectively.

So where is the Beijing financial centre positioned in all of this? Firstly, Shanghai and Shenzhen, Hong Kong and Shenzhen are only one side of the story as far as China's bond markets are concerned and the smaller side at that. China's bond market is currently sized at over USD$10 trillion (FT, 2017). At least USD$3.8 trillion, or 38%, of this is located on the books of the Shanghai stock exchange. The rest of it is located on the other side, the interbank bond market, which by comparison with the exchange bond market is a quote-driven (as opposed to order-driven), over-the-counter (OTC) market outside the exchanges. The central bank regulates it and it works as a wholesale market dominated by banking-type institutional investors. It was formed in 1997 after the state ordered the country's repo and bond trading business off the Shanghai and Shenzhen exchanges and onto an interbank market operating through its own separate electronic trading system (the CFETS). This was motivated largely by the series of exchange-driven equity and real estate bubbles that led to financial crises throughout the 1990s. The banks contributed to these crises and their removal from the SSE and the SZSE was meant to insulate the Chinese banking system from the market risks associated with transacting on the exchanges (Hess, 2010: 8-9). Now two decades later, the interbank bond market is the largest in the country, accounting for around 90% of the total onshore bonds traded in China (Kornchankul, 2017: 1). Crucially, since the vast majority of the bonds on the interbank bond market are issued by government-linked entities and big corporations based in Beijing, where they also underwrite, guarantee, rate, and invest in the bonds as well, the capital must practically be considered the largest bond market in China. It is the place where bonds are dealt. Beijing absolutely dwarfs Shanghai in terms of bond business, not to mention Shenzhen and Hong Kong.

Secondly, Chinese capital markets have a multi-layered structure, comprising three different types of boards on which companies issue their stock: the main boards, the SME boards, and the third board. For most of the reform era, the third board market has barely existed. However, connected with the emergence of China's new financial order, something is now happening in Beijing. A new stock exchange has been created and is booming. This exchange, which they call the NEEQ – the National Equities Exchange and Quotations - is growing at a pace far more rapid than any exchange anyone has ever seen. In the space of just a few years, it has developed into a US$850 billion dollar, invite-only, OTC stock market. Outside of China, it has been billed as the country's NASDAQ. Inside of China, it is more commonly referred to as the 'New Third Board' (*xinsanban*, 新三板) and follows from the state's plan to construct a third market as a method of broadening and deepening the country's capital markets. It has been designed specifically to handle the problem of micro and small business financing. It now has almost 12,000 listees, surpassing not only the number of companies listed on the SSE and the SZSE, but the stock exchanges of Shanghai, Shenzhen, Hong Kong, Taipei, Singapore (757), and Japan (3560) combined.[30] On average, 100 new firms are listed each month. And whilst the NEEQ's current market capitalisation pales in comparison with that of the SSE and the SZSE, its value has increased by on average 33% each quarter for the last 3 years and by a whopping 3091% from the first quarter of 2014 to 2016 year end. Compared with the relative positions of the Shanghai and Shenzhen exchanges, which have to compete to attract listings, the position of the NEEQ is also paramount within the third board market: nothing currently approaches it. It is the core of the OTC market in China and is pegged to eventually become the board around which everything else on its own layer is connected and organised. This includes the regional equity trading venues, of which – and this will serve as an additional point about the centre's relative importance – one is located in Beijing as well. This smaller exchange, which is called the China Beijing Equity Exchange (CBEX)[31], is in fact the organisational power for a litter of around 15 property rights exchanges located inside the province, all of which have historically served as release valves for the transfer and sell off of bad state-owned assets. As their stock of state-assets has by now diminished, each is beginning to diversify its financial behaviour and as a group the CBEX is starting to evolve into something more. In addition, the CBEX is part of a regional trading arrangement called the Beijing-Tianjin-Hebei Equity Market Development Alliance, which is an exchange group encompassing 25 unique exchange platforms in all three provinces. All of them are part of the third board market. As the exchange around which the third board market may eventually come to be configured, the NEEQ is redefining the Beijing financial centre as not just a centre for the NEEQ, but as potentially the centre around which the entire nationwide OTC market in China will be ordered. This is the subject of Chapter Seven.

The Asian Infrastructure Investment Bank

To finish this discussion, Beijing has recently become the site for the construction of what stands to become an institution of profound world political economic significance. This is the Asian Infrastructure Investment Bank (AIIB) – a multilateral development bank formed between China and various other countries both inside and outside Asia. Officially, the AIIB has been created with the specific purpose of closing Asia's infrastructure gap in funding, estimated to amount to around $1 trillion a year, $8 trillion between 2010-2020, and $20 trillion to the year 2030 (WB 2015; ADB, 2009;

[30] As of September 2017.

[31] In pinyin and Chinese, *beijing chanquan jiaoyisuo*, 北京产权交易所

Xinhua, 2017b; 2017c). Unofficially, it has been clearly designed to support China's momentous coming back to Asia. China effectively heads the organisation as the nation who not only invented it, shaped its structure, and then spent the past few years convincing other nations to join it, but who contributed the most capital to its creation and therefore possesses veto power to decide its activities going into the future. China has two things in mind. First, it plans to use the bank as a platform for financing all sorts of infrastructure projects along the *yi dai yi lu*, that is, the 'One Belt, One Road' initiative (一带一路).[32] The *yi dai yi lu* is a strategy aimed at alleviating China's problems with over-capacity in its production industries, its energy and resource insecurity, and its 'new normal' (read: 'slowing') economic growth. It is also seen as a way to build markets, which China wants then to be able to exploit as the new lead in a flying geese-like model of economic development (displacing Japan in this paradigm). Secondly, the AIIB is part of another strategy to further internationalise the RMB. By using the bank to issue RMB-denominated bonds, China hopes to create an international market for the *yuan*. The revival of the Silk Road, the quest to become the world's new global currency – these two things are enveloped by the AIIB as an institution whose ultimate *raison d'etre* signals an attempt to democratise the world economic order, which currently does not reflect China's ascendant political economic position. This is the subject of the final chapter in this thesis.

[32] In Chinese, this is called the *yi dai yi lu* (一带一路).

Orientation

Methodology

Theory of the Financial Centre: an Empty Box?

Chapter one illustrates the position and significance of Beijing as a financial centre. Not only does it have the largest financial sector in China, possessing the most institutions, employing the most people, and constituting a proportion of the city's GDP equivalent to Shanghai and Shenzhen, but it plays an incomparable role within the Chinese economy as a national centre for financial management. As a centre for domestic banking, it controls the majority of all the country's financial assets. As a centre for economic administration, it is paradigmatic in shaping the country's financial regulatory environment. Beijing is also effectively the home of China's interbank bond market - pegged to surpass Japan as the world's second largest bond market in five years (CNBC, 2017). That Beijing has no stock market is also a frequent misconception made by economic geographers: it does have a stock exchange and the capital market it supports may well come to surpass Shanghai's and Shenzhen's in the future. All of this seems even more significant if you consider that, less than two decades ago, Beijing's financial centre did not appear on any index ranking financial centres. Indeed, it didn't appear because its financial sector was almost non-existent. Compared with the historical centres of finance like the City of London and Wall Street, Beijing as a financial centre has no history, yet today it is playing a most historical role as that around which the economic life of China's ascendant political economy, the Greater China Region, and the Asian-Pacific is coming to be oriented. Its multilateral development bank is already beginning to change the world economic order.

Despite its position and significance in the geography of the centres of capital accumulation today, not to mention its significance as an emerging world city, Beijing has not been the subject of any comprehensive study in any field of the social sciences; not in the UK nor anywhere else. To my knowledge, not a single dedicated account exists. Whenever Beijing has been looked at as a financial centre, it has invariably been from the standpoint of Shanghai, Shenzhen, or financialisation of commerce and trade development in the South. Alternatively, it has been indirectly touched upon by accounts more broadly concerned with the subjects of banking and finance in China.[33] These studies have then tended to eclipse Beijing, either by their specificity (by relegating it to a point of

[33] For an example of what I mean by this, see Walter & Howie (2012). See also the litter of textbooks on the transformation of the country's economy, e.g., those by Naughton (2007).

comparison for something else) or by their generality (by encompassing but not taking it as the explicit object of research). Beijing as a financial centre significant in itself has never been covered. It has never been investigated in any depth. Given the role it now plays in the construction of a modern financial system in China, this represents a great lacuna in our understanding of the contemporary Chinese economy and the global financial order.

That Beijing has not yet received any significant attention in this respect is not only, I believe, because of its relative newness, but because of its non-liberal capitalist character, considered something of a paradox by many people. There is a difficulty understanding Beijing because by comparison with places like Hong Kong – a city far more economically liberal in terms of the ideology that underpins its particular brand of 'world' capitalism – it does not conform to the stereotype view of financial centres. Because of the effect Marshall had on the disciplines, financial centres have always been approached from a neoclassical viewpoint.[34] This view conceptualises modern financial centres as centres of exchange specific to market-organised economies. In turn, the methodologies used to understand the position and significance of financial centres in many IFC studies are based on the degree to which a market economy can be deemed to be present. Such approaches are inappropriate to the situation in China – a nation with an economy still substantially organised and led by the state. A case in point is the predisposition of authors toward measuring financial centres solely by the number of multinational companies headquartered in them, or by their number of publicly listed companies on exchanges. By these kinds of measures, it is not surprising that Shanghai usually gets ranked above Beijing on indexes of financial centres significance, whereas in reality there is a lot to suggest that Shanghai is less important than the capital. On the other hand, the contradiction in China is precisely that market forces are simultaneously there and now exert a considerable influence in the economy. Studies that by contrast de-emphasise market power and stress the supremacy of state control in financial economic development and the build-up of financial centres are similarly prone to one-dimensionality. The result is a bifurcated literature characterised by piecemeal bits of knowledge focused either on the market or the state, where the conclusions drawn by them are neither necessarily more or less correct one way or the other. The issue here has a very academic flavour to it. China's so-called 'socialist market economy' has created a methodological problem. Few people know how to theoretically and conceptually approach it.

[34] The only exception to this that I know of is the quite brilliant study of the City of London by Geoffrey Ingham (1984), where he approaches it from a Marxist perspective.

The Sociology of Economic Life

To get by this problem, the approach here is meant to follow from a different way of looking at financial centres, which is drawn from much of the work in the field of economic sociology. I draw in particular on a strand of economic sociology that focuses on the interplay between institutions, networks, social capital and culture in the construction of markets, which can be seen to run from the holy trinity – Marx (1867; 1939), Durkheim (1893; 1912), Weber (1905; 1922) – Simmel (1900), Polanyi (1944; 2014), White (1981; 2002), Granovetter (1985), Boisot & Child (1996, 1999), Abolafia, M. (1996), Fligstein (1996; 2001), Swedberg (1998), Granovetter and Swedberg (2001), Fligstein & Dauter (2006), Arrighi (2007). From Polanyi, economic sociology was founded on the idea that the economic and the study of the economic should not be things confined to economies and economists, but the place of the economic in society as a whole and the social sciences broadly defined. By contrast, there is a general acceptance in society nowadays of the idea that economies are for economists and economic theory to explain (Granovetter, 1985). This is to effectively throw ourselves into the fire, for economists do not know all that much about economics. What economists know about economics is rather limited to an ideological preoccupation with the processes and results of individual choice on the market. Coase (1998: 72) called this 'the analysis of a system of extreme de-centralisation'. Polanyi called it 'formal' or 'scarcity' economics. Real economies by comparison explode the category of the market and the market-organised economy. Before there were market economies, just markets, civilisations were for instance distinguished by alternative economic structures based on kinship in primitive society and personal ties in feudal society, with both types of societies encompassing nonmarket forms of economic life 'such as gift trade, expeditionary trade, ceremonial trade, chartered trade, and other forms that [were] more a matter for the collectively than for the individual' (Polanyi, 2014:154). Insofar as the market-organised society is the episteme of our own time, today's economies are also, as Arnoldi (2007: 91) puts it, 'socially rich: full of "social stuff" that can and must be studied'. Arnoldi gives the examples of social networks, culture, politics, knowledge and technology. Markets are shaped by such things and are never simply economic in form. Our entire way of thinking about economies is based on the idea that the *agorai* are dead, but work by Arnoldi and many others who have followed after the list of authors above has shown that economic life still has an alternative of content – a 'fullness' in which economic decisions rest not only on economic calculations but on conventions, heuristics, and types of consumption that are as much (and arguably increasingly so) a cultural pursuit as they are a satisfaction of material needs (Ibid: PP).

Institutions Matter

What we are talking about here is the problem of economic organisation; the problem of how to think and approach the economy differently, with what tools? As a useful aid, I will take a few leaves out of Polanyi's lecture on 'The Contribution of Institutional Analysis to the Social Sciences'. For Polanyi, institutional analysis was an abbreviation for something more than the New Institutional Economics founded by Coase. Coase and those who followed in his footsteps seemed in the end unable to move beyond traditional neoclassical economics: his theory of the firm ended up becoming a theory of markets, in which the study of the economic decision-making processes was only extended to fill the content of the firm hypostatized as a legal fiction composed of contracting relationships between atomised individuals in the market. This definition of the firm ultimately had little substantive content, with no inside or outside to distinguish it from the market itself (the firm itself was atomised and made synonymous with the market). By contrast, institutional analysis for Polanyi (2014: 58-59) is 'a variant of [the old] institutional economics that represents a shift back from the formal to the more popular substantive meaning of "economic"'. Here, the *economic* is defined as 'an aggregate of economic elements embodied in institutions'. *Economic institutions* are defined as 'institutions comprising a concentration of economic elements'. Crucially, economic institutions and *economic motive* 'do not consist of economic elements only, nor are economic elements found only in [them]'. Accordingly, the economy can be understood as an aggregate of both economic and non-economic elements embodied in economic institutions.

Research Questions

According to this substantivist notion of economy, the centre of exchange in our society can be understood as an aggregate of economic institutions comprising a high concentration of the elements of the economy in one place. The financial centre is an institutional complex – a network of exchange-institutions – that form an interweaving socio-economic contexture. Exchange-institutions are the bearers of social organisation. The social is the code of exchange relations between organisations. In this code is contained and expressed the mass of society's data – not just economic data, but social, political, biological. In this sense, the financial centre is a sociological construct: it is sunk in exchange as a substantive form of life. It embodies society as a culture in which it is embedded. The big question that then immediately presents itself is the question stated implicitly in Weber's title: the question of the relationship between economy and society. What is the relation of the centres of exchange and their economic institutions to non-economic institutions in society? And to what extent do these economic institutions operate and function according to economic motives? The previous chapter looks at the position of the financial centre in the economy.

Here and throughout the rest of this thesis, we are asking what the position of the financial centre is in society. Insofar as different societies also encompass different cultures, how do the centres of exchange then differ according to the peculiar forms of life in which they are sunk? If ‘civilisation is about availability of knives, forks and spoons…culture about the use of them’, (Polanyi, 2014: 92), then how is it that financial centres in different societies are being used? What role do they play in the constructions of economies? Perhaps also we should ask: how do the particular ways in which it is sunk determine differently the state of an economy and economic life in a definite society?

The way economics, finance and financial centres are thought about neo-classically in Anglo-American and West European puts them within the box of free market capitalism and neoliberalism. However, no one who truly understands China would dare I think to suggest that the Middle Kingdom is neoliberal. If they did they would just be mistaken. While China continues to develop capitalistic capacities, the party-state has increasingly tightened control of the economy and synchronised political and economic stratification – a process Lin (2010: 63 PP) describes as a tendency toward *centrally managed capitalism*. To enquire into the position of the Beijing financial centre requires the inclusion of the non-economic factors by which its network of exchange institutions is shaped and which it embodies as a thing embedded in such an economy, especially political factors and the institutions of the party-state. Then we can ask: what is the relationship between these non-economic factors, economic institutions, and the complex of the Beijing financial centre as a whole in the broader historical setting of Chinese society and China constructing capitalism? Further, what is the experience of the generation who constitute these institutions? Who are they professionally? This line of enquiry opens the economy and the Beijing financial centre up to more than just economics. In fact, it places the economy outside economics. Insofar as economics as a discipline is solely concerned with the market-organised economy, which is limited to the study of the motives and behaviour of an *a priori*-constituted ‘economic man’, i.e., ‘*homo economicus*’, it largely excludes economics from the study of economies, for such motives or behaviour are a matter for cultural theorists. This is a situation of the economist’s own making. The market-organised society is the economist’s prison, which they appear evidently content to remain locked inside.

Economic Sociology as Method

To enquire into the financial centre in this way is to understand it as a politico-sociological construct, whereas what Polanyi calls the economistic attitude is to treat it as a construct of the modern market economy. To say the opposite, to say that, perhaps, we have never been modern in this sense, all one needs to do is *not* hypostatise the presence of a market-organised economy when it is not in fact present. This is the value of Polanyi's concept of the substantive economy to my approach: it permits a redefinition of the financial centre and its economic institutions that does not take as its main frame of reference the market, but instead exchange as a form of life and social interaction embodying the full content and complexity of society. Exchange is the singularity, out of which the financial centre is actualised through the movement of the structure of society as a whole. In this sense, the financial centre is infinitely dense (full of 'social stuff'). On this plateau of thought, we can see the financial centre expressed as an articulation of not only economics, but culture. The financial centre is at the foundation of economic life embedded in a cultural complex. This cultural complex can be observed most acutely in the existence of its living financial community. As a cultural construct, the financial centre entails less an application of the elements of neoclassical theory than of a life – a vitalism – that can be observed to consist of real people, not the *homo economicus* of the market.

Method

Gatekeepers

Filling out this cultural concept of the financial centre and its content in Beijing has been the major task of this thesis. Empirical material has drawn on a two-year period of sustained ethnographic research identifying and exploring its economic institutions, its firm-architecture, and interviewing the community of financial professionals that work there. As a network formed of organisations that rank at the apex of the political command structure in the Chinese economy of finance, the Beijing financial complex constitutes a place of order and control relative to the rest of the city. My capacity to research it qualitatively in this respect has only been made possible because of the unique access provided to me by three individuals. The first works in the headquarters of the Construction Bank of China. The second is a retiree from the China Securities Regulatory Commission. The third works at the French bank, Societe Generale. The largest part of the qualitative research undertaken here has then been conducted through respondent-driven research snowballing initially from these three gatekeepers. Given the community that constitutes the Beijing financial complex, which is a community of elites who are highly protective of themselves and their relationships with others, recruiting subjects from these gatekeepers was the only effective way to gain access to the demographic.

The Interview

A pilot interview was conducted. Interviews then took place over a period of a year or so, but mostly within the first six months. Part one of the interview schedule was designed to gather basic biographical information and get a sense of the socio-economic status of the demographic. It was organised into three sections - education, employment, and income, wealth and network - which are three categories typically used by researchers to measure class. Part two of the interview involved more open-ended questions about subjective career experience, encompassing one's recruitment and employment history, motivations for work, and aspirations. It was meant to get a sense of how the demographic fits (or does not fit) into the firm-network of the Beijing financial complex. The second and third parts of the interview schedule asked questions about two current events: the 2015-2016 crash in the Shanghai stock market and the on-going anti-corruption campaign. This was mainly used as a means to assess political attitudes and political life. All interviews were recorded. All of them took place in Beijing, all over the city. The majority of my interviews have thus-far been conducted in English, supplemented by Chinese. In cases where interviews have to be conducted in Chinese, a translator was present.

Subject Statistics

Table 15: Subject Data

Subject	Biography				Education	Employment	
	Age	Gender	Hometown	Party	Highest Level of Educational Attainment	Type	Industry
G1	29	F	Beijing	No	Doctoral	NPMF	Bank
G2	58	M	Beijing	No	Postgraduate	SOE	Regulator
G3	29	F	Beijing	No	Postgraduate	PMF	Investment
1	27	M	Yunnan	No	Postgraduate	NPMF	Bank
2	25	M	Shanxi	No	Postgraduate	NPMF	Bank
3	28	F	Jiangsu	Yes	Postgraduate	NPMF	Bank
4	28	F	Jiangsu	Yes	Postgraduate	NPMF	Bank
5	29	F	Beijing	No	Postgraduate	NPMF	Bank
6	29	F	Beijing	No	Postgraduate	PMF	Investment
7	29	F	Shandong	No	Postgraduate	State	Bank
8	28	F	Beijing	No	Undergraduate	PMF	Investment
9	27	F	Beijing	Yes	Postgraduate	NPMF	Bank
10	28	F	Beijing	No	Postgraduate	NPMF	Bank
11	32	F	Qinghai	No	Postgraduate	NPMF	Bank
12	33	M	Guiyang	Yes	Doctoral	NPMF	Bank
13	31	M	Beijing	No	Undergraduate	NPMF	Insurance
14	32	M	Beijing	Yes	Postgraduate	NPMF	Insurance
15	28	M	Tianjin	No	Postgraduate	SOE	Investment
16	28	M	Liaoning	No	Postgraduate	NPMF	Investment

Note: NPMF stands for non-private marketised firm, PMF stands for private marketised firm, and SOE stands for state-owned enterprise.

Over the course of this research, I formally interviewed 19 financial professionals based on the interview schedule described above. Table 15 contains some basic information on each of these individuals. With the exception of my retiree, all those whom I interviewed were young working professionals between the age of 25 and 32. 11 (58%) were women, 8 (42%) were men. Most (47%) were from Beijing. The rest invariably all hailed from the most developed parts of China, which is to say tier one cities (usually the capitals of provinces). Five out of 19 I interviewed were formally members of the Chinese Communist Party.

All of those I interviewed received high quality educations. Most had studied at postgraduate level. Two people had PhDs. Characteristic of elites in China, more than half (58%) of those who had studied at postgraduate level did so overseas and most in universities of high repute. Prior to postgraduate study, most undertook undergraduate degrees inside China and in universities at the top of the hierarchy of China's ruthlessly elitist educational system. Generally, most of the subjects they studied at university matched their vocation, involving combinations of marketing, business, management, accounting, finance, and economics.

Of the 19 individuals interviewed, three worked in state-owned financial institutions, 13 in institutions controlled by the state but partially privatised, and three worked on the foreign sides of Sino-foreign joint ventures. When I met them, most had already been working for their current employer for over a year. 11 worked in the banking industry, five worked in the industries of portfolio management (asset management companies, securities and futures companies, investment firms), two worked in insurance companies, and one worked for one of the state's major regulator. That most of my interviewees worked in banks makes my sample more representative of the financial sector in Beijing. As I've said, Beijing is a centre of banking.

Repeat Interviews

The process of interviewing radiated outward to circles of participants one, two, and eventually three steps removed from my trio of gatekeepers. As I built up my participant base, certain individuals were noted for their knowledge and expertise on certain subjects, as well as their general level of reflexivity and political thoughtfulness. As my own position as a researcher changed and became more informed with respect to the knowledge I gradually began to accrue, some of these individuals were eventually called back for repeat interviews. Whereas my initial recruitment process was based on availability and eligibility, my research here was based more on the strategic choice of cases. Repeat interviews were more in-depth and focused on mining and excavating particularly dense sites of information with respect to what certain individual knew and/or specialized in as part of their work. More often than not, this was also a function of the relevance and importance of the particular financial institution in which they were employed. For example, one of my respondents worked in the China Investment Corporation, which is particularly high set in the hierarchy of state-controlled financial system.

The Wider Field of Participation

Despite the formal method employed here of using variously structured and semi-structured interviews, my interaction with the community of professionals who work across Beijing's financial institutional network has not been limited to this kind of research. On a personal level, I have lived in Beijing for some years now and I am actually quite close to the city and the people in it. Beyond the 19 individuals I interviewed formally, the largest part of my research has involved a considerably longer and more sustained informal engagement with not only some of the same individuals, but a much larger network of financial professionals whom I have gradually come to know personally over the years. All things considered, the size of my interaction with the community including this fourth circle of individuals is more than twice that of the number of people I interviewed on a formal basis. The mess of my relationship with this larger group is the source from which much of the picture of the Beijing financial centre has been drawn.

Secondary Sources

The qualitative side of my approach opened up a world for me as a researcher, but a world that still had to be made sense of through an extensive engagement with secondary material. Such material includes, but is not limited to: information accessed on the internet through online searches, either using Google (English) or Baidu (Chinese); publicly accessible information about particular financial institutions available on their websites, the internally circulated documents of some corporations (accessible to me because of my relationship with employees); online ownership records, company listings, and development news from Financial Street Holding Co. Ltd - the Beijing financial district's state-owned commercial real estate holding company (www.jrjkg.com); business and scholarly research on financial institutions and markets; announcements from banks and regulators online; articles in local, national and foreign newspapers, articles in magazines; news from the Beijing financial district's official website (www.jinzi.org), and; official statistics, urban plans, and government reports spanning state, municipal, and district levels of economic governance in China.[35] Most of this material used was in English. Some of it had to be translated from Mandarin. Using secondary sources was necessary to bring about context. They were used to draw the outline of the financial centre, whilst the inter-subjective pool of data accumulated through my engagement with the financial community was used to gradually colour it in with substance.

[35] For example, information from the National Development and Reform Commission (en.ndrc.gov.cn), the Ministry of Commerce (english.mofcom.gov.cn), the Beijing Municipal Bureau of Statistics (www.bjstats.gov.cn/), and the Xicheng branch of the Bureau of the Beijing Municipal Commission of Urban Planning. Also information from official yearbooks.

The Rise of the Beijing Financial Street

For some time, the transition from a planned economic system to a system of commanded capitalism has evoked substantial changes in Beijing's urban economic and spatial landscape. As a result, the city has evolved from a monocentric to a polycentrically organised urban structure, with the city's urban-economic industries and their specialised functions becoming progressively concentrated in distinct areas. The city's financial industries have become clustered in three areas in particular: the Central Business District in *cháoyángmén* (朝阳门), which is located on the city's east side, the so-called 'Financial Corridor', which is a four kilometre strip of land running around the corner of the third ring road to the northwest, and the Beijing Financial Street – a central location just to the west of the Forbidden city in *xīchéng* (西城区). Between the three, however, there is essentially no contest: the Financial Street is where the vast majority of the financial institutions that matter are physically located. The word 'street' here is also a misnomer. Whilst there is in fact a 'Financial Street', the term is usually bridged to refer more practically to a locale occupying a 40-block area inside Beijing's innermost second ring road, close to the commercial district of xīdān (西单). Since 1993, this locale has gradually emerged as the dominant financial district in the city. It is the setting in which most of the city's financial activity takes place. Indeed, it is the context in which much of the country's financial activity takes place as well. A map of this area relative to the rest of the city is illustrated below.

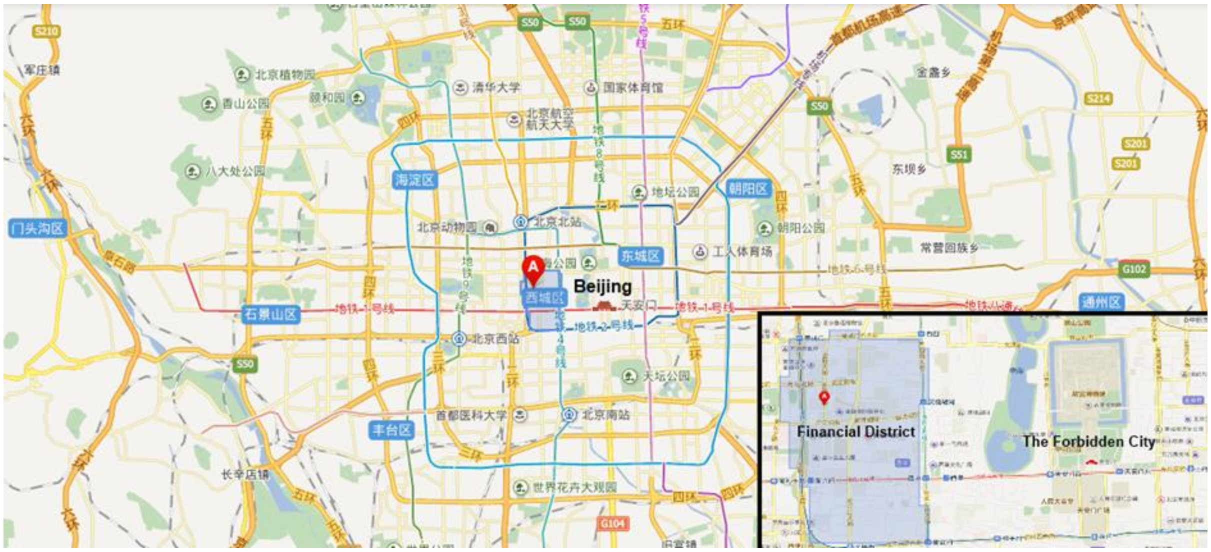


Figure 9: The Beijing Financial District[36]

In what follows, I will explain the rise of the Beijing's Financial Street as a visually striking example of the development of an 'economic cluster' - a concept that now forms a key part of the city's planning strategy and practices. As an economic cluster, the rise of the Financial Street is presented as a function of the connection between central and local government intervention, regulation and planning, the growth and expansion of China's property development industry, and western architectural intervention and the evolving financial services sector within the matrix of social and economic reforms post-1978.

Government Planning, the People's Bank of China, and the 'Big Four'

Since the beginning of the reform era, urban planning philosophy and practice in Beijing has gradually shifted from a concept of the socialist city to a concept of the global city (Chubarov, 2013). The concept of the global city is based on a polycentric model of strategic development aimed at integrating China into world capitalist relations (Feng et al., 2009). According to this model, several 'clusters' or potential clusters of economic activity embodying this vision for the city's economy are identified and incorporated into a comprehensive plan for their development. They are included as project-specific plans within the citywide master plans produced by the municipal government's planning bureau. It is through the development of these strategic components of the economy that Beijing's economic system is becoming regionally and globally connected, first in terms of their institutional, organisational and technological capacity that enables them to cooperate jointly as an

[36] Created using Baidu Maps.

interprovincial economic hub (the Beijing-Tianjin-Hebei Extended Metropolitan Region), and second in terms of their linkages with the operation of intra-networks of firms in national and transnational production networks anchored by patterned flows of FDI, international trade, and global production (the global political economy).

A project-specific plan to develop the city's financial capacities befitting this vision of the global city became the focus of the city's comprehensive economic and social development strategy in the early 1990s, shortly after the People's Bank of China - China's central bank - relocated its headquarters to Xicheng District (lit. 'West-City District'). A direct descendent of the planned-economy banking system, the People's Bank is a remnant of the 'monobank' – a single government organisation subordinate to the Ministry of Finance that held a monopoly on central and commercial banking activities during the communist era. China's reform era was then to become one in which the bank rose to a principal position within Beijing's political-economic hierarchy (Bell & Feng, 2013). The location of its headquarters was then subsequently incorporated into the city's social and economic planning strategy and a plan to restructure the banking and financial system. Published in 1993, the Beijing Master Plan (1991-2010) then characterised the bank's move to Xicheng as part of an initiative to concentrate domestic financial activities in the west-centre of Beijing (BMG, 1993).

The rise of the People's Bank began when it gained independence from the Ministry of Finance in 1979. Around the same time, a succession of state banks were being revived and put to work to engage in commercial activities and its role in the new system became a hotly debated topic. After a lengthy back-and-forth between communist party officials, it was officially designated China's central bank in 1983 and its commercial-banking businesses were spun-off to four, super-large state-run banks now dubbed the 'Big Four' - the Agricultural Bank of China, the Bank of China, the China Construction Bank, and the Industrial and Commercial Bank of China. All of them ended up becoming located close to their parent. Together with the People's Bank, they came to form the core of the identity of the area as a centre of banking. Other banks then quickly followed suit, relocating their headquarters as close as possible to them. Apart from the banks, they were attracted to the location's close proximity to the Second Ring Road, to the various subway stations dotted around or being built in Xicheng at the time, and to the district's concentration of government ministries, bureaus, and departments in Beijing (in fact the most intensive concentration of such entities in the city) (Zhou, 1998). According to interviews conducted by Zhou (Ibid), local Xicheng District officials then became oriented toward the selling of the idea of a

'Financial Street'. How this concept of the Financial Street became a reality is connected with the rise of the development industry in Beijing.

Land Reform, the Development Industry in Beijing, and the Beijing Financial Street Investment Group

The evolution of the Financial Street after the establishment of the People's Bank and the Big Four is connected to the rise of the property development industry in Beijing, which in turn was supported by open-door market reforms and economic policies in land instigated by Deng Xiaoping in 1978 (Wu, 1999; Zhu, 1999). Post-1978, market mechanisms were introduced into a land-distribution system formerly monopolised by the Communist Party and its work-units, leading to the reinstatement of economic values in the use of land (Xie et al., 2002: 1377). This in turn led to the creation of a land market in which the central state's monopoly on the supply, management and transfer of land and land-use rights in Beijing became decentralised and was delegated to the land administration authorities of local governments. Local governments then became the representatives of the state's ownership of land. At the same time, to help facilitate city urban planning, the central government encouraged local governments to form land and property development companies. These companies were required to be autonomously run, separately audited, and self-financed.[37] Their funding initially came from three sources: advances from central and local governments' urban capital construction investment funds; loans from construction banks, particularly the Construction Bank of China; and deposits from the end-users of to-be-completed projects. Using this capital, they were able to acquire the use rights to large parcels of land from the government, redevelop it, and sell back the land-use rights to the end users in the form of redeveloped assets (residential or commercial properties). In such a way, the establishment of a land market through a legal framework for land-leasing has supported the growth of property developers in Beijing.

The development companies took up many of the responsibilities of new city development, including development based on the project-specific plans outlined in the citywide master planning documents. On these projects, the role of the local governments became to designate, manage, and acquire urban land, while the development companies acted as their development executive arms. Development companies acquired the projects either through the three methods of market allocation (auction, tender, or negotiation) or through direct government appointments (Yeh and

[37] See the *1984 Provisional Regulations for Comprehensive Urban Construction and Development Companies*

Wu, 1996: 336). To promote competition, the central government encouraged cities and their districts to establish multiple development companies. Central policy support combined with peculiar market conditions then sustained their rapid expansion of property development companies, who grew tremendously during the 1990s. They became the city builders – the agents by which the comprehensive urban development programmes and urban master plans of local governments were implemented and realised.

By 1995, there were over 200 property registered property development companies in Beijing, nearly all of which were owned or controlled by one or another level of government (Leaf, 1995: 152 PP). According to the principle, 'each district to play a leading role', devolution of power from metropolitan government to local district offices had led to the latter's increased decision-making license over areas within their jurisdiction (Lü, 1997: 69). Thus although 40 or so of these development companies were controlled by the municipal government, the majority were controlled by government at the lower levels, usually the district level or in some cases by the larger work-units that still maintained an influential presence in the city. One of these was the Beijing Financial Street Investment Group Co. Ltd. (www.fsig.com.cn) - a large, multi-billion yuan state-owned comprehensive investment group, whose core business is real-estate development, but which also engages in multi-purpose economic undertakings, financial services, and investment management. In 1992, the Xicheng District State-Owned Assets Supervision and Administration Commission setup the group as a means to undertake the responsibilities of 'unified planning through decentralised management' in the local area. Plans for a 'Financial Street' then emerged in 1993, adhering to the State's policy to construct a national financial management centre oriented around the newly relocated headquarters of the People's Bank of China. Planning covered a 1.18 sq. km area, with a total construction area of 4, 000, 000 square metres (CS, 2011).

Figure 10 – Planned Area for Redevelopment[38]

The scale of the project and the amount of land needed to realise the Financial Street was practically unheard of at that time. It became the largest redevelopment project of the 1990s, displacing approximately 4, 800 families and over 100 enterprises subsequently forced to relocate (Fang, 2000; Gaubatz, 2003; BMCUP 2003). The structure of land-use in the area changed drastically, with radical reductions in residential space and increases in the volume of commercial office space and office space infrastructure. As the *danwei* were made to move out, still more commercial space was made available. Completed redevelopment attracted sizable firm activity. Notwithstanding objections from the Beijing municipal planning bureau, which claimed that height controls were being violated, the BFSIG convinced the municipal government to bring more banks (Zhou, 1998: 435). Some of the representative branches of companies from other regions of China favoured it as office space because of its close proximity to central government headquarters. To demonstrate the support of the highest levels of government, signs were displayed for the Financial Street in the calligraphy of Chen Muhua, then one of China's Vice-Premiers (Ibid: PP). Successful lobbying efforts by Xicheng District officials also gained the support of the State Council and the municipality to include an orientation toward attracting foreign firms.

[38] Sourced from CS, 2011.

Western Architectural Intervention

Despite local officials' attempts to turn the Financial Street into a financial district rivalling or surpassing the CBD in Chaoyangmen, the area initially developed slowly (Gaubatz, 2005). The pace of the Financial Street's development was rapidly accelerated, however, after a period of corporate restructuring took place. This restructuring led to the creation of the Beijing Financial Street Holding Company (www.jrjkg.com.cn) - a development company that owns, controls and devotes much of its energies to the maintenance of many of the residences, office buildings, hotels, shopping malls and other commercial properties in the Financial Street area. The company's main shareholder is the Xicheng District SASAC through the BFSIG, which held 27.91% of its total shares in issue as of April 21, 2014 (Businessweek, 2014). This is why it owns so much: corporate restructuring bequeathed it the sum of its parent company's real estate in the area (Table 16 & 17).

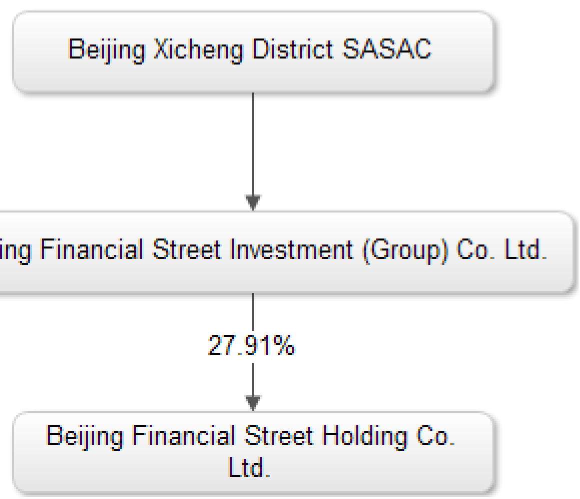


Figure 11: Vertical Ownership Structure of Beijing Financial Street Holding Company Co. Ltd.[39]

[39] Reproduced from CS, 2011.

Table 16: Financial Street Holding Company's Real Estate Projects on Hold[40]

City	Project Name	Type	GFA (sq. m)	Stake (%)
Beijing	Financial Centre project (office A5)	Office	90,000	100
	Desheng International Centre project	Office	30,576	100
	Beijing Ritz Carlton	Hotel	41,127	100
	Financial Street Apartments	Apartments	49,978	100
	Financier's Club	Commercial	5,381	100
	Financial Street shopping mall	Commercial	89,000	100
	Phase II of Financial Street shopping mall	Commercial	22,573	100
	Jinshujie project	Commercial	8,110	100
	Financial Plaza	Office	12,825	100
	Jinyang Plaza	Office	10,619	100
	Other office buildings	Office	8,307	100
	Others	Other equipment	36,922	100
	Subtotal		**407,499**	
Tianjin	Tianjin Ruiji Hotel	Hotel	75,800	100
Chongqing	Jianianhua Plaza project	Office	13,930	100
Huizhou	Huizhou Hilton Hotel	Hotel	43,524	80.41
Total			**540,753**	**532,227**

Table 17: Financial Street Holding Company's Real Estate Projects Under Development

City	Project Name	Type	GFA (sq. m)	Stake (%)
Beijing	Financial Street plot E6	Office	87,900	100
	Financial Street plot E6A	Office		
	Financial Street plot E9	Office	72,000	100
	Fuxingmen4-2 project	Office	149,570	100
	Xidi Hutong project	Office	4,468	100
	Rongjingcheng project	Residential	369,218	51
	Xidan Meisheng project	Comm/off	111,124	100
	Golden Manxianglin project	Residential	389,107	100
	Golden Manxiangjun project	Residential	335,429	100
	Golden Manxiangyuan project	Residential	281,323	100
	Ronghua Shijia project	Residential	27,776	100
	Biomedical base project No.11 plot	Residential	298,746	100
	Tongzhou Commercial Park plot B1 Tongzhou Commercial Park plot B2	Comm/off Comm/off	332,442	83.75
	Subtotal		**2,358,103**	
Tianjin	Global financial centre project (Jinmen)	Apart/comm	24,189	100
	Global financial centre project (Jinta)	Off/comm	289,200	100
	Daduhui project	Off/res	840,648	50
Chongqing	Rongchenghuafu project	Residential	132,480	100
	Jinyuecheng project	Residential	225,927	100
	Chongqing financial centre project	Office	122,438	100
	Financial Street Rongjingcheng project	Off/res	1,709,822	100
Huizhou	Huizhou Golden Bay project	Off/res	2,140,666	80.41
	Tianhougong & Fengchi Island	Commercial	**36,506**	**80.41**
Total			**7,879,979**	

[40] Both tables here are reproduced from CS (2011).

By controlling a sizable land-bank, the Beijing Financial Street Holding Company has become a formidable political force in the formulation and execution of development strategy in the Financial Street area. Its modus operandi is to use signature design from international architects to brand mega-project developments, in addition to promoting Beijing as a global city. In 2001, this formed the second phase of the Financial Street's development, which was to provide a centrepiece and internationally recognisable image for the district. As the Chairman of the Financial Street Holding Company stated, 'you have to build a gold nest if you want to lure in the phoenix' (CBM, 2006: 104). Under the auspices of the Beijing Urban Planning and Design Commission, the company held a competition and awarded the firm, Skidmore, Owings, and Merril (SOM) with a contract to completely redesign the area by 2005.

SOM is a large and particularly influential player in the world of architectural design, planning and engineering. It is responsible for many of the façades of the business cores of major cities. In Beijing, SOM has already completed the headquarters of the Industrial and Commercial Bank of China (1999), the Poly Corporation Headquarters (2007), the U.S. Embassy (2008), and the China World Trade Centre (2010). SOM's 'Beijing Bohai Innovation City' master plan was also recently selected as the winner of a design competition to redevelop a 17.6 sq. km area running alongside the high-speed rail connection between Beijing South Station and the port of Tianjin (the 'Beijing-Tianjin Corridor'). However, Beijing's Financial Street is still SOM's largest executed design project in the city to date. It was completed in 2007, just in time for the Olympic Games. SOM's responsibilities covered building architecture, MEP, engineering, urban design, and planning for an area 1.03 sq. km in size, with a projected floor area of 1.5 sq. km (counting for elevated floor space and the subterranean). SOM's contract specifically consisted of the following: two 24-storey office towers; four 18-storey office towers; one 16-storey office tower; one 14-storey office tower; one 18-storey hotel; two 14-storey residential buildings; five 6-story residential buildings; one 4-storey theatre; one 4-storey trading hall; one 4-storey conference centre; and one 4-storey retail centre (SOM, 2014: 37). In addition to above-ground complexes, SOM also undertook design of basement areas under the superstructure and the entire site was excavated to provide four underground levels of parking interconnected below and between each building in the area (Figure 12).

Figure 12: The Beijing Financial Street Centre-Piece Under Construction[41]

The web of buildings designed by SOM have since on their completion come to redefine the nature of a large part of the district of Xicheng and have imparted to it a certain kind of character not seen anywhere else in Beijing. One particularly unique feature is the tendency of the buildings to hold the street edge. By comparison, most of the buildings constructed in Beijing sit far removed from roads separated by bicycle lanes, huge pavements and behind high walls and fences. SOM also infused their design with a monumentalism to form another part of the district's character. In the north, the area is lined by rows of coffee houses, restaurants and recreational and entertainment services that front a string of interconnected residential apartment blocks. To the south, the Ritz Carlton sits close to giants of Chinese state-owned industry and finance. West is the China Insurance Regulatory Commission, China Life Plaza and Insurance Centre, Hanya Bank, and the Beijing Equity Exchange. And in the east, a series of mixed-use commercial and residential mansions interdigitate the Bank of Communications, the China Export and Credit Insurance Corporation, the Beijing Petroleum Exchange, and the National Council for Social Security Fund. In the centre of this sits Lane Crawford – a 90,000-square-metre, crescent-shaped shopping centre with an enormous glass roof renowned for being one of the most expensive shopping destinations in the city. However, even on the best of days it is usually quite empty. Since Xi's anti-corruption campaign was put into effect, the number of people from the financial community who go there has decreased dramatically.

[41] Source: SOM, 2014a.

Figure 13: The Beijing Financial Street Today[42]

In addition to the buildings, SOM worked with the landscape architecture firm, Sasaki, Walker, and Associates (SWA), to design a huge open public park at the centre of the project and a series of smaller gardens and courtyards worked around all of the buildings. SWA is a similarly global enterprise responsible for many 'walks of life' all over the world. The scope of its services includes landscape architecture, planning, and urban design. SWA's work on the Financial Street involved integrating 0.405 sq. km - 35 blocks - of landscape master planning and landscape architecture into the larger network of buildings designed by SOM. Their imagining of a Chinese financial centre purports to incorporate ideas from traditional Asian garden philosophy, but just consists of a series of set paths webbing along a set of open lawns lined with straight tree rows and clipped hedges, then variously interrupted by small seating areas, water elements, and deciduous and evergreen plants meant to express the change of seasons and the 'rejuvenating qualities of the landscape' (SOM, 2014b). SWA also had the offices pushed to the noisier outlying parts of the area, with the aim of preserving a quieter and sunnier space for the centre's two hotels and 328 apartments that face out onto the park. The park itself is conceptualised by its SWA's architects as a 'Great Urban Atrium' - an 'open public realm and a functional courtyard for the district' connected to the 'indoor civic space' of Lane Crawford. It was also SWA's take on a part of Chinese culture, intended to anchor the district metaphorically in their bowdlerised notion of the traditional courtyard of the

[42] Source: SOM, 2014a.

Chinese compound house (the *sìhéyuàn*). And whereas the courtyard of the *siheyuan* was in ancient times known as the 'well of heaven' (Dutton, 1998: 207-13; Dutton, 2008: 28), the Financial Street's well is a computer-animated fountain and light show.

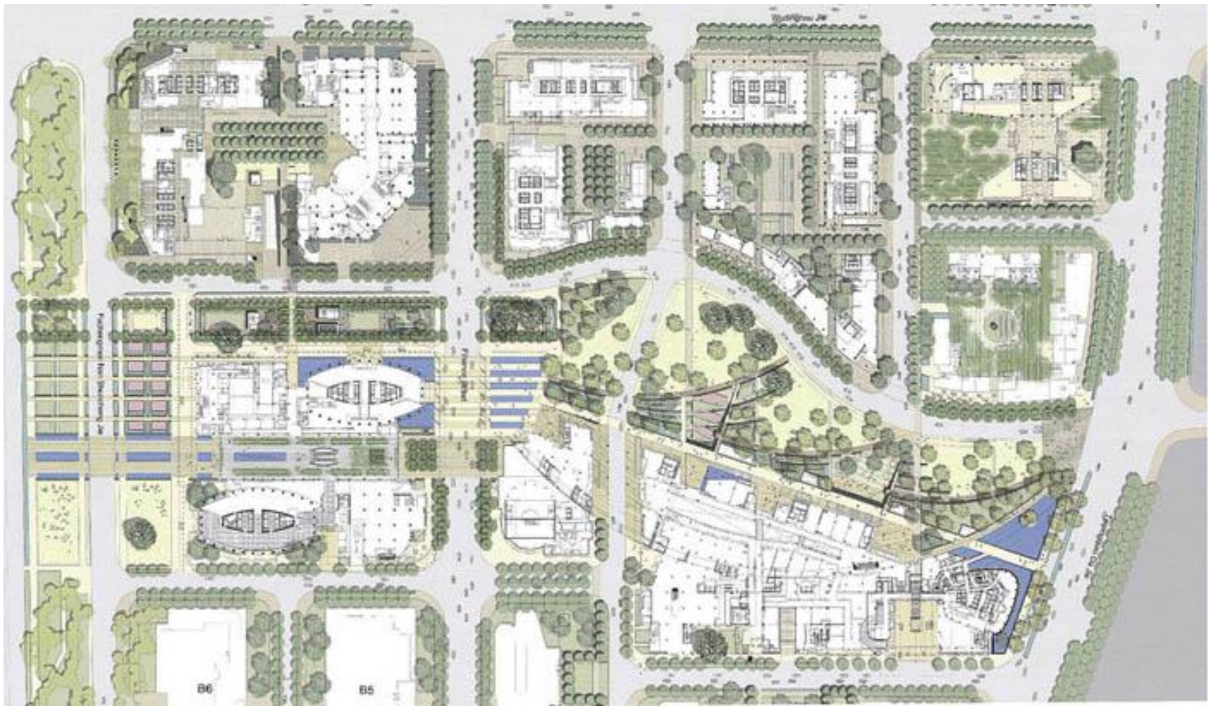


Figure 14 - SWA's Design for the Core Financial Street Area[43]

SOM's environmental graphics complete this concept of a Sino-Western garden of finance. A themed system of logos and motifs identify different components and complete the project's branding, unifying the area through recurrent wayfinding signage, street furniture, and a multitude of advertising and marketing templates (see imagery below). Together, the graphics delineate the project as a distinct enclave of the city while providing a sense of direction and arrival at key locations. As the district has also come to serve a different demographic flow of the city's population, a series of maps have been created and spaced throughout to show that 'You Are Here'. Overall, the scale is remarkably pedestrian, which is something quite unusual in for a city infamously in perpetual gridlock.

[43] Source: SOM, 2014b.

Figure 15: SWA Environmental Graphics (A)

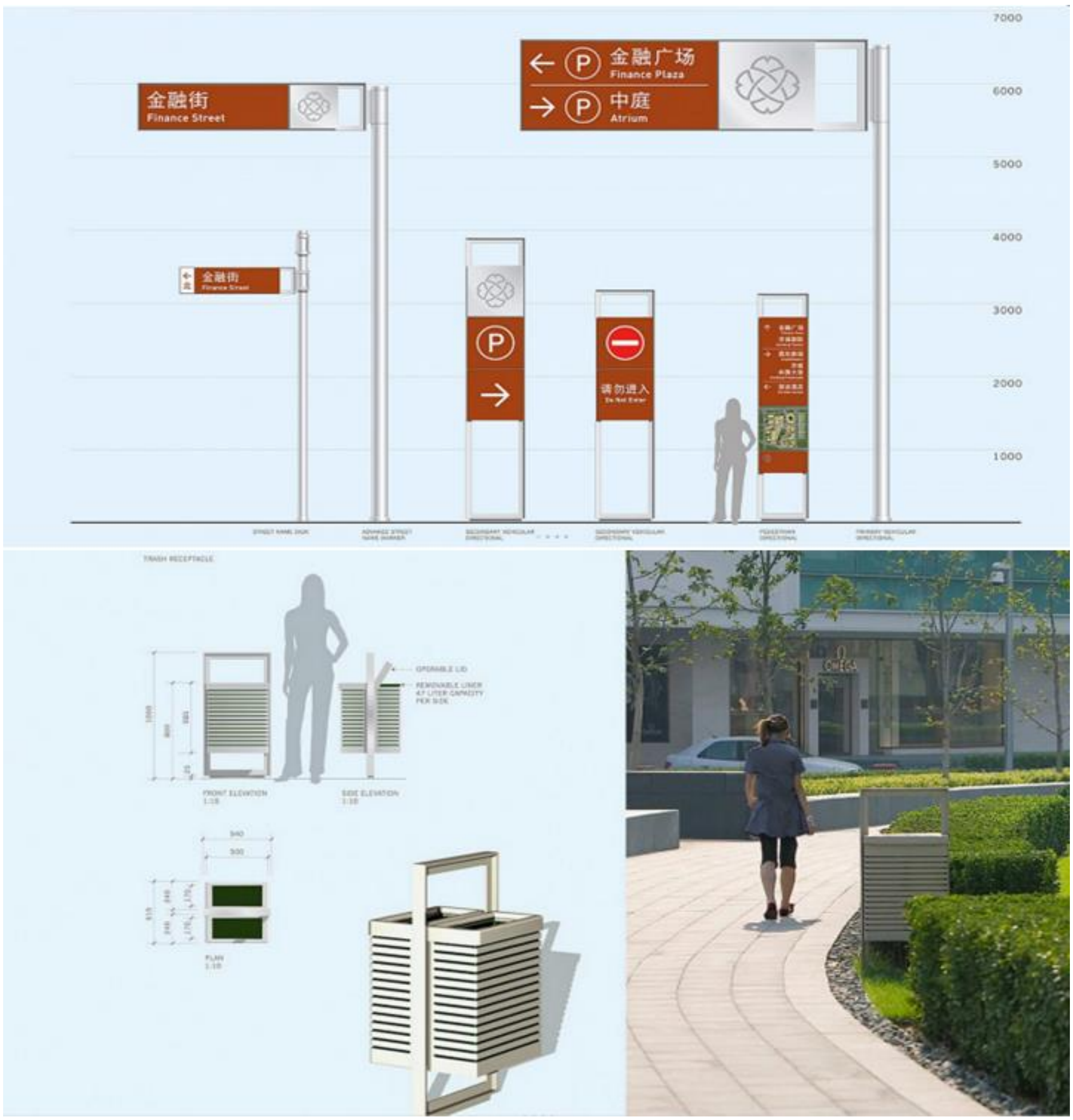


Figure 16: SWA Environmental Graphics (B)

Figure 17: SWA Environmental Graphics (C)

Both SOM and SWA won numerous awards for their involvement in the Financial Street project, including wins from the American Institute of Architects (AIA), the American Society of Landscape Architects (ASLA), and the Urban Land Institute (ULI) (SOM, 2014b). It was noted particularly for being a ‘Landmark Building Complex’ and a ‘National Quality Project’ in the Chinese state media. However, whilst the rhetoric and promotional material surrounding SOM’s and SWA’s bids includes references to urban and ancient traditions, in reality most of what ended up being built was a replicated vision of the global as opposed to local culture, downplaying the Chinese influence in favour of large open spaces, landmark towering skyscrapers, and a bunch of pretentious architect's references to the 'post-modern'. It has nothing to do with Asian gardening; nothing to do with the *siheyuan*. If it is a courtyard, it is a courtyard for a different kind of family - a geography of finance for the cultural figures of Chinese capitalism. In a blend of modern, high-tech and futuristic residential, commercial, and retail entertainment space, the Financial Street is clearly meant to symbolise modernity and the city's rising global prominence.

The Rise of the Phoenix

The production of Beijing's Financial Street is illustrative of the process of 'local state capitalism' (Keith et al., 2014), in which the capacity to realise urban form reflects the cumulative outcome of intense, long-term relations between the state, local government, and financial interests, combined with architectural and planning practices and the transfer of western knowledges. To begin, the the relocation of the People's Bank led to the designation of a geographical area for the planned concentration of domestic and international financial activities in the west-centre of Beijing by the central and local governments. The rise of the district as a financial centre was then made possible because of the concomitant rise concomitant rise of the development industry in Beijing. It was during this period that changes in the Financial Street's spatial-economic organisation had a strong influence on both the physical and social structure of the city. Post-2001, the articulation of a new spatial design by western architects then became a major force for the Financial Street's transformation into a financial hub. The turning of the Beijing Financial Street area into a conceptually distinct urbanism had a significant impact, attracting economic life. Banking, finance, insurance, and commercial services companies have moved into offices in the district in large numbers. It is now home to around 1,700 financial institutions and over 200,000 financial professionals. Concomitant with the influx of firms, the district has skyrocketed from a once experimental venture to become the principal leading component of the city's 'central business district' troika identified in the 2008 plan for the Olympics. All of this would seem to validate the architect's motto that 'Good Design is Good Business', demonstrating the power of corporate architecture to make financial space.

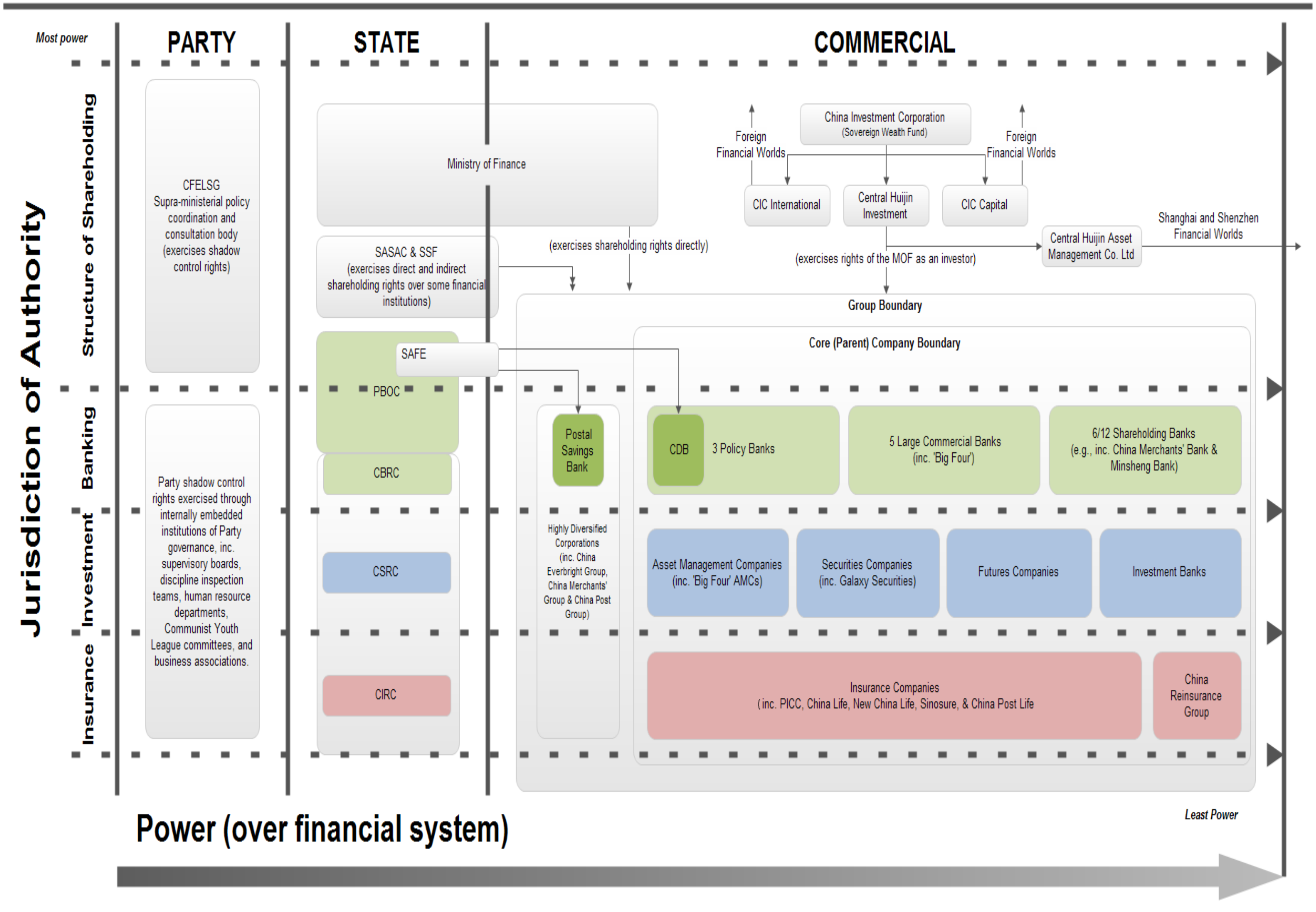
Analytical Part: The Beijing Financial Street Inc.

If the political philosophy of Marxist-Leninism in China was based before on constructing communism, then the present era is based on constructing capitalism. The type of capitalism China is constructing, however, differs a great deal from anything we have seen so far in that the state plays a much more active role as a capitalist in the economy. Lin (2010) compares China's unique brand of capitalism to liberal capitalism, welfare capitalism and coordinated capitalism as three other historically distinct variants. Liberal capitalism is based on the Dutch-British-American model. It is underpinned and framed ideologically by notions of free markets and competition variously articulated through neoclassical economics since Adam Smith. It advocates minimal state participation in the economy as a means only to guarantee the institutions on which markets are based (the rule of law and rights of private property). Welfare capitalism is typical to many West European countries and is one in which the state controls welfare systems but is generally supportive of the neoclassical idea of free markets and competition. It plays a mildly redistributive role designed to off-set some of the more intolerable negative effects of capitalism. It supports but does not own firms in the economy. Coordinated capitalism is most often associated with Japan, Korea, and Singapore. It is characterised by a strong political system in which the state uses a small elite economic bureaucracy to actively guide processes of marketization and privatization in society, consulting and cooperating with firms that it is close to and may control to some extent but does not own directly. Japan's Ministry of International Trade and Industrialisation is an example of such a bureaucracy. Similarities between the Japanese experience and the experience in Korea, Singapore, and some other developing countries in Asia have led to the latter's linkage with the concept of the 'development state': an institutional arrangement in which capitalist economic development becomes the state's priority for political action.

'Liberal', 'welfare', 'coordinated' – all of these forms of capitalism and the ideas on which they are based can be told apart by the magnitude of the state's role and significance in the construction of the economy, with the first affording the smallest role for the state – the form closest to the model of neoliberalism – and the last affording the most. However, as Lin rightly points out, this omits the role of the state in the entire lifecourse of capitalism: as an entity conceptualized as being external to the economy itself, the state is understood as important only for *emerging* capitalism. In reality, the state's role is important beyond the development stage. The state's role has always been critical, substantive. Historically, capitalism require a strong, supportive and highly interventionist state. It thus makes little sense to speak of a perfect frictionless world of free markets and competition. All empirical modern-day capitalism is state capitalism: the cycle of stability and crisis that we see in the Dutch-British-American model is just precisely the cycle between the state's pretense of invisibility to its most openly interventionist stance. It thus makes more sense to speak of capitalism according to the style of the state's visibility during its most openly interventionist moments. This style is a spectrum encompassing two dimensions: '1) the extent to which the state owns the means of production; (2) the extent to which the state dictates or coordinates with big firms and unions in the marketplace' (Lin, 2010: 69).

China's variant of state capitalism is characterised by a 'total involvement of the state in the economy and complete synchronization of a party-government-military-economy regime' – a form of capitalism Lin (2010: 70) describes as 'centrally-managed capitalism'. According to this model of development, the state has continually advanced the idea of giving 'full play' to the market, promoting the construction of markets in progressively more and more spheres of society, whilst also actively supporting the development of an entrepreneurial capitalist class, private profit-motivated firms, and stock exchange activity. On the other hand, the state has played a key role in every aspect of economic life. Not only is the process of marketization and privatization in Chinese society controlled by the state, but most markets have been constructed asymmetrically in its favour. Using an elaborate hierarchy of party-state organs, state-controlled companies, systems of personnel control, and extra-judicial methods of disciplinary supervision, the state has built for itself a most favoured participant status in Chinese markets, whereby state-proximate firms are enabled easier access to resources, financing, and licenses to operate in different parts of the economy. Essentially, the state has written itself into the economy as one its critical pillars and a key organizational power.

The Beijing Financial Street is a setting for this alternative form of state capitalism. Through it, I aim in this chapter to provide a picture of the political economy of finance in China according to the concept of centrally-managed capitalism. To do so, I adapt an analytical construct used to examine the corporate content and composition of the firms listed under the State-owned Assets Supervision and Administration Commission of the State Council by Lin & Milhaupt (2013). According to this analytical construct, it is possible to see the Financial Street as a pyramidal business group arranged in a vertical hierarchical structure of political authority at the top and commercialised market participants at the bottom, with mediums of regulatory discipline and enforcement serving as bridges in-between. The first part of this chapter sketches an overview of this system, before considering each of its organizational components in sequential order of the vertical hierarchy in which they are embedded and which characterised the state-controlled financial sector in China in general. I then suggest some ways in which we might see the Beijing Financial Street as something more than just the sum of its parts.



Most power
PARTY
STATE
COMMERCIAL
Jurisdiction of Authority
Structure of Shareholding
Banking
Investment
Insurance
CFELSG
Supra-ministerial policy coordination and consultation body (exercises shadow control rights)
Ministry of Finance
SASAC & SSF
(exercises direct and indirect shareholding rights over some financial institutions)
(exercises shareholding rights directly)
China Investment Corporation
(Sovereign Wealth Fund)
Foreign Financial Worlds
Foreign Financial Worlds
CIC International
Central Huijin Investment
CIC Capital
(exercises rights of the MOF as an investor)
Central Huijin Asset Management Co. Ltd
Shanghai and Shenzhen Financial Worlds
Group Boundary
Core (Parent) Company Boundary
SAFE
PBOC
CBRC
CSRC
CIRC
Postal Savings Bank
CDB
3 Policy Banks
5 Large Commercial Banks (inc. 'Big Four')
6/12 Shareholding Banks (e.g., inc. China Merchants' Bank & Minsheng Bank)
Party shadow control rights exercised through internally embedded institutions of Party governance, inc. supervisory boards, discipline inspection teams, human resource departments, Communist Youth League committees, and business associations.
Highly Diversified Corporations (inc. China Everbright Group, China Merchants' Group & China Post Group)
Asset Management Companies (inc. 'Big Four' AMCs)
Securities Companies (inc. Galaxy Securities)
Futures Companies
Investment Banks
Insurance Companies (inc. PICC, China Life, New China Life, Sinosure, & China Post Life
China Reinsurance Group
Least Power
Power (over financial system)

The Network Hierarchy

An Overview

The Beijing financial centre has an incredibly complex architecture – more complex than most, perhaps, because of the complexity of Chinese capitalism itself. It would be good to get an idea of the big picture before diving right into it. The figure above provides an overview of the Beijing Financial Street's institutional ecology. What might be understood as the core of the Beijing financial centre represented by the Financial Street is composed in the main of: (1) three policy banks, five large state-controlled commercial banks, and six out of 12 of the national joint-stock commercial banks (the so-called 'shareholding banks' with diversified shareholding structures); (2) an assortment of asset management, securities and investment firms, including most notably the 'Big Four' asset management companies, Huida Assetment Management, Galaxy Financial Holdings, China Jianyin Investment, China Securities, and the China International Investment Corporation, and; (3) some of the biggest players in the insurance industry: the People's Insurance Company of China (PICC), China Life, New China Life, and China Reinsurance Group. The Beijing Financial Street is also composed of a few huge, highly diversified corporate groups, namely China Everbright Group, China Merchants' Group, and China Post Group. Each of these commands as part of its ownership portfolio a number of subsidiaries also based in Beijing. China Everbright Group owns Everbright Bank, Everbright Financial Holdings, and Everbright Securities. China Merchants' Group owns China Merchants' Bank. The China Post Group owns China Post Life Insurance and China Postal Savings Bank – the fourth policy bank.

This is not all there is to the Beijing Financial Street. This is just the commercial core: the institutions that are at the centre of everything and, consequently, at the centre of this thesis. Backgrounding the above are also several city commercial banks, a couple of private banks, the trust institutions and finance companies of various corporate groups, several large corporate headquarters (e.g., State Grid, China Datang, Cosco Group, the two telecoms monopolies, etc.), a dozen or so wholly foreign-owned and Sino-foreign joint venture banking and non-bank financial institutions, a national payment and clearing settlement centre, some law firms, a mix of research institutions and think-tanks, various business associations for each industry, two stock exchanges (one local, one national), a sovereign wealth fund, and a multilateral development bank. In addition, the Beijing Financial Street is also home to the headquarters of a number of state-led financial and financial regulatory institutions as well as various national and local government offices. This includes the head offices of the country's central bank, i.e., the People's Bank of China (PBC), the State Administration of Foreign

Exchange (SAFE), and three state regulatory agencies – the China Banking, Securities and Insurance Regulatory Commissions (CBRC, CSRC, CIRC). Lastly, all of the institutions on this list exist in a sphere of action encompassed and significantly determined by China's ruling political Party, i.e., the Chinese Communist Party, represented by China's Ministry of Finance and the Central Financial and Economic Leading Small Group. In what follows, I will try to explain how each of the more important institutions on this list fits into and performs some kind of role and function as part of the firm-network ecology of the Beijing Financial Street. I will start with the Party's leading small group.

The Financial Party

The Central Financial and Economic Leading Small Group

For several decades now beginning at the start of the revolution, 'leading groups' (*lĭngdăo xiăozŭ;* 领导小组), or 'small groups' (*xiăozu;* 小组), have served as informal bodies inside the Chinese government 2008; 2014). They advise the Party and are used to formulate and coordinate the implementation of policy. They exist at all levels in the Party hierarchy corresponding to the levels of government and become more ubiquitous the closer one gets to the county level. There are hundreds, if not thousands, of them existing all over China. Some of them are permanent, but most of them are temporary. Many are what they call 'term-oriented' (*jiēduàn xìng;* 阶段性), which means they have been established to provide coordination for a specific political task which may last for decades. The majority of them, however, are 'task-oriented small groups' and last only for a short term a – perhaps just months. These are usually established on an evental basis (e.g., to deal with immediate crises and short-term local campaigns).

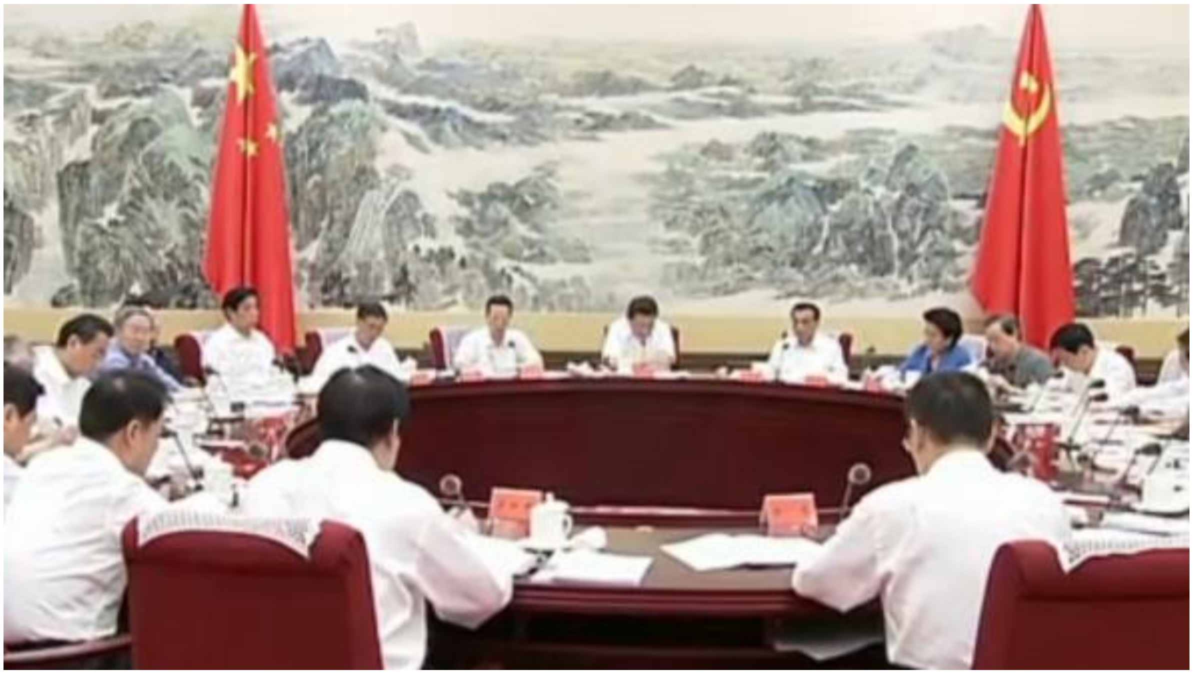


Figure 18 – The Central Financial and Economic Leading Small Group[44]

The Central Financial and Economic Leading Small Group (CFELSG)[45] is one of only several, permanent Central Committee-level leading small groups established to deal with the general task of modernization in China. As its name would suggest, the CFELSG is tasked with everything related to finance and the economy. The group is configured along a vertical axis made up of the presiding leader, convening head office (*qiāntóu bùmén;* 牵头部门) and a general office. One of its convened meetings is depicted above (Eastday, 2014b). It reports directly to the politburo standing committee where leadership of the group is concentrated. Historically, the CFELSG has been headed by a high-ranking member of the Politiburo Standing Committee or its leader. The current head of the CFELSG is Xi Jinping, who can be seen in the middle of the background of the picture against backdrop of the mountains seated next to China's Seventh Premier, Li Keqiang. Li Keqiang is the body's Deputy Presiding Leader. The General Office is effectively the group's standing body and does most of the actual work. It is organized into six teams: 'a policy team, a macro team, a finance and trade team, an economy and trade team, a rural team, and a secretariat' (Miller, 2014: 5-6). The Chief of the General Office is usually the vice-minister of the National Development and Reform Commission (NDRC). Otherwise, the General Office comprises the bulk of the body's members, who are all ministers and vice-ministers. Members appear to be included within the group as a responsibility informally assigned to the post each of them occupy within the Politburo, Politburo Standing

[44] Source: Eastday, 2014a.

[45] In pinyin and Chinese: *zhōnggòng zhōngyāng cáijīng lǐngdǎo xiǎozǔ;* 中共中央财经领导小组.

Committee, and key financial and economic institutions like the People's bank and the regulatory institutions, although the particular composition of posts still seems to vary from decade to decade.[46] Membership is reshuffled every five years in connection with the leadership changes that occur as a result of the Party National Congress cycle (Table 18).

Table 18: Composition of the Central Financial and Economic Leading Small Group[47]

Past Leaders	
Chen Yun (1957 – 1966)	Chairman of the CPC Central Advisory Commission
Zhao Ziyang (1980-1989)	Premier of China & General Secretary of the CCP
Jiang Zemin (1989-2003)	General Secretary of the CCP
Hu Jintao (2003-2013)	General Secretary of the CCP
Presiding Leader	
Xi Jinping (2013-Present)	General Secretary of the CCP
Presiding Deputy Leader	
Li Keqiang	Premier
Chief of General Office	
Liu He	Vice-Chairman of the NDRC
General Office Members	
Liu Yangdong	Vice-premier
Wang Yang	Vice-premier
Ma Kai	Vice-premier
Wang Huning	Central Policy Research Office Director
Li Zhanshu	General Office of the CCP
Yang Jiechi	State Councilor
Yang Jing	General Secretary of the State Council
Zhou Xiaochuan	Governor of the PBC
Fang Fenghui	Chief of PLA General Staff Department
Xiao Jie	Vice-Secretary-General of the State Council
Xu Shaoshi	Chairman of the NDRC
Wu Xinxion	Vice-Director of NDRC and Director of National Energy Administration
Miao Wei	Minister (Ministry of Industry and IT)
Jiang Daming	Minister (Ministry of Land Resources)
Jiang Weixin	Minister (Ministry of Housing and Urban-Rural Development)
Chen Lei	Minister (Ministry of Water Resources)
Wang Yi	Minister (Ministry of Foreign Affairs)
Wang Zhigang	Minister (Ministry of Science)
Lou Jiwei	Minister (Ministry of Finance)

[46] I have come to this conclusion based on some of the observations by Miller (2008: 8-21) compared with the information presented in Table 18.

[47] Between 1966 and 1980 the CFESLG broke due to the impact of the Cultural Revolution. List compiled from information in Eastday (2014b) and Miller (2008; 2014).

Zhou Shengxian	Minister (Ministry of Environment Protection)
Yang Chuantang	Minister (Ministry of Transport)

Vis-à-vis the Financial Street, the CFELSG is the highest-ranking authority for coordination of the state-controlled financial sector. However, like other LSGs, it has a seemingly precarious ontological status. First of all, the CFELSG is rather like a non-resident board of directors in that the full group only convenes quarterly. Furthermore, whilst the General Office of the group has a dedicated office space in *zhōngnánhǎi* (中南海) – China's political palace – the full group in its entirety actually does not. The full group may conceivably meet anywhere, although it is likely to be in *zhōngnánhǎi* somewhere. Secondly, the CFELSG is not a formal body and is not part of any government bureaucracy (e.g., the State Council). There is no official documentation that specifically refers to the group, nor are there any particular set of legal rules by which the group is supposed to abide. There is no dedicated budget for the group either.[48] Technically speaking, the Group has no legal authority to do anything. From a legal governance standpoint, they are entirely extra-legal and seem to rely instead on related official governmental institutions to issue documents that then circulate internally inside the political order with binding force. Other institutions' cooperation with the CFELSG would then appear to based on: a) the sheer persuasive force of its political personae and status corresponding with each member's position of extreme seniority amongst the high echelon of Party rule, and; b) the Group's time-honoured position as a permanent part of the architecture of the Party, dating back decades almost to the start of the revolution (1957). If this is the case, then ultimately the power over finance can in China be said to reside in the ether. It has no legal location, no anchor, and can also be seen to be dispersed among the leadership since its members are all part-time and full-time members of other institutions.

The power that the CFELSG has over the Financial Street can be translated as the power it has to formulate and implement policy involving the institutions I outlined at the start. Policy formulation and policy implementation: these are its two roles and functions. With regard to policy formulation, the leadership initiates the policy making process before the CFELSG and its General Office then begins the preparatory work of enlisting collaboration among relevant CC departments, the Ministry of Finance, the PBC, the regulatory agencies, and whichever other institutions may be concerned, whilst also arranging for survey and inspection work to be completed within certain enterprises and soliciting expert advice from ministerial-level research and advisory organs like the Development

[48] Its budget probably comes out of the Ministry's budget and the budgets of the other ministries and institutions to which its members otherwise permanently belong.

Research Centre (DRC) and the Chinese Academy of Social Sciences (CASS). The initial stage of policy making is thus a quite democratic process, albeit one that takes place entirely within the realm of the party-state, and Miller (2014: 4-5) observes that 'is critical in ironing out a consensus on the policy issue among competing and clashing views among the collaborating institutions'. The focus of the CFELSG and this preparatory work is the Central Economic Work Conference[49] and the Politburo's mid-year review of the economy and economic policy. The former is held each year in December, whilst the latter is held in July. Like the other permanent leading small groups, it also works with the NDRC and plays a major role in the formulation of annual and five-year plans for the economy. Final decisions about the policy proposals formulated by the CFELSG are taken at the conferences. After each conference, the General Office liaises with the General Office of the State Council. With the NDRC, it then drafts a report to be read at the March session of the National People's Congress. After that, the policy is enacted as formal policy and circulated internally within the central political order in Beijing. Since the head of the CFELSG serves concurrently as China's paramount leader, the policy proposals drafted by the CFELSG are unlikely to be substantially altered throughout this entire process and the formal policy document that gets circulated among the corridors of power will approximate the work of the group.

The Ministry of Finance, the PBC, and the Regulatory Triad

Among the institutions which financial policy is circulated, one of the most crucial in determining the policy environment of the Beijing Financial Street is the Ministry of Finance.[50] The Ministry of Finance is the country's national financial executive agency, which among other things handles the implementation of policy first formulated by the CFELSG. It is headed by Li Keqiang, the Presiding Deputy Leader of the CFELSG. A direct line of association can thus be drawn from one to the other that facilitates communication and closes what otherwise might have been a gap between the making of financial policy and its implementation. Very little gets lost in translation. Whatever difference there is between the CFELSG policy proposals submitted to Congress and the actual policies implemented by the Ministry of Finance is likely to occur only as a result of a process of supplementary policy-making that adds to rather than takes away from them. Where the Ministry of Finance is concerned, the policies themselves might be understood to come in two shapes and sizes. The first are those affecting the Ministry of Finance directly, e.g., policies affecting how it handles fiscal policy, economic regulation, the national annual budget, and government expenditure for the

[49] In pinyin and Chinese: *zhongyang jingji gongzuo huiyi*, 中央经济工作会议.
[50] In pinyin and Chinese: *zhonghua renmin gongheguo caizhengbu*, 中华人民共和国财政部.

state, all of which are its responsibilities as a conduit for state financing and alterations to all of which can have a knock-on effect with respect to the institutions within Beijing's Financial Street. The second are policies that are non-specific to the Ministry of Finance, involve not only the Ministry but also the PBC and the three state regulatory agencies, and which the Ministry is tasked with administering as a matter of policy circulation and economic regulation. The policies that get fed to the Ministry of Finance get sent down to the next level in the political economic hierarchy, if they have not been sent down already by some other department of the Central Committee. In this sense, the Ministry serves not only as an institution for the implementation of financial policy, but the top of a pyramidal structure of financial policy supervision composed underneath of the People's Bank and the CBRC, CSRC, CIRC. The Ministry makes sure that the policies first formulated by the CFELSG and sent down to these entities are being adhered to, although the level of generality of the policies and the vagueness of their contents means that they are open to quite a bit of interpretation regarding how they actually should be implemented and consequently regulation of this process is quite loose. The activities based on policy by performed by the PBC and the three regulatory agencies just needs to be sufficiently inside the box of the formal policy document so as to be able to justify the style of its implementation. And since the box isn't too small they have some room in which to play in this respect.

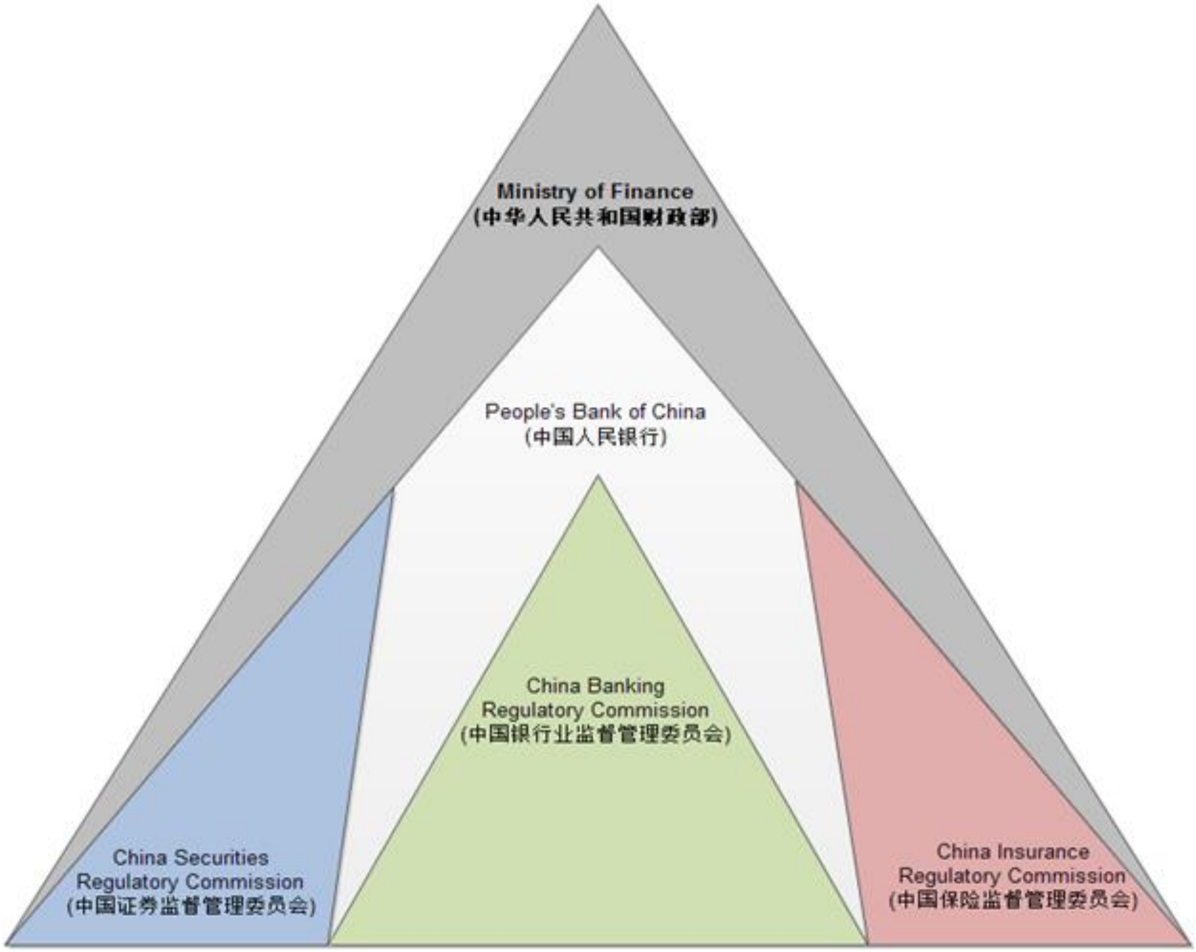


Figure 19: Policy Implementation Pyramid

The Shareholders

The Ministry of Finance Revisited

Whilst the Ministry of Finance's likes to state that its remit is smaller than its counterparts in many other countries, this is in fact not true. In fact, the scope of the Ministry's field of activities is larger due namely to its relationship with the country's state-owned financial sector. Firstly, the Ministry is not just a policy machine; it is a rather more involved financial actor that plays a substantial role in the state's monopolies and revenue-generating corporate groups, particularly those in the Financial Street. This role is exerted largely in connection with its role as a shareholder. The Ministry of Finance is not only a national executive agency, not only a constructor of economic regulatory discourse, but an actual stakeholder. At the level of the Ministry of Finance, the lines between policy implementation, financial regulation and ownership become blurred. The Ministry is a major shareholder amongst the corporate groups that compose the Financial Street. Those firms I wrote of before: the Ministry doesn't just construct the discourse of their policy environment, nor that of their regulatory environment, it *owns* them. In one way or another, each of the firms that make up the core of the Beijing Financial Street's commercial world can be traced back to the Ministry of Finance in terms of ownership. This brings me to the shareholders. The Ministry of Finance is not the only shareholder. There are more and the relationships between them are quite complex. In terms of shareholding, the Financial Street might be said to have a 'backstage' and a 'frontstage'. The backstage is composed primarily of the Ministry of Finance and to a lesser extent some of the other ministries like the Ministry of Personnel, the Ministry of Transport etc. – these shareholding relationships will be illustrated later. The 'frontstage', on the other hand, is constituted of a few quasi-ministerial entities, to which the Ministry's interests have essentially been 'spun off'. The State-owned Assets Supervision and Administration Commission (SASAC) is one of these shareholding entities, although it is a rather exceptional case here as it relates to the Beijing Financial Street only insofar as it possesses ultimate control over China Merchants' Group.[51] Thus I will skip over it.[52] The other is Central Huijin Investment Co. Ltd, which is actually a subsidiary of China's sovereign wealth fund, the China Investment Corporation (CIC). I will look at the latter briefly before looking at Huijin. Both of these are important.

China Investment Corporation

In an article on corporatism in China, Unger and Chan (1996) suggested that, as a country, China exhibits a number of features, namely a well-ordered bureaucracy rooted in tradition, a resilient and relatively autonomous state, and a Confucian ethics stressing the importance of collective as opposed to individual interests that make it more amenable to the development of corporatist structures. The China Investment Corporation (CIC) is a shining example of the corporatization of the state and what corporatism in China might mean for the rest of the world.[53] Established in 2007, the CIC is one of four sovereign wealth funds (SWFs) in China, although it is the only one that is official.[54] It is wholly state-owned corporation setup as a vehicle for the diversification of China's foreign exchange reserves, which it has to compete for access to with the other SWFs, the central bank, and state-sponsored commercial banks and other enterprises, especially those belonging to the national group headquartered in the Financial Street. As an investor, the CIC currently manages about

[51] In pinyin and Chinese: *guówùyuàn guóyǒu zīchǎn jiāndū guǎnlǐ wěiyuánhuì ,* 国务院国有资产监督管理委员会; or *Guózī wěi* (国资委) for short.
[52] The SASAC has been covered in quite a bit of depth in various articles by Naughton (2003; 2006; 2007b; 2008).
[53] In pinyin and Chinese *zhōngguó tóuzī yǒuxiàn zérèn gōngsī,* 中国投资有限责任公司.
[54] The others being the PBC SAFE Investment Company (SAFEIC), the National Social Security Fund (NSSF), and the China-Africa Development Fund (CADF).

USD$813 billion (CIC, 2016). The Ministry of Finance exercises a great deal of control over the fund's management. The fund has been capitalized twice: once on its creation with USD$200 billion in 2007 and once with USD$30 billion in 2011. However, the CIC has no concrete mechanism of funding for itself. It is not owned by the PBC and has instead been financed (in both cases) using special government bonds issued by the MOF. Thus the MOF can be understood as the closest thing it has to an owner and this is the reason why the MOF wields such power over the fund's management. The fund itself should be understood as a political tool. Historically, it has been used to further the strategic objectives of the state, both at home in terms of its maintenance of its stake in the domestic economy's big state-controlled banks and other enterprises and internationally in terms of the way it has coordinated its overseas investment activities with these enterprises to invest abroad in strategic sectors of other countries (e.g., in gas, oil, rare metals, etc.). It claims to be a passive investor, but it really is not. In 2009, for example, it bought itself a seat on the board of directors of AES – a U.S. energy giant (WSJ, 2009). The CIC is also a huge investor in bonds, especially sovereign bonds. The media frequently makes mention of all the U.S. government debt being bought by China: this is one of the vehicles the Chinese government is using to do it. Generally speaking, the CIC is part of China's international economic diplomacy drive. It now cooperates with other SWFs all over the world and is oriented primarily toward the buying up of advanced economies' assets. It is part of what some are now calling 'China Global Inc.'

As noted by Pistor (2012: 50), the CIC portrays itself in practice 'as an autonomous actor – an ordinary financial intermediary whose task it is to maximize financial returns on its assets without a political agenda or much explicit political interference'. In reality, it is required to have a Party Committee and is composed mostly of China's political elite and high-ranking officials, including representatives from virtually every significant government entity within China's financial system (inc. the MOF, PBC, CBRC, CSRC, CIRC). Historically, very few of its board members have not been current or former officials in government. The CIC's previous Chairman, Lou Jiwei, is the current Minister of Finance and, as noted, is also a member of the General Office of the CFELSG (constituting another line of association between the two). Whilst the blood-work of the CIC might be understood be political, however, on the surface everything is 'corporate': it revels in its own facelessness and objective character. Internally, China's old political elite have all been adapted and fit into boxes corresponding with the elements of the modern corporate form. It has a well-ordered corporate governance structure composed of various boards and committees. It even has an International Advisory Council. The corporate floor is composed of a group of 592 highly educated professionals, 389 of which have postgraduate degrees. 280 have an overseas education. 179 have overseas experience. 37 are foreign (CIC, 2015: 40). On paper, they scream corporate elite.

Central Huijin Investment Ltd.

The corporate floor of the CIC, that is, all the departments, divisions and subdivisions of the company network that are fleshed out by this corporate elite, is divided into three parts, which operate as relatively independent subsidiaries organized around different areas of investment activity. These subsidiaries are CIC International, CIC Capital, and Central Huijin Investment Ltd. Most of the CIC's energy is directed globally using the first two. The part of the CIC of relevance here, however, which incidentally is also the part that serves as the capital base for the CIC's investment activities overseas, is the third part that is concentrated on the domestic and that is intimately intertwined with the Financial Street, both economically and politically. By comparison with CIC Interntional and CIC Capital, which are all globally oriented, Central Huijin Investment Co. Ltd (hereafter 'CHI', or just 'Huijin')[55] undertakes equity investments in key state-owned financial institutions. Established in December, 2003, Huijin actually predates the establishment of the CIC but its shares were gifted by the Ministry of Finance to the China Investment Corporation as part of its initial capital contribution in 2007. Initially, it was the product of a joint venture that took place between the Ministry of Finance and the State Administration of Foreign Exchange (Howson, 2009: 131-133). In the wake of the Asian Financial Crisis, the state sought to recapitalise the banks using the country's accumulated foreign exchange reserves. Huijin was to be the vehicle. The banks were about to go bankrupt and Huijin served as the conduit through which money could be channeled into them to keep them afloat. By virtue of the equity/investment function it performed during that moment, Huijin then came into being as an entity in possession of some of the state's most precious financial institutions based in the Financial Street, in particular the four biggest state-controlled commercial banks.[56] As an element within CIC, it is composed of a small group of highly politically ranked executives and then approximately 126 support staff, whom are distributed among an organizational structure compartmentalized into departments that deal with each category of

[55] In pinyin and Chinese: *zhōngyāng huìjīn tóuzī yǒuxiàn zérèn gōngsī,* 中央汇金投资有限责任公司.

[56] The public listing of these banks over subsequent years leading up to Huijin's incorporation into the CIC is the sole reason the latter has managed to stay afloat all these years without further recapitalization by the central government. Historically, the CIC incurred huge losses on Wall Street in 2008 and, looking at it from a strictly economic viewpoint at least, the CIC is not a particularly skilled investor – a fact reflected by the volatile returns on its international investment portfolio. The IPOs of each bank, on the other hand, were some of the highest valued in the Hong Kong stock exchange's history and whilst the CIC claims that strict firewalls exist between each of its subsidiaries it has been using certain accounting practices to share their value across the corporation as a whole and shore up the company's balance sheets. If the China Investment Corporation is a face of China Global Inc., Huijin is the mechanism making it smile.

investee (one for policy banks, one for the four commercial banks, one for the asset management and securities firms, and one for the insurance institutions)(CIC, 2015: 40-41).

Huijin was not created by accident. It was created by design. The Chinese government sought to create another SASAC, but this time for the state-controlled financial sector. Today, it serves as a crucial link between the state and the Financial Street's commercial world. Its position in the political economic hierarchy of Chinese state-controlled finance is characterized by its unique combination of powers that, prior to the 16th National Congress (2002), had been divided up and distributed among the Ministry of Finance, the PBC and SAFE, and various committees temporarily setup inside the State Council to push through orders to the former (including but not limited to the CFELSG). In effect, Huijin operates as a kind of unofficial 'superministry' in which these powers, particularly powers of control over SOE assets, personnel and general affairs, have been unified. In the broadest sense, we could name these powers the 'rights and interests' (*quányì;* 权益) of ownership.[57] Huijin is the owner, although Huijin exercises such rights and interests on behalf of the Ministry of Finance which it represents. Officially, it exercises shareholder rights on behalf of the State Council. Its scope of rights and interests can be understood from Table 19.

[57] This is the term Naughton (2003) also uses to describe the position of the SASAC.

Table 19: Central Huijin Investment Co. Ltd. Holdings[58]

No.	Institution Name	Location	Shareholding percentage held by Huijin (%)
1	China Development Bank Corporation	Beijing	34.68
2	Industrial and Commercial Bank of China Ltd.	Beijing	34.71
3	Agricultural Bank of China Ltd.	Beijing	40.03
4	Bank of China Ltd.	Beijing	64.02
5	China Construction Bank Corporation	Beijing	57.11
6	China Everbright Group Ltd.	Beijing	55.67
7	China Everbright Bank Company Ltd.	Beijing	21.96
8	China Export & Credit Insurance Corporation	Beijing	73.63
9	China Reinsurance (Group) Corporation	Beijing	71.56
10	New China Life Insurance Company Ltd.	Beijing	31.34
11	China Jianyin Investment Ltd.	Beijing	100.00
12	China Galaxy Financial Holdings Co., Ltd.	Beijing	78.57
13	Shenwan Hongyuan Group Co., Ltd.	Urumqi	25.03
14	China International Capital Corporation Ltd.	Beijing	28.45
15	China Securities Co., Ltd.	Shenzhen	40.00
16	China Investment Securities Co., Ltd.	Beijing	100.00
17	Jiantou Zhongxin Assets Management Co., Ltd.	Beijing	70.00
18	Guotai Junan Investment Management Co., Ltd.	Shanghai	14.54
19	Ping An Insurance (Group) Ltd.	Shenzhen	2.65
20	Huarong Asset Management Co., Ltd.	Beijing	4.39
19	Central Huijin Asset Management Co., Ltd.	Beijing	100.00

The majority of the institutions on the list above are headquartered somewhere in or around the financial district of Beijing. Those that are not still maintain a hugely significant presence there. Guotai Junan Investment, for example, maintains a significant presence in the district and is generally a key actor in the state-controlled financial sector. Where Huijin does not own the majority stake in these corporations, it is usually the case that the remainder or a significant portion of the remaining shares are held by the Ministry of Finance or split between various other state entities. Huijin's claims to ownership over large parts of the Financial Street and the state-controlled financial sector in general, however, are not limited to this list of institutions. Table 19 is not a definitive list of what Huijin actually owns altogether. Huijin in fact owns a lot more than this, but it does not publicise the full extent of its shareholdings. For example, Ping An Insurance (No. 19) and

[58] Formulated from Huijin (CHI, 2016) and CCB (2015: 74).

Huarong Asset Management (No. 20) are never mentioned by Huijin as part of its portfolio, but nevertheless it does own significant stakes in them and many others. Furthermore, in 2015 it setup its own subsidiary, Central Huijin Asset Management Co. Ltd., which it is now using to invest in the state-controlled financial sector in Shanghai and Shenzhen.

With respect to its ownership portfolio, Huijin is not your typical shareholder. Its central mission is the preservation and enhancement of state-owned financial assets. It does not engage in any other type of business or commercial activity. It does not invest in financial markets beyond the authority granted to it as an entity responsible for a particular set of state-controlled financial institutions. It doesn't go anywhere near international markets, although a large part of what it is about is modernizing the Financial Street's banks and making them internationally competitive conglomerates. Its real focus is domestic. Its purpose is to centralize the state-controlled financial sector; to put all the state's financial eggs in one basket and securitize their futures. This it does by acting as the gatekeeper for its state-controlled assets. Not only that, but as a corporatized entity it has been positioned as the cornerstone of a socialist economic project to nurture and turn each of the companies it owns into giant corporate groups. Since its establishment, it has pursued a singular policy of essentially trying to build state-owned monopolies in the financial sector.

The Group

State ownership and control of the elements of the financial sector headquartered in the Beijing Financial Street begins at the level of the *group*. In one of its dimensions, the Beijing financial centre is composed of a series of corporate groups that can and do extend well beyond the limits of the Financial Street, the financial district, and indeed the Beijing financial centre and the city itself. These corporate groups have arisen out of a decades-long process of experimentation with the corporate form in China. Structurally, each is formed of four layers: (1) a core parent holding company, whose shares are controlled either by the Ministry of Finance, by Huijin, or by both and potentially in connection with other state entities acting as shareholders as well; (2) at least one (usually more) controlled domestic and, in some but not all cases, overseas subsidiaries; (3) non-controlled subsidiaries, and; (4) other contracted members of the group that collaborate with the core company of the group or with one of the group's major or minor subsidiaries.[59] Each group typically also possesses a finance company or multiple finance companies that are exempt from the prohibition on intercompany lending in China and thus able serve the group's financing needs. Given

[59] A similar observation was made about SASAC by Lin & Milhaupt (2013).

their position as financial institutions 'inside the system' (*tizhinei,* 体制内), each of these groups usually will also have been granted an official license by the CBRC to engage in trust business and setup trust companies that provide these groups with a great deal of investment freedom by enabling them to invest in all kinds of financial markets and across all asset classes.

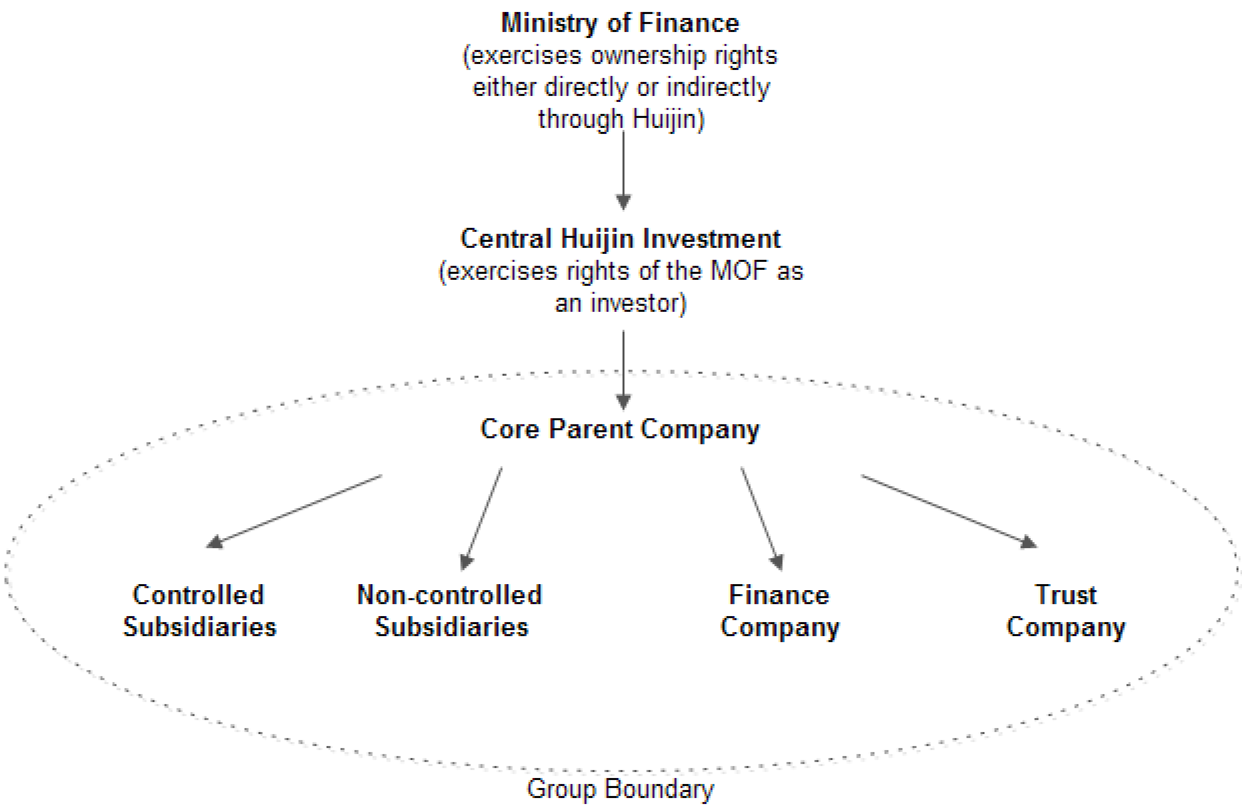


Figure 20: Basic Corporate Group Structure of the National Financial Institutions Headquartered in the Financial Street

Figure 20 illustrates the basic corporate group structure of a financial institution headquartered in the Financial Street. An illustration of how this group structure fits into the broader picture of the state-controlled financial system can be seen from the larger figure at the beginning of this chapter. On the surface, the typical structure of the corporate group in the Financial Street resembles the Japanese *keiretsu* and the South Korean *chaebol*. All are types of pyramidal business groups characterized by a hierarchically ordered conglomerate of subsidiaries that functions as a single economic entity through a common source of control, i.e., through a core parent company.[60] However, there are also some key differences between them. First of all, in contrast with the business groups in Japan and South Korea, which are also characterized by a great deal of multi-

[60] In the Japanese keiretsu, this unifying entity is usually a main bank that holds shares in the group member firms and supports them by lending out to them. In Korea, the *chaebol* are typically organized around the core parent company controlled by the company's founder and/or members of his or her family.

directional shareholding among member firms (a strategy intended to bolster the corporate structure and make it highly resistant to take-over bids or drastic losses), shareholding among the corporate groups located in the Financial Street is for the most part extremely hierarchical. Beginning with the parent company, firms higher in the structure own subsidiaries downstream, but with the exception of some groups like China Life it is uncommon to see ownership upstream or horizontally between subsidiaries. The primary reason for this is simple: these top-down ownership structures serve the Party by placing the Party's delegated points of connection with the corporate floor in positions of absolute authority within their respective groups. Secondly, the business groups in the Financial Street are unlike the *chaebol* and the *keiretsu* in that, with the exception of the few highly diversified groups I mentioned at the beginning of this chapter, all of them are focused on particular industries in the financial sector (i.e., banking, asset management, securities, insurance, etc.). Within each industry, the general tendency of each group is also towards depth of penetration in a particular market, not diversification across them. This activity is also oriented with a view to establishing a monopoly in the long-term, or indeed maintaining their current monopoly if they already have one.

The Core Parent Holding Company

Within the corporate group, the Beijing Financial Street is characterized by the core company, by what otherwise might be understood as the apex-firm at the top of the state's financial hierarchy. The core company is the ultimate organizational power and possesses group-wide decision-making authority. It expresses most fully the character of the Beijing financial complex as that which sits at the apex of the Chinese political economy of finance in general and as that which acts as a centre of nationwide financial control. Historically, each of these core companies were formed by the corporatization of departments inside the ministries and the PBC that held authority over particular bits of the country's financial sector. All of the parent companies of the big state banks, for example, were spun out of different wings of the original People's Bank – the monobank. Galaxy Financial Holdings, the parent of Galaxy Securities, was incorporated out of the Ministry of Industry and Commerce in 2005 (with co-sponsorship from the MOF and Huijin). All of the core companies headquartered in the Financial Street now act as intermediaries between the MOF/Huijin and the groups they 'hold' for the party-state. Vis-à-vis the state, they generally perform two functions. Firstly, they act as points of contact for the transmission of policy information: (1) *downward* in terms of policy communicated from the Ministry, the PBC and the CBRC, CSRC and CIRC and filtered through the core company to group members, and; (2) *upward* in terms of information and advice fed back to Party economic strategists and advisors from the core company all the way to the main architects of China's economy in the CFELSG. Secondly, as holding companies the parents of the group are essentially those to whom responsibility for holding their group's formation and controlling its management and operations has been spun off by the state. Inside the corporate group, their primary function is characterized more by corporate information flow, resource allocation, and generally managing and keeping the different parts of the group together or alternatively creating new parts. The holding company is essentially like mother: it gives life to new firms through the process of incorporation and sustains the body corporate. Furthermore, whilst the incorporated entities it gives birth to tend to engage in retail, the economic activity of the core company tends to be defined by wholesale finance business and finally it should be noted here that the kind of corporate groups and the financial centre that we are talking about is again unlike Beijing's central business district, i.e., the area of Beijing characterized in large part by retail consumer financial and commercial businesses. The corporations headquartered in the Financial Street do not do consumer finance; they do corporate finance. Their clients are mainly mortgage brokers, corporations, mid-sized companies, real estate holding companies and developers/investors, other banks, international trade financing businesses, and large institutional investors such as pension funds and other government entities/agencies. The environment is institutional, not individual, and operates in a sphere of financial activity characterised by huge movements of capital to and from massive corporate groups.

Inter-Group Networks: Financial Industries

The core companies that typify the Beijing Financial Street's economic personality importantly do not stand alone. They are also extensively networked into larger systems of industrial organization. Although the corporate groups located in the Financial Street are legally and functionally distinct and separate from each other, certain groups resonate with each other both economically and politically and are linked in ways both cooperative and competitive. Economically, various corporate groups are linked cooperatively in the style of intergroup joint ventures, strategic alliances and various other types of collaborative projects and so on. The firms in the Financial Street talk. They tend to build bridges and form associations. Otherwise, some of the corporate groups are organized around the same area of finance business and engage in the same financial markets. The market – pictured in the image of the consumer - is a mirror in which they see themselves vis-à-vis corporations of a similar nature. This seeing can lead to the realization of higher orders of organization based on competition, for example agreements (either formal or unspoken) about the principles of their financial undertakings, standardization of service provision amongst certain sets of corporations that offer similar financial products, and pricing (either toward a monopoly or equilibrium). In the case of the Financial Street, both these types of competitive/cooperative linkages between firms are politically motivated: the party-state, acting through the Ministry of Finance and Huijin, has encouraged them as part of a strategy of giving 'full play' to market forces. More broadly, they are also a function of political structures designed to unite the most the corporate groups into complementary wholes. The linkages between each corporate group are shadowed by institutionalized political channels and practices that bind and make them work together. Chapter Six deals with this political aspect of the Financial Street in more detail.

The Three Pillar-Industries of the Beijing Financial Centre

The systems of industrial organization into which these corporate groups are networked constitute a set of distinct 'industries', according to which the Beijing financial centre can be split conceptually into groups of core companies organized around particular areas of finance business, sometimes competitively, more often cooperatively, and along both economic and political lines. The Beijng Financial Street is composed of three pillar industries: (1) banking; (2) asset management, securities and investment banking; (3) and insurance and reinsurance. In a Foucaultian sense, each of these is essentially a discourse – a way of constituting knowledge - according to which finance is 'practiced' in different ways. However, the significance of each of these discourses differs. None of these three industries, which serve essentially as the foundations of the Beijing financial centre, are necessarily undertaken in equal amounts. The extent to which the Beijing Financial Street performs the kinds of activities and functions associated with each industry differs. Among the three industries, it is banking that dominates the financial centre. The Beijing financial centre is foremost a centre of banking. Banking is the role and function it performs most in the Chinese economy.

China's Banking Fortress

The banks in the Beijing Financial Street *are* the Chinese financial system, or at least the part of it that matters the most. They are at the centre of everything. Most of the country's risk is concentrated on their balance sheets. With the exception of the policy banks, which are primarily built on funding from the Ministry of Finance, China's citizenry underwrites the majority of this risk as the only truly significant source of capital in the state-controlled financial system. This is part of what gives the Beijing Financial Street its character as a largely *domestic* national financial centre. In a sociological sense, this is the place where 'the people' and the state meet in the financial sector. However, this relationship also constitutes an acute mass of anxiety for the Party, who understand this political economic arrangement to be the system's weakest point. It is why for the last two decades the Party has gone to great lengths to protect and securitise the banks in the Financial Street against outside competition and failure. Huijin is part of a strategy: a work in progress whereby the huge amount of risk concentrated in the Financial Street can be managed indirectly and perhaps more effectively by the state. Otherwise, the Ministry of Finance is part of a more direct strategy of ensuring risk among the state's key national financial institutions can be monitored. With the entirety of the Beijing Financial Street's banking system controlled by Huijin or the MOF, the situation is thought to be more controllable.

Table 20: China's Fortress Industry of Banking

Institution Name (English)	Institution Name (中文)
Central Bank	
The People's Bank of China	中国人民银行
Policy Banks	
Agricultural Development Bank of China	中国农业发展银行
China Development Bank	国家开发银行
China Import-Export Bank	中国进出口银行
Big State-Controlled Commercial Banks	
Agricultural Bank of China (ABC)*	中国农业银行 (农行)
Bank of China (BOC)*	中国银行 (中行)
China Construction Bank (CCB)*	中国建设银行 (建行)
Industrial and Commercial Bank of China (ICBC)*	中国工商银行 (工行)
Bank of Communications (BOCOMM)**	交通银行股份有限公司 (交行)
National Joint-Stock Commercial Banks (NJSCB)	
China CITIC Bank	中信银行
China Everbright Bank	中国光大银行
Evergrowing Bank	恒丰银行
Huaxia Bank	华夏银行
NJSCB / Diversified Group Banks	
China Merchants' Bank	招商银行
Minsheng Bank	中国民生银行
Diversified Group Banks	
China Postal Savings Bank (PSBC)***	中国邮政储蓄银行

*Big Four member; ** the banking 'half'; *** The fourth policy bank

The core components of the Beijing Financial Street banking system are listed in Table 20. The position of the Financial Street's banking group vis-à-vis the party-state and the Ministry of Finance and Huijin can also be understood from looking at the figure from earlier. Within this group, the heart of China's state-controlled financial system is composed of just four big banks: the Agricultural Bank of China, the Bank of China, China Construction Bank, and the Industrial and Commercial Bank of China (i.e., the 'Big Four'). All of them are owned and controlled by Huijin. Around these four institutions, the rest of China's banking system is organized and configured. In the sequence of purposes of money, they are the institutions to which the capital returns to as storehouses of the Chinese economy's value. Together with the Bank of Communications, which is comparable but not equivalent in size to each of the Big Four and less systemically important, they account for 39% (RMB78.17 tn) of the total assets of the banking sector (RMBB199.35 tn) and 33% of the assets of the financial sector as a whole (RMB240.36 tn) (PBC, 2016: 37-38; 203). Their possession of such a large proportion of the nation's wealth makes them *the* power in the financial system – a fact observable by the style of their presence. In the city, they take the form of giant, monolithic buildings, which impress upon observers the immovability and solidity of their position within the Chinese economy. They are so large as to rival even the size of China's 'Ten Great Buildings' (*shí dà jiànzhú*; 十大建筑), some of which stand close by. Inside each of these buildings, the parents of the corporate group are composed of around 3000 employees. Between them, they coordinate the day-to-day economic life of approximately hundreds of major subsidiaries, two million employees, 60,000 sub-central and local provincial branches and outlets, 80,000 self-service banking centres, and around 250,000 ATMs spread all over China (ABC, 2015; BOC, 2015; CCB, 2015; ICBC, 2015). From this standpoint, the headquarters of the Big Four would appear to be in fact rather small and their 12,000 or so staff inadequate to the scale of their corporate groups' operations and the amount of financial power that has been concentrated in their hands. The size of their corporate groups as a whole is what makes them not only systemically important, but *globally* systemically important as entities on which the economy of the world's second-largest superpower depends.

Whilst the Financial Street's banks might be considered significant simply for the amount of people they employ, they are particularly important in the financial system because of the their position as typically the first point of contact and the intermediaries between/for other firms. Everything tends to run through them, sooner or later. They are paradigmatic in that whilst the financial world has become increasingly more complex since 1978, the expanse of its territory is quantitatively and qualitatively determined to a large extent by the banks in the Financial Street. The Financial Street's banks create the financial space, so to speak; the other firms play in it. Within the economy, the

Financial Street's banks are also extremely important because they represent one of the primary sources of capital for China's national industrial production enterprises, i.e., China's 'national champions'. The Party treats the banking groups in the Financial Street as unlimited sources of capital for all of its state-owned enterprises, particularly those owned and run by SASAC. The Party tells each of the banks exactly who to loan to in this respect and how much to loan as well. For some time now, the banks have served as Chinese production's financial platform. They are the national champions' foundation. They also loan to local governments and SMEs, but whilst the former are currently being discouraged by the central government from going into more debt, SMEs represent one of the bank's riskiest areas of loan activity and their primary source of bad debt. Still, the funding of the latter has been designated a political task in a country where alternative financing options for small- and medium-sized enterprises are few.

The Financial Street can thus be seen in one of its aspects as a financing platform for the rest of the economy through Party-driven bank lending. To a certain extent, it is driving growth in key sectors of industrial production like coal, steel, oil, etc. The recipients of the biggest loans from the Big Four banks are usually enterprises from these sectors. In another of its aspects, however, the Financial Street is not just the platform for enterprises' survival, but the government's fiscal system which relies on them as government revenue-generating enterprises and tools for government revenue expenditure. The Big Four, in particular, are networked into a system of cash flows that essentially takes the money from domestic and international depositors/investors and transfers it to and distributes it among the state's coffers, namely the coffers of the MOF and SAFE (see Walter & Howie, 2012: 51). The Beijing Financial Street, even in its commercial aspect, can thus be seen as integrally a part of the system of state finance.

Table 21: China's State-controlled Portfolio Industry

Institution Name (English)	Institution Name (中文)
Asset Management Companies	
Cinda Asset Management Co., Ltd.	中国信达资产管理股份有限公司
China Orient Asset Management Co., Ltd	中国东方资产管理股份有限公司
Great Wall Asset Management Co., Ltd.	中国长城资产管理股份有限公司
Huarong Asset Management Co., Ltd.	中国华融资产管理股份有限公司
Huida Asset Management Co., Ltd.	
Everbright Financial Holding Asset Management Co. Ltd.	光大金控资产管理有限公司
Huijin Asset Management Co., Ltd.	汇金资产管理股份有限公司
Securities and Futures Companies	
China International Capital Corporation	中国国际金融股份有限公司
China Investment Securities Co. Ltd.	中国中投证券有限责任公司
China Securities Co. Ltd.	中信建投证券股份有限公司
China Galaxy Financial Holdings. Co., Ltd.	中国银河金融控股有限责任公司
China Jianyin Investment Ltd.	中国建银投资有限责任公司
Guotai Junan Investment Management Co., Ltd.	国泰君安证券股份有限公司
Jiantou Zhongxin Assets Management Co., Ltd.	中信建设有限责任公司
State Investment Arms	
Buttonwood Investment Platform Co., Ltd.	
Wutongshu Investment Platform Co., Ltd.	
Social Security Fund (SSF)	

Beijing's investment world is too large and diverse to be able to condense into any kind short synopsis here. Table 21 just lists some of the main players. Insofar as the Beijing financial centre is primarily a centre of banking, the Financial Street's investment world can in particular be distinguished by the four, wholly state-owned asset management companies on this list. They have played and continue to play a crucial role in China's state-controlled banking sector. As related in Walter and Howie (2011: ch.2), each was spun off from one of the four major state-owned banks as part of a 'good bank/bad bank' strategy to combat the dangers presented by the 1997 Asian Financial Crisis. Great Wall was spun off from the Agricultural Bank of China, China Orient from the Bank of China, Cinda from China Construction Bank, and Huarong from the Industrial and

Commercial Bank of China. The strategy involved two major rounds of bank recapitalization and restructuring, in which the asset management companies played the role of the 'bad banks' by taking on the sector's bad debt. The first major round of restructuring took place from 1999 to 2003; the second from 2004 to 2005. The Big Four alone received around RMB270 billion from the first round (Chen, 2014: 128). The second was conducted using foreign exchange reserves to inject funds into the banking sector. Huijin was created by virtue of the latter. It was setup to function as the mechanism for this recapitalization strategy (the transfer of funds between SAFE and the recipients). Chen (Ibid: PP) estimates that, from 2003 to 2008, the central government injected a total of round around US$ 84 billion plus RMB178.6 billion into eight banks using this method, including into the Big Four, Bank of Communications, China Development Bank, the Export-Import Bank of China, as well as China Everbright Bank.

Alongside and as part of these restructuring processes, China's 'Big Four' AMCs were used again and again as receptacles for offloading the non-performing loans and other bad debts of first- and then first- and second-tier state-controlled banks. They also received the bad debts from the CDB. During the first round of restructuring, they took over approximately RMB1.4 trillion in problem-assets immediately on their establishment. RMB100 billion of this came straight from the CDB. The rest of the debt came from the Big Four (Yi, 2009; see also Chen, 2015: 128). During the second round of restructuring, they then took over approximately RMB1.6 trillion in non-performing loans from CCB, BOC, BOCOMM, and a number of second-tier banks (Walter and Howie, 2011: 66; Chen, 2015: 128). Around the same time, the Ministry of Finance also came up with the idea of the 'co-managed fund' (*gònguǎn jījīn;* 共管基金), which was to supplement the role played by the asset management companies. Co-managed funds are in this context accounts managed by the Ministry of Finance and entities that then get a portion of their balance-sheets poured into them. One was created for ICBC in 2005 and another for ABC in 2008. Into these 'funds' was dumped RMB910 billion in non-performing loan-related debts (Ibid: 128-9). Chen concludes that, 'over the ten years of strengthening financial CCB between 1999 and 2008, the central government had absorbed a total of around RMB4 trillion non-performing loans from the big banks by various vehicles of PBC, MOF, and Big Four AMCs' (Ibid: 129). Walter puts the cost of maintaining financial stability from these two restructuring programmes from 1997 to 2005 at USD315.5 billion (Walter & Howie, 2011: 68).

Both the asset management companies and the co-managed funds were envisaged as a way of purifying the state-owned banking system just as it was on the verge of bankruptcy. Along with massive injections of capital, they helped to clear most of the red from the state-owned banking industry's balance-sheets and from 2004 paved the way for the Big Four banks to list publicly on the Shanghai and Hong Kong stock markets. The asset management companies can thus be seen as having played a key role in the modern corporatization of the core elements of the Chinese state-controlled banking sector. However, every silver lining has a cloud or, in the case of the Financial Street, a super massive black hole. The asset management companies were manufactured by the Party as a method of externalizing the debt side of Chinese banking capitalism. They were designed as a system for the sequestration of problem-assets outside of the financial system so as to render them inert and not 'contagious'. However, from its conception a flaw was built into this system and this method of dealing with the ills of China's banking industry. Initially, the Ministry contributed around US$1 billion to each asset management company, but this was not enough for them to be able to independently acquire the bad debt of the banks. The asset management companies were therefore given recourse to issue bonds to their respective banks. These bonds were to mature after 10 years. In the meantime, they were to generate the capital they needed to purchase the debt from the banks in the first place. Already it is not hard to see the flaw in this plan: the flaw consists in the problem that the banks remain exposed to the same debt by proxy, that is, by the bonds. Furthermore, this exposure remains to this day. The terms of these bonds' repayment has been extended over and over by the Party and consequently the debt has not been externalized but rather stretched across and systemically structured into the financial fabric of a whole new set of institutions, which thereby contradict their *raison d'etre*. Along the lines of Walter and Howie's (2011) argument, it is for this reason that the asset management companies must be understood as the 'fragile foundations' on which the banking system in the Financial Street has been built. It is a house of cards. The state is the only thing holding it up.

The Pillar-Industry of Insurance

Table 22: The Insurance Pillar of the Financial Street

Institution Name (English)	Institution Name (中文)
Insurance	
China Life Insurance Co., Ltd. (China Life)	中国人寿保险股份有限公司
China Post Life Insurance Co., Ltd. (China Post Life)	中邮人寿保险股份有限公司
China Export & Credit Insurance Corporation (Sinosure)	中国出口信用保险公司(中国信保)
New China Life Insurance	新华人寿保险股份有限公司
People's Insurance Company of China (PICC)	中国人民保险集团股份有限公司
Reinsurance	
China Reinsurance (Group) Corporation (China Re)	中国再保险(集团)股份有限公司

The Beijing Financial Street’s insurance industry is composed at its core of China Life, New China Life, China Post Life, Sinosure, and the People’s Insurance Company of China (PICC). China Life and PICC are both spin-offs of the ‘monoinsurer’, that is, the old People’s Insurance Company of China (OECD, 2005). Sinosure – or the China Export & Credit Insurance Corporation – was established in 2001 as a result of a merger between the old PICC and the export credit insurance department of the China Exim Bank. New China Life was formed by the state in 1998. As a group, they are the most representative of the state’s position in the sector of insurance. Otherwise, all of the other insurance companies in China maintain a significant presence either in the Financial Street area or elsewhere in Beijing. This includes most notably the Pacific Property, Ping An, Taikang, Taiping, and Tian An insurance companies. Along with the list of core insurance companies headquartered in the Financial Street, these constitute the ten most powerful insurance companies in China. They absolutely dominate the market.

The Beijing Financial Street’s insurance industry is the smallest industry relative to the others. This generally reflects the situation across the Chinese financial sector as a whole, which is still relatively underdeveloped by comparison with the countries in the West and Japan. As of the end of 2014, the penetration and density of the insurance industry in China only amounted to 3.18% and RMB1479.3 respectively (CIRC, 2015). The insurance industry can be split into life and non-life. Life comprises 73 firms, 28 of which are foreign; non-life comprises 67 firms, 22 of which are foreign. There is a very high degree of market concentration in both, with the top five firms in life accounting for 62% of all premium income and the top five in non-life accounting for 74.7%. Where the Financial Street can be seen as significant is in the fact that most of this concentration is accounted for by the five state-controlled insurers in Table 22. Altogether, the group of insurers headquartered in the Financial Street account for 45.6% and 41.2% of the premium income in life and non-life respectively. Their monopoly as a state-controlled business group in this respect is mostly the result of the initial head-start they received as the first entities to be granted licenses to conduct insurance business in China. It then follows from the CIRC's subsequent use of its licensing powers to preserve their value as the centre's most precious insurance companies (by having historically limited new entrants in the market)(CIRC, 2015).

In addition to the five heads of the state-controlled insurance business, the Financial Street is also home to the China Reinsurance Group. Similar to the five insurance companies, China Re was also formed out of the monoinsurer. It was the first reinsurer in China. From 1996-2006, it then held a monopoly on all reinsurance business in China as a corollary of a law stipulating that 20% of all gross premiums received by all non-life insurers be forwarded and paid to China Re. Before 1996, it was 30%. However, concessions made in the wake of China's accession to the WTO led to an amendment to the regulations surrounding insurance business in China. The law was removed and China Re's monopoly opened up to both domestic and foreign competitors. Like everything else in China, the foreign sector is mostly irrelevant, but the China Reinsurance Group has now been joined by nine other domestic reinsurance companies. Most of these are the branches and subsidiaries of the insurance companies listed above. That said, despite losing its monopoly, China Re still controls around 50% of the reinsurance market (AB, 2013).

The spin-off and creation of the group of insurance and reinsurance companies now based in the Financial Street was undertaken in part as a strategy to redistribute the risk of insurance – probably the most dangerous kind of risk – from the state to the stock market. As a set of important institutional investors, the firms comprising the insurance industry in the Financial Street are also seen as key to the long-term development of China's capital markets. Lastly, the construction of a modern insurance industry in Beijing is part of an even longer-term strategy: it is part of a historic transition in which the state has begun to try to offload by de-centralisation its traditional position and status as an underwriter of people's lives, the buildings they live in, and their liabilities, etc. (Wu et al, 2005). As Pearson (2005: 314) puts it, it is a part of a 'metavision' for the country's future, which, together with the state's banking and investment industrial pillars, 'consists of the need to control and maintain a revenue stream from major state assets, the creation of national champions, and the achievement of employment, universal services, and social security goals'.

Inter-industry Networks

The corporate groups based in the Financial Street are not only bound through forms of industrial organization, but through larger, pan-industrial forms of organization that encompass multiple pillars of financial activity. The most basic bond in this sense follows from diversification as a strategy or 'business plan' of the corporate group, wherein the increased capacity and complexity of each industry goes hand-in-hand with inter-industry interaction.[61] In the quest for new markets, each industry may also diversify itself outside its own pillar, engaging in types of financial activity belonging to another (e.g., the 'diversified group'). Another is the type of bond understood to be a function of the interdependency formed between each industry as participants jointly constitutive of and connected to each other in financial markets (where the loss of one pillar propping up a market is likely to lead to the hollowing out of one or all the others). However, apart from these types of bonding, which are general to all financial centres and the business of finance generally, there are a number of quite distinctive and rather unique ways by which firms are linked inter-industrially. Three such instances are as follows.

Firstly, many of the firms in the Financial Street are part of the 'national team', none more so than the key national financial institutions. They are possessed by government and are bonded as a business group under its control. Not only does this lead them to exhibit a great deal of corporate uniformity (e.g., in their organizational structure, statistical reporting, the development of brands, etc.), but policy directs them to act as one in the co-ordinated use and allocation of resources, assets, personnel, and so on. At other times, this possession is more literal, as they are made to concentrate and pool their energies on national projects. A case in point is the new National Equity and Exchange Quotations system, vis-à-vis which state-controlled banks and securities companies have been assigned the task of developing financial services and acting as market makers respectively (see Chapter Seven). Among the firms that compose the real identity of the Financial Street, there is also little competition. Any competition between them takes place within the frame of what the state considers to be productive, i.e., not detrimental to the survival of the business group as a whole in the long-term. Huijin is one of the primary institutions responsible for making sure the state's corporations stay within this frame. Pearson (2015: 314) describes this as 'controlled and orderly competition'.

As a national team, the corporate groups under the central state's control are to be found extensively located and cooperating across the country on various different projects, e.g., the

[61] For example in 'bancassurance' models of doing business, where insurance companies use bank channels to sell insurance products.

nationwide project to 'include' the unbanked in finance (for better or worse). In so doing, they have also come into contact with the 'provincial teams' of local governments, with whom they now form another inter-linkage with as in many cases sources of investment. They tend to set up joint-venture bank financing platforms through which the investment and insurance industries also route in one way or another, providing retail financial services on the ground. Local governments therefore see them being potentially beneficial to the life of their own economies, especially insofar as they may offer funding support for small- and medium-sized businesses. This kind of linkage is very similar to an older dynamic that used to exist between the so-called 'Shanxi Banks' and the Qianzhuang (money houses) back in 19th century China. From the central government's perspective, such ties with local government bodies constitute a hybrid, central-local network for economic expansion through institution building.

Insofar as some of them are part of the global face of China Inc., the firms headquartered in the Financial do not just operate nationwide but internationally on the world stage, where they are characterised by even less competition. Rather, they are part of an economic foreign policy strategy of using state-controlled enterprises to increase the competitiveness of the country as a whole overseas. Among the key national financial institutions in particular, overseas economic decision-making with respect to their positions overseas is made almost entirely on the basis political concerns conveyed to the headquarters of these corporations via lines of communication from the centre. I am reminded of one my interviewees, who works in the international business department of one such institution. Their job consists in the main of writing and presenting reports on the 'financial viability' of setting up subsidiaries in foreign countries. As was communicated to me, however, the content of the report really does not matter. It could show that a country is viable or not. Those in charge will make decisions regardless based on what the centre wants and how that want is interpreted. The only thing that matters is that there is a report to speak of, that is, that a report was at one point written and the proper protocol followed.

The Fourth Pillar: Atlas Chained

Despite their conceptual separation, the pillar-industries of the Financial Street thus need to be understood as linked through a series of inter-industry networks. The common denominator is not only capital, according to which each are the chief source of and bound together in capital markets, but a national identity that determines the inter-linkages between them locally, nationwide, and on the world stage. Further, these inter-linkages constitute the Financial Street as something more than just the sum of its parts: as an economy of scale and scope manufactured at the level of state. And whereas the corporations of the industries that appear as pillars constituting it are called 'champions', the centre composed of its industrial support is conscious of itself as a corporate Atlas vis-à-vis the national economy and the project to globalize China. In turn, it is believed that in order that the sky not fall down – in order that economy not take a nose-dive - this Atlas must be supervised, regulated and chained to an external coercive authority. For the Atlas is perceived as 'too big to fail'. There has been arrived at an understanding among officials in the Party that these institutions have become so large and so significant that the life of the Chinese economy depends on them (not to mention their own political lives).

This coercive external authority takes the form of what I like to call the 'fourth pillar' industry of the Financial Street, which is comprised in the main of the central bank and the state's three regulatory bodies. Each of the financial industries to which the institutions in the figure from earlier belong are monitored and supervised by one or more of these corresponding regulatory agencies, which I indicated by matching colours. Among them, the CBRC is the most extensive, which matches the extensivity of the state's banking system as that around which the rest of China's world is accordingly ordered and configured. That said, the creation of the CBRC was preceded by both the CSRC and the CIRC and the former's capacity owes mainly to its history as inheriting a different structure and personnel. All of them, however, have been created for three primary reasons: 1) as a genuine conclusion arrived at about how best to regulate China's financial environment; 2) as a way to insulate the Party from potential scandals occurring in the market; 3) to be able to pay its staff a relatively higher wage than would otherwise have been possible back in the early '90s so as to entice better qualified people to go and work for them.

Substantive Part: The Beijing Financial Street Network Ecology

Chapter Five concentrated on mapping out and identifying the main components constitutive of the Financial Street complex, the ways in which the members of each of the industries that these firms compose within this group are linked vertically to the party-state in a hierarchy, and then the roles each of these industries as a whole performs as characteristic of the wider role that the Beijing Financial Street plays in the Chinese economy of finance. However, this illustration is lacking in that it masks the density of the network in which the entire complex is embedded and some of the less obvious, less straightforward ways in which the Financial Street is connected to power. The purpose of this chapter is to then explore in more detail the larger politicized network in which the Financial Street corporate Atlas is embedded. This embeddedness generally takes two forms: vertical hierarchical embeddedness, which is illustrated in the previous chapter but further illustrated here, and horizontal embeddedness through 'institutional bridging', which is concept used by Lin and Milhaupt (2013) to describe the linkages in and between business groups and party-state networks. The following chapter focuses on elaborating further the Financial Street's networked hierarchy according to these types of linkages.

Party Business: Associations

One, rather interesting type of bridge in this sense is the 'business association', which occupies a place in the Beijing Financial Street's organizational milieu. Business associations in China now number in the thousands. Since the late 1990s, they have become the subject of two, related pathways of research that understand and contextualise them either as part of a process of the development of 'state corporatism' (Foster, 2012; Howell, 1995; Nevitt, 1996; Pearson, 1994; Saich, 2000; Unger, 1996; Unger & Chan, 1996; Wank, 1995; White, 1993; White et al, 1996) or as part of the development of 'civil society' (see Pei, 1998), or both. Researchers in both groups have for the most part focused on their degree of autonomy from the state and the extent to which they are able to represent their members' interests to the Chinese government (Lucas, 1997). Researchers' different empirical foci and experiences of such associational structures has then led to a body of literature in which they have been characterized as lying on a continuum that stretches from those that are relatively state-dominated at one pole (Chan, 1993; Chan & Unger, 1996) to those that have demonstrated a surprising level of independence from government at another (Unger, 1996;

Pearson, 1994; 1997; Wasserstrom & Liu, 1995; Perry, 1995; Kennedy, 2005; see also Shue, 1994). Between these two poles, others have then argued for a dualist, semi-official, semi-civic interpretation of business associations as intermediary levels of organization formed between the simultaneous pressures from the state and society (Ding, 1994; Sun, 1994; Wang, 1994). Altogether, the writing on the subject would seem to indicate that associations across China come in various shapes and sizes and are generally a rather diverse organizational form.

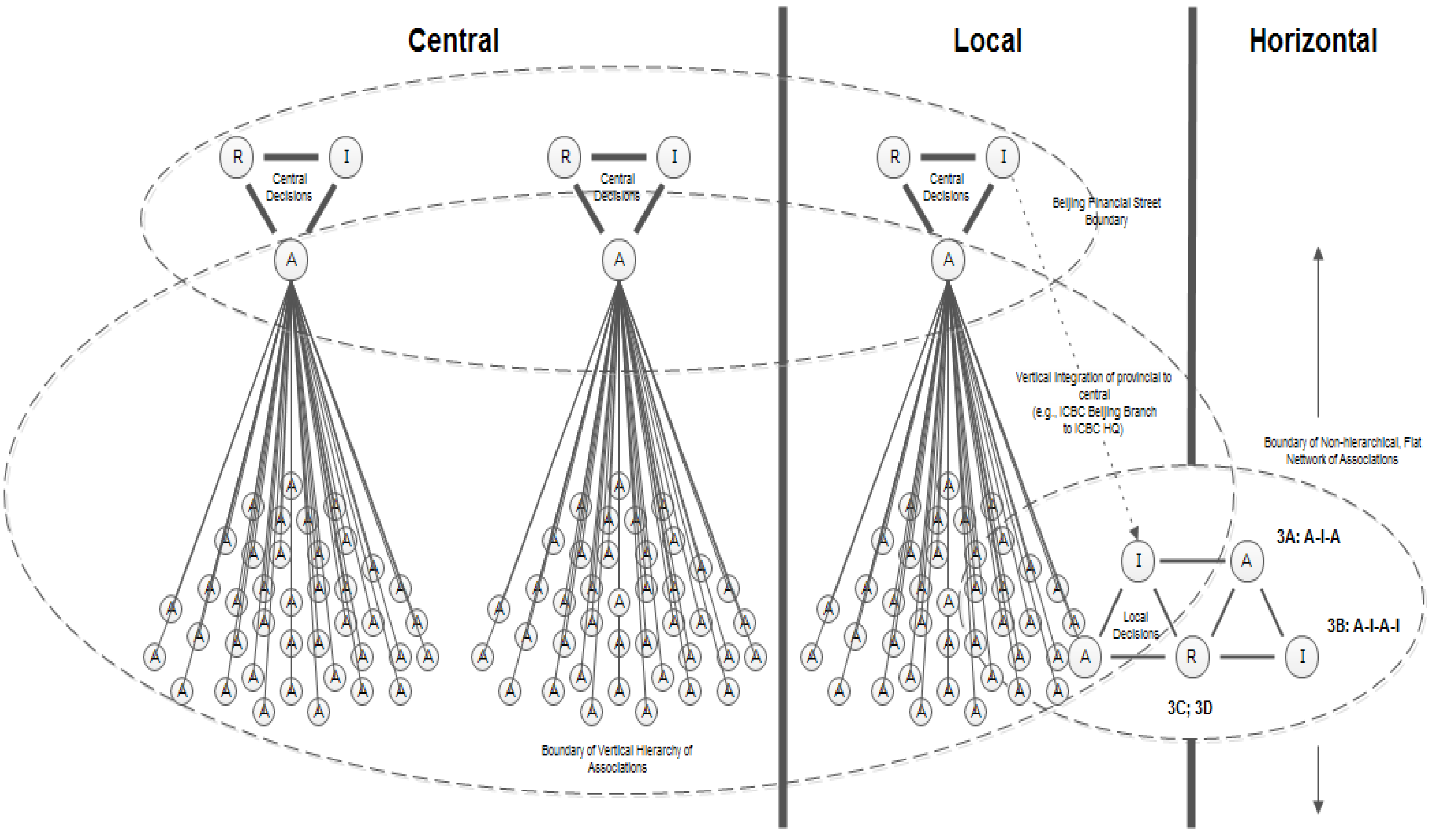
Table 23: Associations of the Beijing Financial Centre

Ministry of Civil Affairs		
CBRC-administered Banking & Finance Associations	**CSRC-administered Securities Associations**	**CIRC-administered Insurance Associations**
	Associations	
China Banking Association (CBA) China Trustee Association (CTA) China National Association of Finance Companies (CNAFC) China Financing Guarantee Association (CFGA) Financial Leasing Self-Disciplinary Industry Organisation	Securities Association of China (SAC) China Futures Association (CFA) Asset Management Association of China (AMAC) China Association for Public Companies	Insurance Association of China Insurance Institute of China Insurance Society of China
	Recently Established Associations	
China Micro Credit Companies Association (CMCCA)		Insurance Asset Management Association of China

Associations' Governance

As a group, the business associations that form part of the larger network in which the Financial Street complex is embedded do not exhibit the level of diversity and complexity that the field of such institutions in China as a whole has been shown to encompass – quite the opposite. Table 23 lists the main business associations affiliated with the network of the Beijing Financial Street's institutions. All of them should be understood as lying at the state-dominated extreme of the spectrum. My research into the Beijing Financial Street has shown that all of them were in one way or another created at the initiative of government officials and under the party-state's imprimatur. They receive government financing. The trio of state regulatory agencies oversee the guidance, supervision and administration of each association, which is staffed by many senior government officials from these and other state agencies as well as the senior managerial staff of the corporate groups in the Financial Street. Each association also exists nominally as an entity registered under and hierarchically subordinate to the national registration and administration authority of social organisations – the Ministry of Civil Affairs. Internally, they also exhibit many of the features characteristic of Party institutions in China. Their organizational structures are largely identical and composed in the main of a series of administrative departments and 'professional committees' that compartmentalize their respective association's operations into special groups of personnel-authority. In this sense, their method of operating is not dissimilar from the Party's *modus operandi* and the work groups the Party uses to formulate policy. In terms of their style of governance, the insides of these associations are also layered according to the cake of Party custom. Discipline inspection teams, party committees, and institutions of the Communist Youth League are all present and all of them exert a considerable amount of authority and control over their association's activities. Generally speaking, these associations have the Party written all over them, not just in terms of who they employ and who has the authority to make decisions, but in terms of the very architecture in which decisions can be made.

The Beijing Financial Street Network of Associations



Legend
R = Regulatory Agency
A = Association
I = Industry

The Association Network

The business associations affiliated with the Beijing Financial Street do not just sit at the extreme state-dominated side on the spectrum of associational structures in China, but at the top of this extreme: at the top of a state-engineered administrative hierarchy of associations. Altogether, they form the concentrated top of a hierarchical pyramid of state-controlled business associations that stretches down and throughout each province in China. The Securities Association of China (SAC), for example, includes within its membership 36 provincial-level securities and futures associations that can be seen as subordinate to the SAC as their parent (SAC, 2016). Expanding this example to encompass the examples of the top three associations in the Beijing Financial Street, the figure above illustrates how this hierarchical network of associations and the Financial Street's position within it might be thought to look like. At the top of this hierarchy, the Financial Street's associations are positioned as a cornerstone of a triangular system of relationships between the state regulatory agencies and key national financial institutions and their industries at the top of the financial system. Down the hierarchy, this triangular governance mechanism can then be seen to form the apex of a network hierarchy resembling that of a large conglomerate. Unlike such entities, however, the bonds between these associations are not built from equity, but appear instead to follow the contours of a shadow Party network constituted in large part of the party institutions inside each association (the discipline inspection teams, party committees, etc.). The spine supporting this hierarchy is political, not economic, although the logic of the Chinese economy might be understood to flow through it. The vertebral discs of this spine also correspond to the vertebrae of the state's regulatory regime. At the provincial-level, the provincial-level associations subordinate to the national-level associations in the Financial Street are networked with the local provincial branches of the state regulatory agencies and are generally a part of the orbit of the decentralized system of financial regulatory governance in China. The provincial-level triangular relationship between provincial-level associations, the provincial branches of the regulatory agencies, and local business groups can then be seen to form the edges of this hierarchy. The vertical depth of this hierarchy illustrates just one of the ways in which the Financial Street is networked into the local, or vice versa how the local can be seen to be networked into the Beijing Financial Street.

The dense hierarchy in which the Beijing Financial Street is positioned is not just vertical. At the edges of this hierarchy can be seen a set of linkages that extend beyond the boundaries of the vertical and between associations, business groups, other associations, and then business groups from other industries as well. These relationships form differently two degrees of non-hierarchical, flat horizontal networks: one that can be described as association-industry-other association (3A) and one that can be described as association-industry-other association-other industry (3B). For example, the Insurance Association of China recently undertook a joint project with the Association of Automobile Maintenance aimed at ‘improving the status of the insurance industry in the auto industry chain’, which drew on each association’s extensive links with their own particular industry and thereby placing each of their respective industries into indirect contact with the other (CSRC, 2015: 57). This type of institutional bridging is precisely one side of what these associations have been formally designed to achieve. The other side involves the bridging of these institutional bridges with the party-state. Officially, these business associations are meant to serve as the intermediary ‘bridges and links’ between business groups and their industries and the government (SAC, 2017). At the level of the Beijing Financial Street, this means the central government represented by the three head offices of the state regulatory agencies. However, such type of institutional bridging with the state can be seen to permeate this horizontal network of business associations at both the central and provincial levels, where the local state regulatory agencies occupy key, panopticon-like positions as the most connected nodes in the network (3C). Similar to the way in which industry heads connect with their subordinate branches and subsidiaries on this horizontal plane (e.g., vertical integration of ICBC Beijing Branch to ICBC HQ), the connection between these local state regulatory agencies and their parents forms yet bridge between the central and local levels (3D). This is one way in which the state has sought to edit itself into the building of civic associations in China. It is a rather classic move by the Communist Party, which conceives of a ‘Civil Society’ as a sector of society which serves subordinately as its ‘grassroots’ and as components in a ‘mass line’ of information communication to be interpreted and acted on by the centre.

Armatures of the State

Altogether, the institutional setting of these associations and, in turn, the associational structure in which the Financial Street is embedded, would seem to suggest that they should be understood less as participants in a state-society dialogue than as elements in the party-state’s administrative system. This follows particularly from their triangular positioning, the setup of which symbolizes abstractly the interconnected core roles and functions they play in the Chinese state-controlled financial system. Vis-à-vis the national regulatory agencies, these organisations are to start with not just bridges of communication between key national financial institutions and the central government, but extensions of the state’s regulatory structure. The first and most important role that business associations in the Beijing Financial Street play is as so-called ‘self-regulating’ watch-dog monitors of China’s financial world. Table 23 has listed not only the key business associations that can be found operating on the Financial Street's level, but also the particular regulatory agency under whose jurisdiction of authority they stand. The regulatory agencies treat these associations not as bits of civil society, but as entities formally tasked with conducting 'front-line and self-regulatory supervision' over their membership bases, which includes thousands of members composing the firms of each industry and their industry's activities (CSRC, 2015). They have been positioned as 'self-disciplinary' armatures of the state and are meant to serve directly as effective supplements to the regulatory efforts of each state regulatory agency. Whilst they may be self-disciplining, they are neither independent nor 'self-regulating'. The regulatory agencies are not just networked with them, they consider one of their main responsibilities to be the conducting of administration of these entities and they treat them as 'self-disciplinary' armatures of the state (CIRC, 2015 28); they consider them subordinate in a hierarchical chain of regulation enabling grassroots regulatory capacity at all levels in the financial pyramid from top to bottom. This administrative work is not delegated to a minor department either. Administration of these entities runs all the way to the top of the hierarchical chain of leadership within each regulatory body. Generally speaking, responsibility for the administration of business associations relevant to the Beijing Financial Street is shared between highest-ranking members of ministerial-level party-state institutions and the associations themselves can be seen as forming part of the party-state's financial regulatory regime. If we then move further down the hierarchy, we can see that they are not so much networked with the vertebrae of this regime, but rather fused into it. They form, so to speak, an exoskeleton surrounding the state's regulatory apparatus and the gel of the Party inside it.

Rule-Making: a Third Space

One of the key activities engaged in by these business associations and which can be understood as connected with their position as the *de facto* appendages of the state's financial regulatory system is *rule-making*. This activity is illustrated by the two noted triangles in the figure above. At the level of the Beijing Financial Street, in particular, it can be seen to take place as a 'trialectic' conversation or 'third space' within the state's administrative system between the key national financial institutions considered here, the head offices of the state regulatory agencies, and the national-level business associations listed in Table 23. Within this space, the three corners of the triangle meet to interpret and flesh out policy received from the centre, resulting very often in the promulgation of more specific policy documents like *The Rules on Rating of Finance Companies of Corporate Groups* and so on (CBRC, 2015: 34). These are not just recommendations; they have actual impact on the industries they concern. The mass of such documentation continually pumped out by this triangular consultation process constitutes an informational layer on which the structure of the state-controlled financial industries' bureaucracies are based and according to which they continue to operate and gradually develop. Bureaucratic evolution in the Beijing Financial Street is at least in part a corollary of its production. The consultation process itself can be understood as a second order of policy-making designed to standardize work – not just economic work, but party work – within these bureaucracies and rationalize the industries they control. This can again be seen as an extension of the government's regulatory approach. It is about disciplining industries. It is about implementing what the Party calls 'industry self-discipline'.

Self-Disciplining Market Institutions

In addition to this process of rule-making, the space between this trio of important actors can sometimes become the space in which new initiatives and projects get started. Such ventures are not limited to, but very often take the form of 'centres' or 'funds' established as cooperative arrangements between the associations and the firms, or installed between the firms themselves or the industries they compose. For example, in 2015, the CBRC, the China Trustee Association, and 13 trust companies co-funded the establishment of an industry mutual support fund and a company to manage it (the Trust Protection Fund and the Trust Protection Fund Co. Ltd.) (CBRC, 2015). Trust companies in China occupy a unique position in the country's financial system as the only institutions with a financial license to invest in all asset classes spanning the country's money and capital markets. In this respect, they are perhaps the closest thing that China has to hedge funds and, like hedge funds, they represent a most acute point of risk in the financial system. They are basically the riskiest thing around and they are currently the focus of quite a bit of rule-making of the kind explained above (see, for example, CBRC, 2015: 127). The establishment of the Trust Protection Fund Co. Ltd. is part of a strategy aimed at addressing and resolving issues of risk in China's trust industry. It has been designed as a risk resolution system – a giant pool of capital for the fund's members to fall back on – that has been raised by the joint contributions of market participants of the trust industry. It is more than just a fund, however. It is effectively a 'market institution' that has been created with the specific objective to instill 'self-discipline' in the trust industry by building up and promoting a particular, non-governmental model of a risk resolution system for trust business. It has been driven by the central government's recognition of the need to safeguard the financial system against systemic risk, particular the risk of contagion in the banking sector where many of these trust businesses operate (e.g., as subsidiary financing companies of banks). In broad terms, it can be thought of as fitting into the mold of 'self-disciplining market institutions' crafted theoretically by the party-state. These institutions may represent the next step in the evolution of China's financial system.

A Bridge between Atoms

All of these activities speak to the position of associations as quite a bit more than just extensions of the party-state's regulation infrastructure. Their role as rule-makers can be seen extending into becoming makers of *market* infrastructure. The Trust Protection Fund Co. Ltd. is not the only institution of its kind in China's financial sector – far from it. Many more have been setup and founded through the machinations of the business associations at all levels in the financial system. In Henan province, a system of 'insurance social courts' has even been setup by a provincial-level insurance association as a mechanism for dispute resolution in the insurance industry (CIRC, 2015: 65). The most significant function that these business associations would then seem to be the role they perform as builders of market institutions. Western economists for years have been trying to explain how economy without western institutional supports is possible in China. The institutions being built in connection with these associations and now proliferating through the country's financial system are perhaps one example to be added to the list. The space in which these institutions are being constructed would also appear to be the space for their creators' replication. The final portion of Table 23 lists two of the latest associations added to the Beijing Financial Street network hierarchy. The creation of each has paralleled recent developments in the economy (the increasing need for micro- and SME credit financing, the expanding investment potential for insurance companies and its associated risk). The continued proliferation of associations has led to a pluralisation of Beijing's financial institutional environment, not to mention the Chinese financial world as a whole. They have made the financial system more complex. They have made it denser. And this density is meant to impart stability. If the institutions of the Beijing Financial Street can be understood as financial intermediaries, then these associations can be understood as the intermediaries of these intermediaries. They are positioned to fill the void: to bridge the space between atoms in the financial world and strengthen the financial world's atomic structure. From an economic perspective, their positioning in this sense has been driven by the idea that, as institutions that represent collectivities, business associations are less susceptible to rent-seeking and corruption and increase transparency and reduce uncertainty in the economic environment. From the state's perspective, however, which overlaps with this economic one, the position of associations and the embeddedness of the party-state architecture recasts them as a tool for effective governance over the financial world. Insofar as the business associations in the Beijing

Financial Street can be seen as the party-state's doppelganger, they are not just intermediaries but intermediaries through whom Chinese political power has been designed to flow. And whilst this power is oriented in one aspect toward the maintenance of discipline (i.e., through the juxtapositioning of regulatory agencies, associations, and industry heads to make the middleman a window for the state into the latter), it can also be seen as constructive. The power that flows through them has as its ultimate goal the linking of economic institutions and the making of corporate groups. This is one of the ways in which the Financial Street corporate group can be understood to be 'state-ized'.

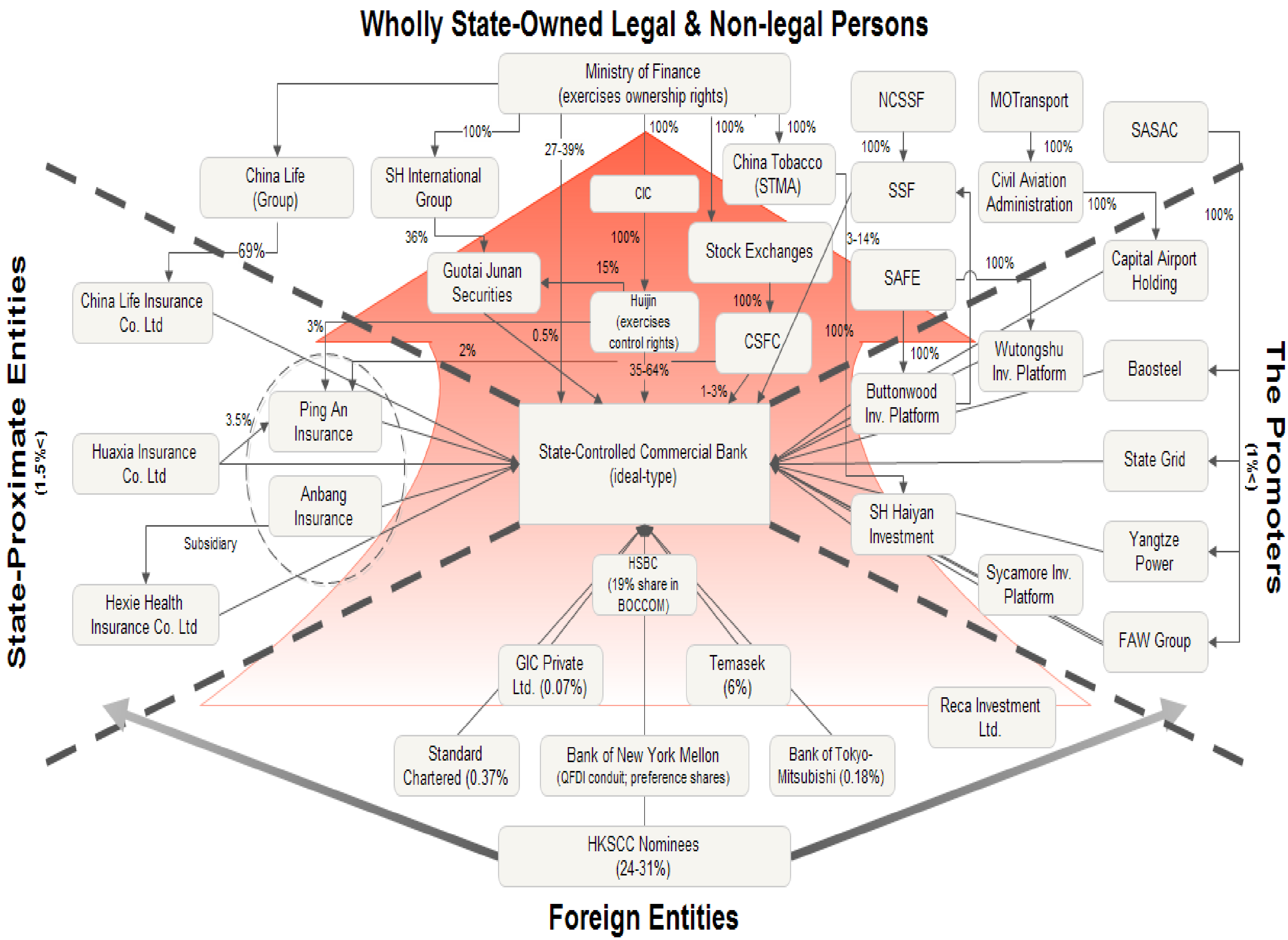
The Party-State's Controlling Shareholder Regime

Huijin & Friends

Huijin as a Controlling Shareholder

As the principal shareholder for the Beijing Financial Street's core firms, all of which are large and super-large in size, Huijin may be one of the largest shareholders in the world. As the entity in which the vast majority of the shares of these corporations and the ownership claims upon them are concentrated, Huijin is also one of the largest *controlling* shareholders in the world. It is the principal element in a 'controlling shareholder regime' composed of mainly state or state-controlled entities. The diagram below is an encompassing model of the ownership structure of the five large state-controlled commercial banks in the Beijing Financial Street. If we consider that all five are a largely homogenous group, being more or less identically organisationally structured and performing largely similar and highly co-ordinated roles synchronized with financial policy in China's economy, the diagram encapsulates each in the form of an encompassing model, or an 'ideal-type' positioned at its centre.[62]

[62] Basically, I have compiled a list of the top 10 shareholders of each bank and grouped them together as the shareholders of a singular hypothetical bank.



Wholly State-Owned Legal & Non-legal Persons
Ministry of Finance
(exercises ownership rights)
NCSSF
MOTransport
SASAC
China Life
(Group)
SH International
Group
CIC
China Tobacco
(STMA)
SSF
Civil Aviation
Administration
Stock Exchanges
Guotai Junan
Securities
Huijin
(exercises
control rights)
CSFC
SAFE
Capital Airport
Holding
China Life Insurance
Co. Ltd
Wutongshu
Inv. Platform
Baosteel
Buttonwood
Inv. Platform
Ping An
Insurance
Huaxia Insurance
Co. Ltd
State-Controlled Commercial Bank
(ideal-type)
State Grid
Anbang
Insurance
SH Haiyan
Investment
Yangtze
Power
Subsidiary
Hexie Health
Insurance Co. Ltd
HSBC
(19% share in
BOCCOM)
Sycamore Inv.
Platform
FAW Group
GIC Private
Ltd. (0.07%)
Temasek
(6%)
Reca Investment
Ltd.
Standard
Chartered (0.37%
Bank of New York Mellon
(QFDI conduit; preference shares)
Bank of Tokyo-
Mitsubishi (0.18%)
HKSCC Nominees
(24-31%)
100%
27-39%
100%
100%
100%
100%
100%
100%
100%
69%
36%
100%
15%
3-14%
100%
3%
0.5%
2%
100%
100%
35-64%
1-3%
100%
3.5%
State-Proximate Entities
(1.5%<)
The Promoters
(1%<)
Foreign Entities

As can then be seen, ownership over the Financial Street's banking core is mostly centralized in the hands of Huijin and the MOF as the two largest blockholders of shares. However, these two are not the only state entities with substantial ownership stakes. The investment arm of the State Council's National Council for Social Security Fund (NCSSF), for example, has holdings of between 3-14% of the total shares of these banks. To a lesser extent, the shares of these banks are also held by firms that Huijin and the MOF have substantial stakes in either indirectly or directly. Guotai Junan Securities (GJS) is at least (probably more than) 51% owned by the MOF indirectly and Huijin directly, whilst the China Securities Finance Corporation (CSFC) is collectively owned by all five of the main stock exchanges in China (all of which, in turn, are owned by the MOF). The role of this small group of state and state-controlled legal and non-legal persons as the dominant owner of the Beijing Financial Street's banks is worth our attention here because it exemplifies two particular characteristics of Chinese state capitalism, which is firstly the obfuscation of the depth of the state's dominance within it and secondly the separation made between ownership rights and control rights. Whilst this picture of ownership by multiple state and state-controlled actors might lend itself to an interpretation of the situation as one in which control is characterized by competition between them, this is simply not the case. The reason why Huijin, regardless of any other institutions' claims of ownership of these firms, should be considered as the principal element within this ownership structure, even compared with the MOF, is because whilst these other actors' claims might be legally valid, outside the legal realm Huijin is the only one in practice with the authority to exercise them in the form of control rights. Within this banking network, all but Huijin function more like passive holding companies of the state's interests. The CIC, for example, does not even get to decide who sits on the board of Huijin despite being its parent; the MOF does. None of them have any authority to exercise control, or their authority is very limited. At best, one could perhaps say that the MOF exercises limited control rights, but the MOF is not directly involved in the affairs of these companies, whereas Huijin is. This doesn't just apply to the banks. It applies to all of the national financial institutions listed under Huijin, which encompasses asset management, securities and insurance companies headquartered in the Financial Street. Despite the absence of any particular law, ownership rights within this national sphere – and the Financial Street is truly a sphere of the national - have been quite clearly separated from control rights and the former is not decisive in determining who has the authority to exercise control over these firms.

The Promoters

Ownership of the big five state-controlled banks in the Financial Street is not limited to Huijin & Friends. A smaller yet still significant proportion of these banks' shares are held by what the banks themselves call their 'promoters' – 'promoters of the banks' (CCB, 2015: 72). This encompasses an associated network of shareholder-firms whose own ownership can similarly and quite easily be traced back to power. It includes four key national industrial firms owned and controlled by SASAC, the owner of the Beijing Capital International Airport, which can be traced back to the Ministry of Transport, and Shanghai Haiyan Investment Co. Ltd. 'Yan' in Chinese is 烟, which means 'cigarette'. The Shanghai Haiyan Investment Co. Ltd. is an investment arm of the State Tobacco Monopoly Administration (STMA), which the MOF technically owns as well. This network of shareholder-firms also includes two of the investment arms of SAFE, one of which – Buttonwood – has a stake in the SSF. Each of these companies possesses less than 1.5% of the shares of any one bank, but they are still listed among their top ten shareholders. Between them, they hold no more than 6% (5.98%) of the shares of all five banks, but added to the percentage of shares owned by Huijin & Friends they can be seen to serve effectively the further entrenchment of the state's position and power within this map of shareholding as a whole. This is what is meant by 'promoters' and what perhaps can be seen here is a rather interesting form of cross-sector support. Using their respective industries, SASAC and STMA (both of which occupy a quasi-ministerial space within the State Council) along with the Ministry of Transport are supporting the state's ownership position within the shareholding structure of the Financial Street and the financial sector as a whole. Especially with respect to STMA & SASAC, it is known that entities like these – like Huijin – are oriented toward turning their investees into giant, state-controlled corporate monopolies within their own sectors. Here this would suggest that the horizon of these entities might lie not in the construction and maintenance of their own industrial monopolies, but rather in the construction of a pan-industrial monopoly of ownership of the state. Alternatively, it could just mean that one side is trying to exert its influence upon another. Either way, the general position of the state within the Beijing Financial Street ownership structure is strengthened.

The Outsiders

The dominant position of the state within the ownership structure of the big five state-controlled banks in the Financial Street is almost, but not quite, total. All of the banks are public companies listed on the Shanghai and Hong Kong exchanges. Their listing on the SSE is an inroad for domestic non-state investors (the A-share market). Their listing on the HKEX is an inroad for investors outside China (the H-share market). However, whilst the SSE is dominated by its citizenry – by what's called ‘retail investors’ – these companies are not. The entities that invest in these companies through the A-share market are predominately those already mentioned. They are the promoters. Insofar as the citizenry represents ‘the people’, the people do not control their own country’s major financial institutions. It is a fact that more foreigners and foreign companies possess ownership stakes in these companies than do ordinary Chinese. Outside of China, the most substantial ownership stake held by a foreign entity is that held by HSBC, which holds a 19% stake in BOCOMM – it is also a fact that, without BOCOMM, the picture of shareholding presented here would look a little different, less ‘public’. The second most substantial ownership stake held by a foreign entity is that held by Temasek. Temasek is important – really important - but not in terms of control rights. Temasek is important because whilst Korean and Japanese corporate forms were once the role models for the construction of the state-ized corporate form in China, Temasek is the entity on which Huijin – the state’s controlling shareholder - is modeled. It is wholly owned by Singapore’s own Ministry of Finance and is used as an investment vehicle by the officials of the Singaporean government to maintain significant equity-ownership positions in numerous corporations. The Bank of Tokyo-Mitsubishi is then part of the Mitsubishi Group – the Mitsubishi pyramidal *keiretsu* from which the construction of corporate groups in China as a whole took its inspiration. Temasek, the Bank of Tokyo-Mitsubishi, the Japanese *keiretsu* – it is significant that three of the most significant foreign entities with connections to the core of China’s state-controlled banking sector are in fact the key to its design. More than economically – politically, culturally, ideologically - they are part of these banks’ foundation. They form the substantive historical precedent for the Chinese state-controlled finance sectors’ beginning in the reform era. They are blueprints from which the peculiarity of the modern Chinese financial sector has developed.

What about the others? GIC Private Ltd. is one of Singapore’s sovereign wealth funds. It’s not the Chinese state, but it is *a* state. Standard Chartered is a British bank with a long and not-so-glamorous history as a cornerstone of western banking imperialism in China. Temasek owns 12% of it. The Bank of New York Mellon, on the other hand, is part of a picture of exceptionalism. It serves as a conduit for a highly exclusive list of ‘Qualified Foreign Institutional Investors’ (QFII) to invest directly in China’s domestic capital markets (the markets for A-shares). Participation in such markets is usually restricted due to foreign exchange controls. All accounts and fund conversions are strictly monitored in China. Foreigners who hold accounts with the Big Four banks are required to show their passport and have their photo taken every time they exchange money. The so-called QFII Scheme is a ‘transitional arrangement’ that allows financially ‘robust’ institutional investors – Goldman Sachs, for example – to invest in a limited scope of cross-border securities products in the context of an incomplete free flow of capital accounts. Figure 21 illustrates some of the milestones in the development of this scheme. It must be understood, however, that the shares of the five state-controlled banks purchasable by QFII are denominated as preference shares as opposed to ordinary shares, which, whilst having the advantage of conferring upon their bearers a fixed dividend distribution and a higher priority claim to the assets of the banks in the event of insolvency, have no voting rights attached to them and cannot be converted into ordinary shares. QFII are thus completely irrelevant in the context of control rights in China's state-run financial sector. This was the state's intention. The party engineered the scheme to be limited in this sense.

Figure 21: QFII Milestones[63]

The position of QFII contrasts somewhat with the position of HKSCC Nominees Ltd., which is the entity under which 24-31% of the banks' ordinary (H) shares deposited in the HKEX's Central Clearing and Settlement System (CCASS) are registered. HKSCC Nominees Ltd., therefore, appears as one of the major shareholders of the bank, when in reality it refers to a large group of retail and institutional investors, who have invested in the Chinese financial system through Hong Kong. The difference between these investors and the QFII is that, in terms of control rights, their ordinary shares grant them voting rights and they do in fact get a say in how these companies are run. However, whilst QFII are exclusively foreign entities, HKSCC Nominees is composed of both foreign entities and a large number of shell corporations who either have links to state-owned firms incorporated on the mainland or which *are* state-owned firms incorporated on the mainland. The SSF, for example, invests 9% in BOCOMM through the HKEX. It is also noteworthy that, as many of

[63] In 2011, the Chinese government also launched the RMB QFII Scheme, which enables the Hong Kong-based subsidiaries of companies incorporated on the Chinese mainland to invest in the mainland's domestic securities market (Source: SSE, 2017).

the shareholders of the five banks are also publicly listed companies, the band of HKSCC Nominees pervades the two quadrants on either side of the diagram as a significant part of these entities shareholder base as well. As a group, HKSCC Nominees Ltd. also represents the health of the HKEX. If it were not for the public listing of these companies on the Hong Kong stock exchange, the exchange would not be worth what it is today. [64]

State-Proximate Entities

This does not yet complete the picture of ownership in the Financial Street. There is yet another side to it - a side that, despite its illustrated simplicity, is altogether far, far more complex than what first meets the eye. I am referring here to the insurance companies positioned on the left side of this diagram. Here, the fact that these other entities are all insurance companies is perhaps significant in itself: insurance business is a notoriously complex industry, owing mostly to the complexity of the financial instruments they use to invest in financial markets. But the complexity here is more a result of the institutions themselves than the activities of the industries to which they belong. China Life is rather straightforwardly connected to the MOF and is an armature of the state. Hexie and Hua Insurance are less straightforwardly connected to the state through other state-controlled entities in completely different sectors of the economy like the technology sector. It is in the murky worlds of Ping An and Anbang Insurance, however, that things really start to become really complex. In Ping An and Anbang, the ownership structure of the Financial Street reaches a level of complexity would require a separate case study to get at. Ping An has been explored inconclusively by McGregor (2012). Here, the fact that Huijin and the CSFC both own bits of it should serve as enough of an indication of its political status by this point in our discussion. If it does not, then know that a large part of it is owned by relatives and associates of China's ex-premier, Wen Jiabao (NYT, 2012). Anbang, on the other hand, is controlled by a group of 39 companies, 35 of which collectively own more than 92% of Anbang and the ownership of which, in turn, has been traced back by the *New York Times* to relatives of Wu Xiaohu – Anbang's chairman – or to his wife, Zhuo Ran – the granddaughter of Deng Xiaoping. All of those relatives, as the *New York Times* has identified, 'are either current or former owners or directors of those companies, or current or former owners of predecessor firms' (NYT, 2016). One of them is Wu's sister. The *New York* Times also identified Chen Xiaolu – the son of Chen Yi, a famous marshal of the revolutionary era – as a third shareholder in this picture. What we have here then are two corporations that are in parts are either owned by the

[64] At the end of June, 2010, the value of China-related stocks on the main board of the HKEX was reported to account for 48.54% of the total market capitalization – the total value - of the Hong Kong stock market (Allen & Shen, 2011: 9, FN 7).

state and/or by individuals with political connections or, particularly in the case of Anbang, owned and controlled by families with deep political backgrounds. It is here that we might take a moment to consider the Beijing Financial Street corporate group as a network constituted of more than just formal state legal institutions; as a 'thick network' of both formal and informal relationships between politicians and ex-politicians and their friends and families, some of whom not only own bits of these companies but run them as well. One therefore also has to position the Beijing Financial Street in the body of literature on social capital in business (e.g., Arnoldi, 2015; see also cited therein Keister, 2001, 2004; 2009; Zeng et al, 2009; Zhou et al., 2003).

A Model of Ownership

The sum of this picture of ownership in the Beijing Financial Street is a vertical hierarchy composed in the main of state-owned and controlled, legal and non-legal persons, interpenetrated to a limited degree by more complex pathways of ownership, from other state-controlled firms that act as promoters of the state's interests to foreign entities to entities with extensive political ties to the centre. Within this network, the power that might be said to be derived from the ownership claims of these companies is kept domestically, never being allowed to become alienated, foreign, and flows upward to the Ministry of Finance. The authority to act on this power in the form of control rights are however delegated to Huijin as the controlling shareholder within this network. Within the big five banks' ownership structure, Huijin is then positioned at the centre as the entity with the most control rights to determine the course of the core of the state's banking sector. Huijin's role in this respect extends beyond just these five banks, however. The only reason I have concentrated on the banks is because they typify the character and position of the Beijing financial centre as predominately a centre of banking. Yet insofar as the ownership structure of most of the other institutions listed under Huijin is similar to that of these five banks, this model can be understood to extend to a whole range of firms that characterize a large part of the core of the three industries headquartered in the Beijing Financial Street. Altogether, Huijin sits at the centre of a controlling shareholder regime that might be understood to characterize the ownership structure of the core of the district as a whole.

Huijin as Monitor

From a corporate governance perspective, the primary function of a controlling shareholder is monitoring. Huijin is the monitor of the Beijing Financial Street. As a monitor, Huijin is in one sense not all that different from the controlling shareholders of other such regimes, .e.g., regimes in which the family constitutes the controlling shareholder. Whereas, as argued by Pargendler (2012: 2923), there is a tendency 'to overstate the extent to which the interests of the government as a controlling shareholder differ from those of private controlling shareholders', generally they face similar economic incentives to watch and look after their firms. In fact, the size of their ownership stake means that they are not only likely to monitor the managerial performance of their firms, but do so more closely than shareholders in a 'widely held shareholder regime', i.e., a regime in which a corporation's shares are held by a large number of investors (on the concept of the 'widely held corporation', see Berle & Means, 1932). We have seen how highly valued are some of the companies in the Financial Street. In the case of Huijin, the size of its ownership stake in these companies constitutes not just a large amount of asset-wealth, but the kind of asset-wealth that makes up a significant part of the nation's economy. At the end of 2015, Huijin held an ownership stake of 47.89% in the Big Four, which is equivalent to a combined market capitalization of USD$344.82 billion based on the value of these companies during the same year. This is far, far more than even many of the largest shareholders in the world hold today and this is not even the full extent of Huijin's portfolio; it is not even half of what it owns. The staggering amount of wealth Huijin has bound up in these investments also exposes it to an equally staggering amount of economic risk experienced by these firms. The incentive to monitor these firms and to make sure they do well, i.e., to make sure the managers don't mess it up, is therefore particularly felt by Huijin executives.

But the economic risk pales in comparison to the political risk. In addition to Huijin's huge economic incentive, the Beijing Financial Street's controlling shareholder has a unique political incentive to care for the life of some of the firms headquartered there. As the organizational manifestation of the party-state's interests, the incentive to monitor them effectively follows not only from the extent of its economic investment and the ensuing risk felt as a consequence, but more broadly from its position encompassing the relationship between the firms it controls and the economy and the relationship between the party-state and society. In terms of the first relationship, the firms Huijin controls themselves own and control large parts of the economy and are the foundation on which large parts of the Chinese economy and society are dependent. As the Party's representative, ensuring their survival is thus more than an economic task, it is a 'political task' (*zhèngzhì rénwù;* 政治人物) aimed at ensuring that, as Gilson & Milhaupt (2008: 1346) put it, 'company-level behavior results in country-level maximization of economic, social and political benefits'. The incentive to actively monitor and try to ensure productivity is a function of the larger relationship between the state and society in China and perceptions of the Party's role and legitimacy within the latter as the guiding hand of the so-called Chinese economic 'miracle' and now the 'China Dream' (*zhōngguó mèng;* 中国梦). Domestically as well as internationally, the firms Huijin controls are not just the entities on which the economy is dependent, but the entities on which the Party is dependent also. Through vast amounts of loans and other forms of debt financing, they are championing the national champions. They are part of the 'face' – the *miànzi* (面子) – of the Chinese economy. Both the people and the world are watching. Insofar as the Party has staked its legitimacy on the vitality of this world that is constantly being watched and on its being interpreted by those who watch it as the construction of an era of increasing 'prosperity' for the Chinese people, the face of the economy is equivalent to the Party's face and crucial to its reputation. To lose face – for these firms to go bankrupt and fail – might mean the end of a one-party state. The pressure on Huijin to act as a beneficial monitor can thus be seen to dwarf that of other controlling shareholder regimes, even controlling shareholder regimes in which the controlling shareholder is also a state given the relatively greater import that has been placed on the phenomenon of China rising internationally. It is a political intensity that has translated into the motivation to ensure the long-term, not just short-term performance of the corporate group it oversees, which is often equated with the economic performance of the entire nation.

Huijin as Manager

Not only does Huijin have both economic and political incentives to do a proper job of monitoring its firms, it also has the *means* to monitor them very effectively. These means are also rather unique in that they follow less from the traditional role of shareholders to select managers in the firms they own shares in than from Huijin's dual position as both monitor and more than monitor. For Huijin is not just a shareholder. It is not just a fixture of decision-making at firms' general shareholders' assemblies. It is a fixture in the actual corporate governance regime and management of the firms it owns. It *is* management. It *is* a manager. Huijin executives are scattered all over the financial district. They are personally involved in the running of this network of the district's firms. The boards of directors of each company Huijin has shares in – in some cases even those in which it does not – hosts at least one senior figure from Huijin. This is not to say that the boards of its companies are entirely comprised of Huijin personnel – far from it – but Huijin officials have an influential presence and constitute a very significant stratum of managerial authority and decision-making across the corporate group as a whole. As an institution, Huijin has been woven into the larger institutional web of the firm-network. It is not just at the centre controlling the network, it *is* the network. It might be called a ‘distributed institution’ in the sense that its organisational structure actually encompasses the institutional settings of the firms it controls. Within the firm-network, Huijin executives stand at every intersection, at every node – here meaning every firm – whereas their base remains at the centre of the network and is the home institution they report back to. They are organizational creatures commonly spread throughout the network as a whole. They are part of what makes it cohesive, integrated. They constitute a singular managerial voice that is defined by and consistent with the interests of the party. They articulate the Party line in business. In this sense, they need to be understood as playing a key role in the operation and evolution of the Beijing Financial Street system.

This relationship between Huijin and its listees is not as entirely asymmetric as the above description might suggest and here it is worth noting a few caveats. First of all, the shareholders’ general assemblies do matter and, as I have already shown in the diagram from earlier, include a plethora of other party-state actors, who treat the floors of these corporations as battlegrounds for politics and political maneuvering. That said, the power that Huijin wields as a controlling shareholder is not entirely corporate-worldly, that is, it is not entirely connected with shareholding and corporate law and at times can appear extra-legal in nature as I discuss below. Secondly, one of the consequences of Huijin executives having been sent down and effectively granted substantive management rights in the firms they control has been the routine exchange of knowledge.[65] As the firms learn so does Huijin and Huijin’s executives are not just working as managers, they are being taught how to manage. This is not accidental. It is part of a policy to designed to engineer a new class of ‘well-rounded’ political economic elites who possess both political and professional skills, which speaks to the core theme of Party adaptability and adaptive governance in the literature on China (see, e.g., Heilmann & Perry, 2013). It is also part of a more general policy aimed at blending the path of the party and the path of the corporate and enmeshing the two sides – politics and economics – together, which speaks to the way in which the centre is looking to construct state capitalism.

[65] In this respect, Huijin officials’ postings on the boards of various state-controlled firms might be considered more like secondments as opposed to permanent appointments, which again speaks to the subject of Party adaptability as an institution that is fluid. Like water, it regularly changes state. One might perhaps call a ‘liquid institution’, perhaps part of a ‘liquid politics’.

Huijin as Investor

As I briefly suggested, Huijin's personality is not entirely legal. As an investor, Huijin is both more and less than a legally incorporated company, the difference between which forms the wave-length of its extra-legal power. In the most general sense, Huijin might be said to fall under China's corporate law, i.e., the Company Law of China. Short of a bunch of rather vague statements about the State Council giving 'full play' to a millennially incorporated class of state-owned financial holding companies and a short synopsis of its role and function on its website, however, there are no formal legal mechanisms that delimit clearly the boundaries of Huijin's field of activities and what it can and cannot do from a legal perspective. Such being essentially outside the boundaries of corporate law can lead us to think of Huijin as effectively a kind of 'super institution', i.e., an institution that is mostly above or beyond the law in practical terms. Huijin's 'superness' in this sense meets with the already discussed fact of the separation existing between ownership and control rights and its essentially having been granted 'super control rights' by the MOF. Furthermore, these super control rights might be understood to only increase in superiority the more the state reduces and cedes it shares on the HKEX. The less shares Huijin has, the more incentive it has to exercise power over these companies on the basis of extra-legal control rights as opposed to rights from share ownership. Such power then immediately comes into conflict with the rest of the shareholders who sit rather more inside the box of formal law and are forced to abide by it quite strictly, especially foreign companies in possession of H-shares. Such shareholders, even within the bracket of HKSCC Nominees, are largely estranged from one another and far from constitute a cohesive group of interests. For the most part, HKSCC Nominees Ltd. represents a disconnected multitude of Hong Kong and foreign capitalists, who may as well be considered silent partners vis-à-vis the intensively focused interest of Huijin. Moreover, Huijin's allegiance to the Party means that, for as long as these key firms are meant to serve China's national interest, benefits will continually be extracted from the firms to that end and to the detriment of all others. The types of benefits that Huijin executives acting on behalf of the party-state may reap from these firms are also in some cases inapplicable to ordinary financial investors and especially inapplicable to foreign ordinary financial investors. This refers particularly to the non-pecuniary benefits that comes from ownership and control of the kinds of firms based in the Financial Street, which most notably includes political capital, opportunities for patronage, graft and corruption from economic capital, and symbolic capital in the form of 'face' and prestige.

But Huijin is not *all* powerful - not at all. In fact, it is precisely its allegiance to the Party that relativizes Huijin's power by positioning it outside the legal system of corporate ownership and shareholding into instead a far, far more complicated field of political power in which Huijin is the master of nothing, not even its own fate much less the fate of the companies it claims to own. I said before that Huijin has no autonomy in terms of the ability to select its own leadership. Huijin's power is limited in this sense and also in the sense of it not being able to determine autonomously where their leadership gets posted either. An interesting situation presents itself alongside the separation of ownership and control, which Pistor (2013: 38-41) has rather aptly observed to consist in 'the separation of the right to appoint the officers and board members of financial intermediaries from the economic costs and benefits associated with holding shares in such entities'. Practically speaking, while control rights have been alienated from owners and placed in the hands of party-state's controlling shareholder, Huijin, the right to personnel autonomy has been partially alienated from Huijin as well as the firms it controls and placed in the hands of a trio of Party institutions – the Ministry of Finance, the Central Organisational Department, but also Huijin – as well as the Party's instrument of power, i.e., the *nomenklatura* system of cadre control. This is covered extensively in the following chapter. The result is that the appointment, promotion, transfer and removal of Huijin personnel occurs not within the executive decision-making space of Central Huijin Investment Co. Ltd., but within a space of political negotiation between Huijin, the Ministry of Finance, and the Central Organisation Department of the CCP. So whilst Huijin personnel can be seen occupying positions on the boards of the firms it controls, their roles are largely interchangeable and Huijin officials tend to get transferred, swapped around and reposted on a regular basis not according to what Huijin wants necessarily, but according to what the Party wants and always by the grace of the Central Organisation Department. The managers are being managed.

Beyond its position as the controller and a mechanism of governance of a national group of corporate financial firms, Huijin's position in the political realm is also affected by a quite peculiar circumstance, which is that its right to cash flows – its right to the dividends from the shares in the core companies it owns and directs – is exceeded by its control rights. In other words, Huijin has less rights to the money than it does rights of actual ownership and control. In addition to ownership having been separated from control, control from independence and autonomy, a separation between control and profit has also been effected through a distancing of cash flow rights from shareholding rights. When it comes to money, Huijin is merely money's conduit between the core firms it controls in the state-owned financial sector and the state itself, represented by the MOF. Money in the form of dividends from shares is funneled upward to the Ministry, whilst Huijin retains only a small portion of each transaction to cover the costs of its operations, restructurings, emergency financial support, and MOF-directed asset acquisitions. In general, Huijin does not internalize the full benefits of being a shareholder in terms of the legal right to the dividends of the corporate group. In fact, it even cross-subsidizes the firms it manages with the limited cash flow rights it does hold, e.g., through cash injections to improve the financial health of particular companies and/or by supporting their costs of restructuring.

Huijin as One Mind

All things considered, Huijin might be understood as both more and less than an investment holding company. Whilst the vast scope of its holdings over the most important firms in the Beijing Financial Street and its status as a controlling shareholder with extra-legal – effectively super – control rights to manage and direct them grants it a huge amount of power to affect the structure and course of the state-controlled financial sector, its submergence and position within the political realm circumscribes and determines the field of possibilities for this power and its extent, especially in terms of the limitations placed on its right to personnel-autonomy and the cash from the dividends of the corporations it owns shares in. The deep reality of Huijin's position, in this sense, is a clear statement about how the party-state thinks about the companies in the Financial Street and the level of importance it attributes to them and their role and place in the Chinese economy. The Financial Street corporate group represents much more than just a financial investment for the party-state and, insofar as this determines the field in which Huijin's power is allowed to 'play', so to speak, Huijin is less master-like and in fact is more like a slave to the companies it runs. The firms are what are important. The firms are the things that matter. Huijin is just the steward of their significance. In this respect, Huijin appears almost like some kind of 'benevolent shareholder', whose concern is not so much profiting from these companies as guaranteeing their longevity and *their* profit. Further, its orientation is toward the longevity of the entire group as opposed to any one particular firm it controls. A line of continuation can thus be drawn from Huijin's sentiment matching that of the party-state's ideal-characterisation of itself as the benevolent hand guiding the Chinese economy. They are two politically allied minds.

Party-State Institution-Administered Governance

‘Nominal’ vs. ‘Real’ Governance

Governance in the Beijing Financial Street takes two basic forms: the form typically associated with techniques of governance in western market economies that, post China’s accession to the WTO, have been adopted by some, although not all, of the firms considered here, partly as a matter of compliance with corporate norms post China’s accession to the WTO and partly as an effort to modernize Chinese enterprises and increase their productivity; and an alternative form of party-state institution-administered governance unique to China, which has not (despite first appearances) been replaced by the former and which in fact takes precedence over the former as that to which it has essentially been adapted and worked around. As a controlling shareholder regime in which the real allocation of control rights and their usage has been disguised by the controlled firms’ publicly listed legal status and the formal systems of rules, practices and processes by which they are managed and directed, the case study of Huijin and the five big state-controlled commercial banks above provides perhaps one of the clearest and most important examples of what I am talking about in this respect. Generally, there needs to be made a distinction between ‘real’ and ‘nominal’ forms of governance (Pistor, 2013: 35). Nominal forms of governance might be understood as determining a general organizational architecture in which the operations of the Beijing Financial Street are performed– i.e., the institutional settings of the corporate form, the modern corporation with all its impersonal objective-legal character and gloss. But whilst this certainly does impact the path of these corporations, closer inspection of the governance regimes in the Financial Street reveals that ‘real’ governance mechanisms are not just limited to networks of ownership, but include an internal institutional matrix of political institutional settings – a *general political architecture* - that in some cases hide inside the institutional settings of the other, have been merged with the institutional settings of the other to form hybrids, or in other cases run parallel alongside them like spiders along their webs. Altogether, they form an internally constituted space and apparatus of institutionalized political decision-making plotted onto the frame of the corporation.

The formal governance regime that mimics that of the governance regimes of western market economies and this alternative method of governance that might be said to mimic the past design of political systems in Russia constitutes a dual power structure with formalized shareholding and ownership and chains of boards, departments, divisions and so on, on the one hand, and an apparatus of party-state institution-administered governance on the other, forming two interlinked command-hierarchies. However, whilst the presence of each element of the alternative, let us say, ‘Chinese’, power structure is standard in each corporation and widespread across the core firm-network of the Beijing Financial Street complex, the *style* of their presence – the manner of their incorporation into the frame of the western corporate governance model that characterizes the face of these corporations - is not. That is to say that their actual positioning amongst the configuration of internal committees, departments, divisions, etc. that make up the bulk of the organizational structure of the financial district’s firms and the relations between them differs, with some for example being positioned as stand-alone departments and others being grouped together or integrated into others. One of the clearest examples of this is the recent merging among many corporations of the party committees and their human resource departments. Another example is the ‘Party Group Department’ (*dǎng qún bù;* 党群部) of China Construction Bank, which does not appear on any official documentation and which is practically invisible to outsiders, but which has its own website on the company’s intranet and which houses all sorts of Party stuff, including most notably the Communist Youth League Committee (*tuánwěi*; 团委). Nor is the extent of influence accumulated in their presence of always equal extent. The Communist Youth League of one firm is not always equal to the next in terms of power. To varying degrees, the institutions of party governance are both general and specific to each institution of the Beijing Financial Street complex in this sense. In what follows, I have isolated and categorized each of them in a general-ideal sense severed from the peculiarities of their own organizational milieu. This is meant to make it clearer what they actually do.

Party Committees and Human Resource Departments

The Beijing Financial Street’s financial institutions were at one point headed by ‘Party Committees’ (*Dǎngwěi;* 党委), which might have been composed of the Party Secretary (*dǎngwěi shūjì*; 党委书记), a Deputy Party Secretary (*dǎngwěi fù shūjì;* 党委副书记), other senior party members, and directors of personnel and propaganda as well as perhaps a minister and the Secretary of Party Organisation (党委组织). As a unit, they played a central role in decision-making and organization within their ‘work-units’ (dānwèi; 单位) and were connected to the party committee structure of the State Council. However, as part of modern enterprise reform in the financial sector and the eventual listing of these enterprises on the exchanges, the decision-making functions of the party committees were gradually spun off and restructured into occupational posts corresponding with the formal titles of the executive layer of the western corporate governance model (especially its boards of directors and the committee structures they jointly compose in connection with members of senior management). Its organizational functions, on the other hand, ended up being merged into the human resource departments of these companies. The Party Committee itself, then effectively reduced to an empty husk, simply seemed to disappear from view. In fact, it can be understood as having been dispersed into the fabric of the modern corporate form. It has become the 'ghost in the machine' – a relic of the dual management system that now forms a kind of embedded political energy that pulses through these organisations, sustaining their political nature, affecting their economic shape and colour. This is in my opinion one of the core features of 'management with Chinese characteristics' as that term might be applied here.

The significance of executive management within these corporations is fairly self-evident and variously pointed to and discussed throughout this thesis. However, the position of the human resource departments within these corporations is not self-explanatory, is much more than it seems, and begs explicit attention. Human resource management is a critical component in financial governance in China and I cannot emphasize the following point enough: *these financial corporations' human resource departments constitute possibly the most substantial base of institutionalized CCP power within the Financial Street, even over and above that of any other department internally, including the boards*. This is because of the long-term role these departments perform as cogs in the *nomenklatura* system of cadre control. Similar to the way in which human resource decisions are made at Huijin, they operate in a sphere that encompasses not only their own organisations, but also the regulatory agencies of their respective industries and the Central Organisation Department (COD) directly. The HR department of each key national financial institution in the Financial Street and each regulatory agency and the COD form three steps in an official, highly political procedure and system of rules for governing the appointment, promotion, transfer and removal of corporate personnel. The HR department's power over personnel is derived in particular from its position as a storehouse of information. HR departments within the key national financial institutions of the Financial Street play a dominant role in the collection and storage of the information on which decisions about the personnel who work there are based. This information is organized in the form of two lists: a list of *nomenklatura* to be reported to the centre and an internal list of personnel (see next chapter). The lists correspond to personnel dossiers, or personnel files, which are kept as a database and track the professional and political histories of prospective candidates for employment. In collaboration with a regulatory agency and the COD, the HR departments use them to exert control over the political ecology of the Financial Street. Based on the information they contain, they try to make sure that no-one within an anti-Party history gets near to it. They make sure that these insides of these corporations are 'pure' politically. HR departments should thus be understood as an instrument for maintaining the Party's position of power within the Beijing Financial Street and, by extension, the state-controlled financial sector.

The Communist Youth League Commitees

The Communist Youth League (CYL)[66] is probably one of the most overlooked elements of corporate governance in the literature on commercial relations in China. Historically, most of the literature on the CYL has focused on the political socialization of students in schools and universities and their attitudes towards the government (Pringsheim, 1964; Montaperto, 1977; Healy 1982; Liu 1996; Rosen 2004; Liu 2006; Yan 2014; see also Tsimonis, 2017: 1). Yet the league is made up of an extensive network of members outside the schools and universities system and in the workplace. It includes approximately 12 million members working in organisations in public and partially state-owned sectors of China's economy (Tsimonis, 2017). The landscape of the national group of financial institutions headquartered at the Financial Street includes a network of 'Communist Youth League Committees', or *tuánwěi* (团委), which are part of an alternative system of political arrangements and relationships that permeates the district in general. They are also elements in a political hierarchy that connects each institution vertically to the Party inside the State Council. At the top of this hierarchy, the CYL is headed by the Central Committee of the CCP. The national head of the CYL is elected at the same time as the members of the Central Committee are at the National Congress. Inside each financial institution, each committee is positioned as either an independent department, a division within another department, or a dependent department that works through another (e.g., through a HR department). The CYL committees based in the Financial Street also sit at the top of a vertical hierarchical structure of CYL committees inside each corporate group that extends down to 'general branches' (*zǒngzhī bù*; 总之不) at the provincial level and 'branches' (*zhībù;* 支部) at the county level. The CYL league can thus be understood to permeate the entirety of the organizational structure of the corporate group and by extension the Financial Street's vertical integration in the economy. Horizontally, the committees of the CYL inside the institutions of the Financial Street are also connected to the All-China Youth Federation, the All-China Student Federation, and the Young Pioneers, as well as the Central Party School. The Central Party School is discussed in some detail in the following chapter.

Whilst the high echelon of CYL command is staffed by a higher-order process of *nomenklatura* control involving the Central Organisation Department and the National People's Congress, the

[66] In pinyin and Chinese: *Gòngchǎn zhǔyì qīngnián tuán,* 共产主义青年团.

situation in the Financial Street is a little different. Each committee is headed by the post of secretary, which is filled by appointment by the CYL at the level of the Central Committee. The rank and file of the league, on the other hand, is determined largely by each committee with the approval of each institutions' HR department. Most of them are part-time and otherwise fully employed inside their organisations. The same can also be true of the secretary, who sometimes doubles as a full-time employee in a HR department. Compared with the rank and file, the secretary is usually above the official age of membership of the CYL, which is 15-28. Since nobody could realistically be able to gain employment in the headquarters of these financial institutions prior to the age of 22, CYL membership in the Beijing Financial Street can be seen as composed in the main of individuals aged between 22 and 28. Anybody still a member of the CYL over the age of 28 is likely to be a senior member of some kind.

CYL membership in the public sector accounts for around 15% of the League's membership as a whole and its committees still constitute a significant presence within each of the Financial Street's state-controlled firms (Ibid: 7). What is the role of these committees in the Financial Street? Who do they represent? The first function of the committees has already been alluded to. Whilst it is becoming less common, the CYL committees there can act as an alternative, politicised route from university to professional employment, although this route is dependent on one's achieving a certain level of performance first, is becoming less common, and is more likely to be used by senior management personnel moving across from the executive layer of one corporate groups to another or up from the provincial-level to Beijing. Within the firm, they then perform a similar function as advocacy groups for members of the CYL occupying junior professional positions within their companies. The League's rank and file is indicative of the position of Youth generally within the Financial Street, who are just beginning, have little or no experience, and occupy entry-level positions with very little or no social/political capital. They belong to a highly subordinated class of 'newcomer' within the workplace, who are forced into docility vis-à-vis those who have worked there longer and who are utterly powerless vis-à-vis management, particularly HR. The CYL has been given an official mandate to act as the representative of 'young people' at work, which is in recognition of the fact that the 'harmony' between development and expansion of the state-controlled financial sector and the standardization and performance of political work within it depends to a significant degree on the establishment of institutional channels for information feedback and consultation from the corporate floor. The newcomers then get picked up by the CYL, which engages in a form of political indoctrination through the organization of 'membership preparation sessions', dissemination of political views and policies, political study sessions, talks and seminars, group outings, and getting employees to volunteer as part of large-scale projects and mass campaigns in the public sphere.[67] Newcomers are invited to participate in all this as a platform for them to voice themselves and gradually become more independent and confident. This, in turn, is meant to empower them in the psychological battle versus corporate. In this sense, the CYL committee might be understood as an institution in part designed to mitigate the potentially negative consequences of Confucianism in a corporate setting (i.e., age bias). It runs somewhat counter to the Confucian emphasis on respecting and subordinating oneself to one's elders by trying to elevate the position of the young within the corporation. However, there are obviously limits to this spiritual elevation. The Party is a glass ceiling and the League doesn't necessarily serve their interests either. In reality, membership in the CYL committee is something of a double-edged knife. It plunges them into a new, political arrangement inside each corporation that still favours hierarchy over actual representation, both generationally in terms of the senior staff who are placed in positions of political authority and professionally in terms of their career. In terms of their career, it puts them in an environment in which advocacy of their position is a reward for political work as opposed to economic work and performance. All in all, it is a rather poor wo/man's union, but it does seem to provide more opportunities for career progression than the *actual* union.[68]

Facing something of an existential crisis in the new reform era, the Communist Youth League has tried to make itself more relevant within its evolving organizational milieu. One of the ways in which it has tried to do this is by recasting many of the activities of its committees as part of a new role it has planned for itself in promoting corporate social responsibility and its image, which is part of a larger gambit to position itself as a key actor in the development of the Chinese state-controlled corporation. This is part of what a process of what Tsimonis (2017: 2) calls the 'corporatization of the Communist Youth League', which is an expression he uses to refer to the process by which the CYL is being shaped by Chinese corporatism and shaping back in the form of corporatized activities that seek to cultivate a 'pro-capital working culture'. This is a good point and one that generally might be used to describe the relationship between the CYL committees in the Financial Street and the mass of their corporate base. He goes on to quote the First Leader of the CYL. It is worth repeating this quote at length:

[67] The frequency of these activities varies. Sometimes they are not optional, despite whether one is actually a member.
[68] Unions are a feature of the corporate network as I present it here. I have chosen not to 'represent' them, so to speak, because by all accounts they are something of a joke. For example, at the very least one would expect unions to try to ensure that contracts signed between employees and employers are honoured, but it is typically the case that inside these organisations contracts are asymmetrically written in favour of the employer, to such an extent that they can be dishonoured by the employer with zero repercussions. The repercussions for employees, on the other hand, are high. Indeed, they are potentially so high as to equal financial ruin. The unions, for their part, appear to have said and done absolutely nothing. There real reasons for the inactivity of unions, but there is not space to go into them here.

> *'(…) first, with the precondition of assisting the operation and management of an enterprise, we must identify the link between serving both the enterprise and the youth (…). The enterprise is a typical economic organisation, and its profits determine directly its survival and development, as well as the realisation of the interests of young employees. Therefore, we must make our priority serving the enterprise's production and management, lead young employees to work hard, and assist the enterprise to generate profits. Regarding this issue, the League organisations in enterprises had many breakthroughs, such as implementing the 'Youth Job Experts', and 'Mark of Civilisation' campaigns; assisting employees to improve their abilities; cultivating professionalism; carrying out cultural activities; and helping the enterprise to strengthen its cohesion'* (CYL, 2008, 70; see also Tsimonis, 2017: 11).

What can perhaps be seen here is an attempt by the CYL to position itself as an ethics inside each corporation. However, as some scholars looking at this have begun to notice, this is not an ethics oriented toward the 'interests of young employees', but toward the manufacture of an enterprise culture of politically committed and disciplined labour. Representation appears to be less important than the representation of the corporation.

Discipline Inspection Teams

Yet another element in the Party's institutional matrix of control over the Beijing Financial Street is the Discipline Inspection Team (DIT), which often takes the form of an independent department within the firm, or a department within a department within the firm, but which is inclusive of personnel all the way up the ladder with its head sometimes serving as a vice-chairman of the board of directors. If the old Party Committees were responsible for 'Party Organisation', which today in these corporations has been adapted into a set of political rules for the management of 'human resources' as opposed to 'cadres', then these teams can be contextualized as being responsible for 'Party Discipline', which encompasses monitoring the adherence of the workforce to the policies and regulations stated by the Party, workforce cadre evaluation, and investigations into corruption. As the firms in the Financial Street we are talking about are all, furthermore, central-level financial institutions, the DIT all fall directly under the command of the Central Commission for Discipline Inspection (CCDI) and, if we want to get really specific and boil it down to one individual, Wang Qishan, its head but also a member of the Politburo Standing Committee and the virtually untouchable leader of the current anti-corruption campaign in China. As part of this alternative chain of Party command, which by comparison with the chain of command that human resource departments are a part of extends all the way to the top and is anchored in the country's highest authority, the Discipline Inspection Teams are also staffed according to a higher process of personnel allocation that excludes HR departments and takes place in a sphere of activity composed of the COD, the MOF, and the CCDI. Outside of Beijing, the authority to allocate personnel inside the DIT of the corporate group at the sub-central levels (e.g., the provincial-level branches of banks) then becomes the reserve of consecutive links in the chain, i.e., first between the DIT of the core company in connection with the Beijing branch of the COD, then the DIT inside local branches and the local branches of the COD. The presence of these teams can therefore be seen extending within each corporation in a dimension of great depth. Furthermore, this chain is relatively autonomous. It does not depend on any other department for authority inside its own organization, but rather on a party institution that is external to the organization and its superior in terms of political rank. This is the way in which it was designed serve effectively as an investigative body.

Supervisory Committee on Key State-Owned Financial Institutions

Monitoring and supervision of the major state-controlled firms in the Financial Street can be categorized as falling into two general areas: party discipline and professional supervision (Shih, 2008: 39). The three party-state administered institutions of corporate governance considered thus far – i.e., the Human Resource Management Department, the Communist Youth League Committee, and the Discipline Inspection Team – can all be classified as belonging to the former category. Each of them can be contextualized and understood as an historically evolving set of corporatized political arrangements by which the biological architecture of the firm – its human 'resources' – can be controlled and even engineered to Party specifications.[69] Professional supervision entails the further aligning of this human architecture with the Party's specifically economic interests. It entails a general regime of compliance: compliance with state capital-adequacy ratios, asset-liability ratios, ratios for non-performing loans, loan quotas, certain auditing practices and, in addition to many other types of compliance, compliance with mandatory interest rates. It also entails 'quality control', which in this context means the creation of an environment of well-defined controls and standards of economic work to ensure the quality of state-owned assets and reduce risk in the state-owned financial sector. Finally, it involves control over the activities of chief management executives and evaluations of their professional conduct.

[69] When I say 'engineered' I mean as a function of the *nomenklatura* system of cadre control.

Historically, the principal agents for this regime of compliance have been the Ministry of Finance, the People's Bank and, more recently, the state's three regulatory agencies. Secondary agents then include Huijin, which, based on the discussion earlier, can be seen as a mechanism of professional supervision because of its activities as both a monitor and manager of the firms under its control. Another is the Supervisory Committee of Key State-owned Financial Institutions.[70] Similar to Huijin, this supervisory committee is pan-institutional in terms of its scope. It heads a group of 16 supervisory boards deployed to form the boards of supervisors of the 16 key national financial institutions headquartered in the Financial Street. Table 24 lists each of these institutions by industry. Each of these supervisory boards is composed of full-time and part-time members from the *nomenklatura*. The chair is always a vice-ministerial ranked member of the *nomenklatura* (*fù bù jí;* 副部级). The rest are bureau-level (*zhèng jú jí;* 局级). This grants them officially a level of power and status equal to that of the boards of directors, the membership of which is also composed of vice-ministerial and bureau-level ranked members of the *nomenklatura*. Within their respective institutions, these boards of supervisors each now form a permanent part of the organizational structure of the corporation, whose main role is professional supervision of the executive realm. This encompasses making sure rules and policies have been implemented properly; examining and verifying financial reports from the auditing department and forwarding them to the ministries; monitoring the operations of capital assets and ensuring their proper distribution and the proper distribution of profits, and; monitoring the activities of directors and managers, evaluating their performance, and proposing rewards, punishments, and appointments.

[70] In pinyin and Chinese: *guóyǒu zhòngdiǎn jīnróng jīgòu jiānshìhuì,* 国有重点金融机构监事会.

Table 24: Key State-owned Financial Institutions of the Supervisory Committee Grouped by Industry

Banking Institutions
8, including 3 Policy Banks and the 5 large state-controlled commercial banks

- Agricultural Development Bank (ADB); China Development Bank (CDB); Import-Export Bank of China (Exim Bank of China)
- Agricultural Bank of China; Bank of China; Construction Bank of China; Industrial Bank of China (ICBC); Bank of Communications (BOCOMM)

Asset Management and Securities Companies
5, including the 'Big Four' asset management companies and China Galaxy Securities Co., Ltd.

- China Cinda Asset Management Corporation; China Great Wall Asset Management Corporation; China Huarong Asset Management Corporation; China Orient Asset Management Corporation.
- China Galaxy Securities

Insurance and Reinsurance Companies
3, including 2 of the so-called 'Big Five' insurance companies in China.

- China Life Insurance Company
- China People's Insurance Company
- China Reinsurance Company

Twice each year the boards of supervisors perform general inspections of their companies. Reports on their companies' interim and end of year (annual) status are then submitted to the regulatory agency of for their respective industry. The link between each supervisory board and their respective regulatory agency constitutes a secondary but immediate and direct line of reporting. Each regulatory agency is partly responsible for the supervisory boards' administration as well and outlines to a certain extent the field of the board's supervisory focus within their institutions. However, the supervisory boards are primarily subordinate to the Supervisory Committee, which is currently chaired by the acting head of the supervisory board of the Import-Export Bank of China, Yu Xuejun (于学军). In turn, the Supervisory Committee he heads sits inside the CCDI. However, it reports to a group of officials that head the operations of a kind of compartmentalized 'Ministry of Supervision' that was merged into the CCDI into 1993 and now forms an internal part of its organizational structure. This group of officials in turn reports directly to the Central Financial and Economic Leading Small Group (CFELSG). The Boards of Supervisors were created in January 10th 2000 as part of a much wider general effort by Zhu Rongji, then China's Premier, to centralize power in the financial sector and place it in the hands of the Party. Within the corporation, its positioning can be understood as part of a strategy of disaggregating and checking the power held by the Board of Directors, which, despite recognition of its usefulness as mechanism of corporate governance, the

Party has always feared as an institution of western corporate governance and a challenge to its own authority in the economy. Rejection of the traditional all-powerful role of directorial boards seen in the West is perhaps another key tenet of 'management with Chinese characteristics'. Along with the separation of ownership rights from control rights that we have seen through the eyes of Huijin, it might be understood as an attempt to edit out the capitalist content of the modern corporation; to disempower, or try to balance its power at least, with a 'Board of Supervisors' as an alternative, disciplined form of internalized control from monitoring and supervision inside each corporation.

Red Governance

The human resource departments, the communist youth league committees, the discipline inspection teams, the boards of supervisors – these are not all there is to speak of terms of the Party's presence inside these financial institutions, of what might be called the mechanisms of 'red governance' embedded inside the Financial Street's organizational structure. They are just the most important. They constitute the Party's monitor in the economy. Collectively, they should be understood as a set of institutional bridges linking the party-state to the inside of each corporation. Through the HR departments, the Party can determine the biological architecture of its most precious financial enterprises, whilst the committees of the Communist Youth League not only serve the continued existence and interests of the faction, but act as assists for 'the elite circulation of the Party' within it (these are words of Yunzhe Chen (2014: 112), of the League's Institute for Theoretical Work). The Discipline Inspection Teams, on the other hand, act as armatures of the state's system for the disciplining and punishment of the Financial Street's corporate world, seen increasingly against the background of China's anti-corruption campaign. And the implementation of the Supervisory Committee of Key State-owned Financial Institutions has led to the creation of a dual board structure inside the institutions considered to be the most significant, with one structure ending at the general shareholders' assembles but the other well outside the corporation, forming an extra-corporate, extra-legal network of institutionalized professional supervision and influence. Altogether, they suspend each corporation, elevating them into a political realm. They are like a series of chains. Hypothetically, if one chain breaks another is there to pick up the slack because each of these internal organisation's hierarchical path to power is independent from the other. Inside each corporation, they constitute an alternative administrative framework of highly adaptive spiders, whose position can be described as a negotiation with the fabric of a web that is not entirely their own.

The Beijing Financial Street Political-Administrative Hierarchy

The corporate governance mechanisms of the Party do more than just reorganize the insides of the institutions in the Financial Street, they turn them inside-out. The corporate governance mechanisms of the Party evert them. HR departments, committees of the Communist Youth League, discipline inspection teams, supervisory boards – each of these turns the Financial Street into a political place that is not unique to it, per se, but unique to China's political system. This political system shapes its institutions, organizes them from the outside in, and gives them part of their form. The typical Financial Street firm is nested in a formal political hierarchy that also runs through it, determining the political relevance of its structure. This political hierarchy is illustrated in Figure 22. It is a mold into which the Party has tried to make its state-controlled institutions fit. It constitutes one of the most significant institutional bridges between the economic realm and the political realm in the Financial Street. It determines the political rank of each state-controlled financial institution. It positions many of the people who work in the Financial Street on a political spectrum, regardless of whether or not they are a member of the Party or, indeed, whether or not they are politically affiliated with the Party (in fact, most are not members of the Party or are but only in a nominal or perfunctory sense). The system that ranks them can thus be seen as completely asymmetrical. Those who work in the Financial Street's state-controlled financial institutions do not choose to become part of it, they are simply put on it and gradually they may *become* it as they progress through the ranks. Perhaps the most important thing one has to understand is that this ranking system is not peculiar to the Beijing Financial Street, nor is it peculiar to the financial system. Albeit sometimes in different ways and with some exceptions, it extends across the length and breadth of the state-owned sector of the Chinese economy. For example, all of the major industrial enterprises controlled by the State-owned Assets Supervision and Administration Commission (SASAC), which includes as already noted China Merchants' Bank (CMB), are included within this political hierarchy. As opposed to those industrial production enterprises owned and run by SASAC, this section looks at the ordering of the Financial Street's firm-architecture according to this hierarchy, which encompasses not just the entities controlled by Huijin, but generally many of the party and state-controlled financial and financial regulatory institutions that constitute the top of China's financial pyramid.

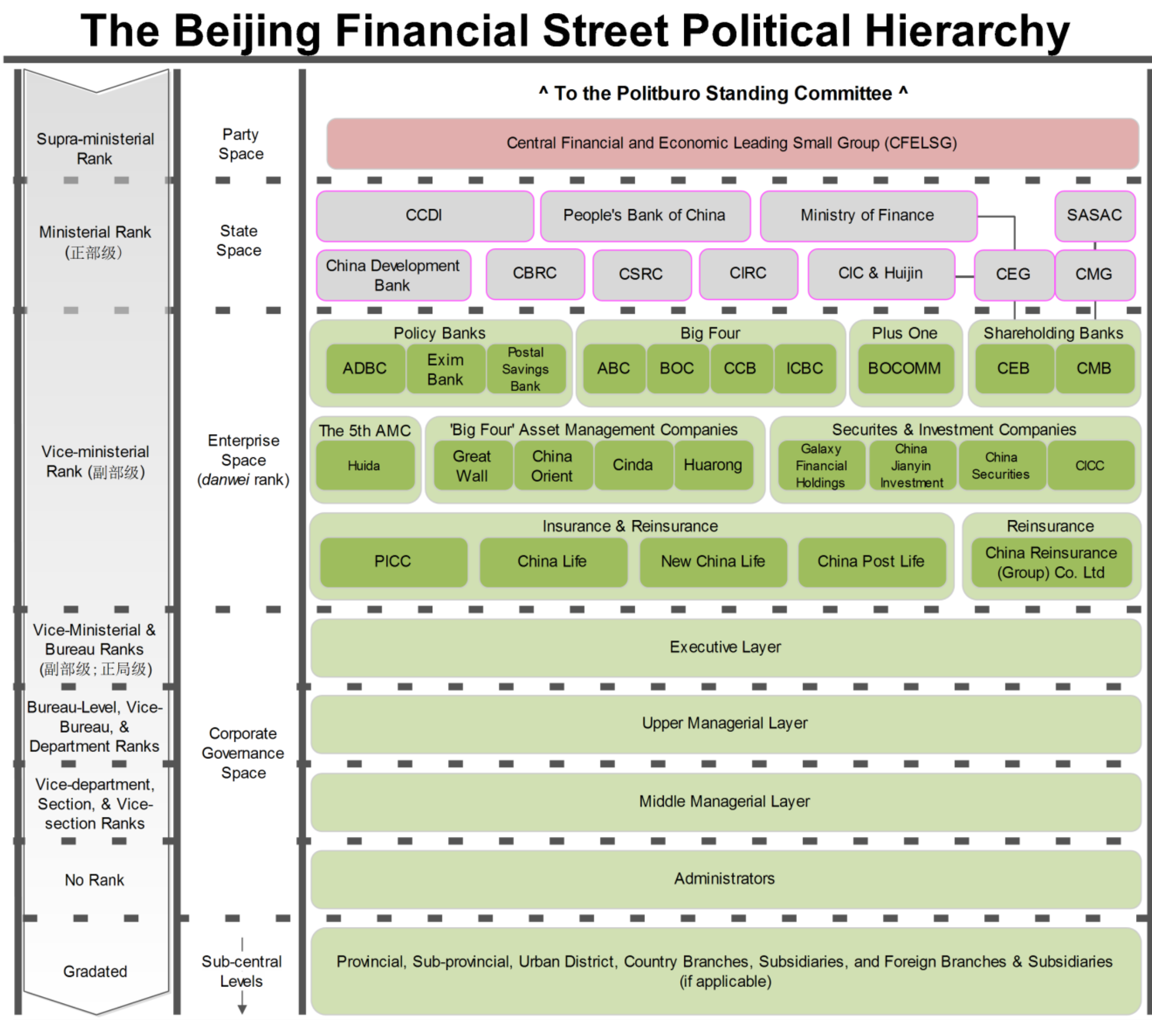


Figure 22: The Beijing Financial Street Political Hierarchy

Figure 22 is designed to show how each institution and its organizational structure is positioned on the scale of the political hierarchy in the financial system.[71] On the left hand side, one can see a channel of political ranking that determines the political rank of each layer in the financial system, i.e., what I have called the 'Party Space', the 'State Space', the 'Enterprise Space', and the space of 'Corporate Governance'. The space of the Party is where the CFELSG sits and, although technically the CFELSG has no rank, as is characteristic of all Party groups and the position it has carved out for itself as an extra-legal institution in general, it can be understood as 'supra-ministerial' for all intents and purposes. As already discussed, it is more or less the god of the Financial Street. Less god-like are the set of institutions grouped into the boundaries of the state space, which are instead subject to a set of *quasi*-legal rules and bits of formal policy that are rather more down to earth in nature. Included in this space are also two corporate groups and the China Development Bank. The two

[71] The ranking of each of the institutions in Figure 22 has been established through interviews with employees inside some of these institutions as well as a retired director of the China Securities Regulatory Commission.

corporate groups are China Merchants' Group (CMG) and China Everbright Group (CEG). The enterprise band is the biggest and includes all those previously discussed financial institutions that characterize the Financial Street's position in the geography of Chinese finance and financial centres. All of them are vice-ministerial rank (*fù bù jí;* 副部级), with the exception of the China Everbright Bank and China Merchants' Bank, which can be used to illustrate a point of contention about this political hierarchy. This point of contention follows from the question of whether or not one should classify them according to their work-unit rank – their *dānwèi* (单位) rank - or the rank of their most senior leader. So far, I have categorized each institution according to its *danwei* rank, which then confers the same rank upon the occupier of the top post of the company and which then determines the relative positioning of everyone else inside the company on the political ladder. However, another way of looking at this is to say that these institutions assume their place in the Chinese political hierarchy as a corollary of the rank-status of their most senior leader. So, for example, the chairman of the China Development Bank is a minister (*zhèng bù jí;* 正部级) and therefore the bank has ministerial status. It is *zhèng bù jí dānwèi* (正部级单位). All of the big commercial state-owned banks, however, would be *fù bù jí dānwèi*, i.e., enterprises of vice-ministerial rank, because their chairmen are all ranked *fù bù jí*. The issue that presents itself with China Merchants' Bank and China Everbright Group is then that, technically speaking, their chairmen are both the ministerial-ranked chairmen of their respective parent-groups, which would make them also *zhèng bù jí dānwèi*. However, in practice, these companies' day-to-day operations are managed and directed at the top by the Presidents of each bank, whom are in fact vice-ministers (*fù bù jí;* 副部级). Thus I have classified them as vice-ministerial because it reflects the reality of their subordinate position compared with the institutions higher up in the political hierarchy.

As I alluded to, the position of each financial institution's top leader can be understood to determine the ranks attached to all the posts beneath him or her. The corporate governance space refers to the organizational space inside each corporation, which is also ordered politically. This is what I meant by the political hierarchy running *through* the Financial Street's institutions. It is fused with these institutions' own organizational hierarchies and consequently determines to a certain extent prestige relations inside each company, e.g., the way employees think of their bosses not only as bosses but as politicians. Broadly speaking, the political hierarchy engenders an environment of symbolic capital exchange within each company. If one then looks at Figure 22, those with the most symbolic capital are those who make up the executive layer of each company, whom are all bureau-level ranked (*zhèng jú jí*; 正局级) except for the president and possibly one or two others who are vice-ministers (*fù bù jí;* 副部级). The upper managerial layer is then composed of some bureau-level personnel as well, but is more substantially made up of vice-bureau-level (*fù jú jí;* 副局级) deputy department heads and (rather confusingly) the department-level heads of divisions (*zhèng chù jí;* 正处级). When translated from Chinese to English, the linguistic distinction made here between *bureau-level* personnel who head *departments* and *departmental-level* personnel who head *divisions* is an indication of the extent to which two different hierarchies – a corporate hierarchy and a political hierarchy – are present and both functioning within each company. Further down, the middle layers of management are then made up of 'vice-departmental' (*fù chù jí;* 副处级) deputy heads of divisions, section-level and vice-section-level business managers within those divisions (*zhèng kē jí;* 正科级; *fù kē jí;* 副科级). Each financial institution is then made up of a band of general administrative staff, but these individuals have no political rank.

One of the important things to note is that, compared with the internal organizational structures of each financial institution, which can vary depending on the type of finance business in which each is engaged and which contain various numbers and different types of departments and divisions, this political hierarchy extends across the district. It takes the economic organizational diversity within the state's key national financial groups and binds them together in a regime of political equivalence. Furthermore, ranks are attached to posts, not to the actual people who occupy them, and employees can remain in the same political-economic layer whilst simultaneously climbing across to another corporation. To be working in the Financial Street usually means to be politically framed, yet highly interchangeable.

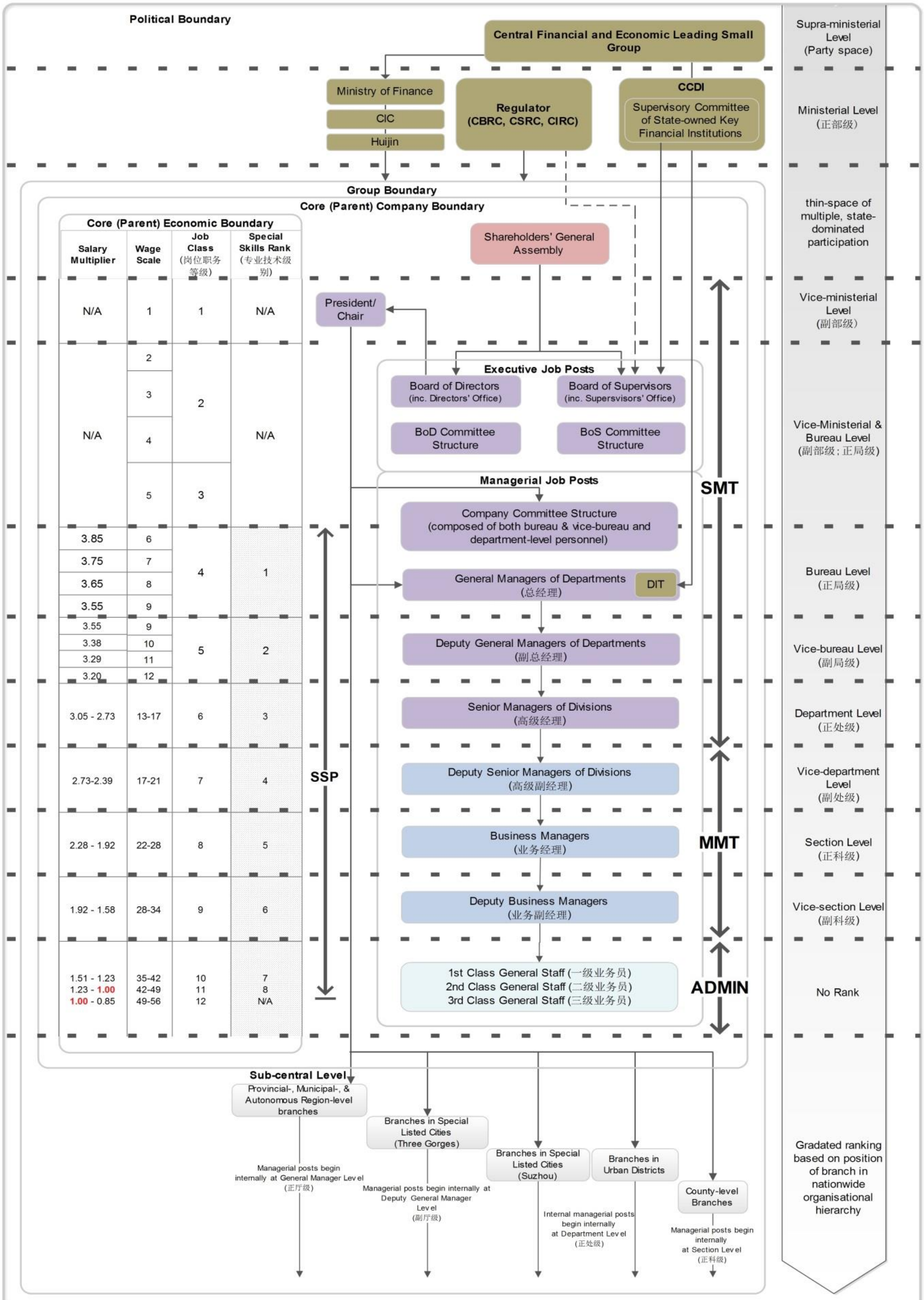


Figure 23: Corporate Organisational Structure According to the Political Hierarchy of the Financial Street

Compared with Figure 22, Figure 23 is designed to show how the contents of a particular firm might actually be ordered in practice according to the state's political hierarchy. It is based on information internally circulated by the Human Resource Department of one of the large state-controlled banks in the Financial Street and can be considered highly accurate. Encasing the diagram, the political ranking system forms the boundary surrounding the corporate group, which is hierarchically subordinate to the supra-ministerial and ministerial institutions of the party-state, who either own it, regulate it, or form an institutional bridge with it (e.g., in the case of the CCDI and the Supervisory Committee as discussed above). Inside the group boundary, the corporation is constituted by a group of executives, which includes the president and usually between 20 to 30 senior executives that constitute the boards and their various committees. The president is the chair of the board of directors and the individual in whose hands power is the most concentrated. This power is a function of the post's multivalency: its having several sites at which it is attached superordinately to the corporate structure (at the committee level, the department level, and sub-central levels). Altogether, the president and the company's pose of senior executives represent the highest tier in management structure. It is a tier that is distinctly more political in its character and orientation compared with the rest of the corporation.

At the managerial layer, the upper layer of management can be seen composed of a committee structure that includes the general managers of departments and senior executives. As such, it constitutes the most politically diverse layer in the corporate structure, but a layer that is extremely high up in the corporate hierarchy. Deputy department managers are not included within this layer, although they may attend informally at the invitation of their superior. After deputy department managers, the next layer in the managerial hierarchy are the senior managers of divisions - the *zhèng chù jí* (正处级) - who translate the decision-making power of the *fù*- and *zhèng jú jí* into objectives that can be delegated as tasks and then completed by managers on the mid-levels. Altogether, the group of senior executives and the upper managerial form the Senior Management Team (SMT) of the corporation, although it is a highly stratified one and the distance between senior executives and senior managers of divisions is huge, both in terms of their decision-making authority and power and where they work in the corporate head offices.

Middle management can be said to begin at the post of deputy division manager, which is followed by business manager and then deputy business manager. The transition from middle management to senior management generally begins around the age of 30 to 35. By comparison with senior management, those in the middle managerial layers are usually a lot younger. There are also far more of them. They compose a much larger proportion of the total number of employees who work there compared with SMT. They flesh out all of the company's divisions. Within the managerial hierarchy, they are less like managers, more like employees. Most of them have very little authority and decision-making power with respect to what goes on inside their companies. They are not particularly independent and are assigned tasks on a case by case basis by their superiors. Within each division, they usually form teams focused on specific areas of finance business, which then report to the division head. However, it is perhaps worth noting that, outside the headquarters and vis-à-vis the rest of the corporate group, they outrank the vast majority of personnel and would be equivalent in status in some cases to the head of a branch or subsidiary.

The political ranking system and the way it relates to the job postings of the corporate structure can be understood by looking at the column on the right side of Figure 23. On the left side of Figure 23, there can be seen the boundary of the corporation's internal organizational hierarchy, which encompasses job class, specialized skills rank, and 56 levels of pay-differentiated employment. The job class column illustrates the hierarchical ranking system that HR departments use to grade each post inside their institution. The ranks attached to each post are company-specific and, unlike the political hierarchy, do not extend outside of it. 'Specialised skills rank' then refers to the level of general professional proficiency attributed to each rank by the HR departments, which can be understood to distinguish a subset of Specialised Skills Personnel (SSP) within the company. This represents the bracket in which the company's 'financial expertise', broadly defined, is concentrated. Note that the senior executives are not included on this scale, nor are they including on the pay scale. This is because executives at the bureau and vice-ministerial level have their feet firmly planted in two worlds: the internal world of the corporation and the external world of the political. Within the corporation, the latter is actually more decisive in determining the particulars associated with their position. For instance, the reason that they do not appear on the scale is because their pay is not determined by their skills rank, nor indeed their own HR departments, but in fact by Huijin or otherwise the MOF (depending on who owns and controls the corporation). Their actual remuneration is then calculated based on a complex and highly politicized managerial personnel evaluation system that includes base pay, annual performance bonuses, and short- and long-term incentives. All across the Financial Street, the executives at the top of these companies tend to operate in a separate field of Party rules and are more a part of the political hierarchy than they are their own companies' internally manufactured organizational one. The nature of their political-professional post is such that they are positioned at once inside and outside of the corporation.

The Party-state as a Social Spider

To conclude this chapter, the network of the Financial Street's institutions can be understood to be forged through a number of distinct but complementary institutional bridges engendering of the party-state's presence and power inside it. The first of these bridges are the business associations, which form grassroots extensions of the state's regulatory structure and self-disciplined makers of financial market infrastructure positioned at the top of the financial pyramid. The second is formed by Huijin: as an entity that has its feet planted in two worlds – the world of the Party-state and the world of commercial finance – its position is altogether characterised by a *betweenness*, by a mode of existence linking institutionally the state and the economy. Third, a number of mechanisms of red governance can be seen firmly fixed inside and woven into the mass of the corporate complex. This includes the human resource departments, Communist Youth League Committees, Discipline Inspection Teams, and Supervisory Committees. All of this is lastly encased by the State's political-administrative system of hierarchical political ranking: a formal bureaucratic architecture in which the institutional complex of the Financial Street has been nested and sunk. The financial centre appears in this light as less like a market, more like a network with a spider. It is a kind of web formed by and around a central agent – the Party-state. From the centre of the web, the Party-state, which is like a spider, or a clutter of spiders, weaves the network into becoming what it is: a set of key national institutions supported by the strongest silk, a number of other important state-proximate financial institutions set on its spiral, and a series of regulatory agencies fixed to the threads of its frame. What we have here is a state-centric network assembly. Insofar as the state is its key architect, this assembly also embodies the matrix of Party discourse - a political *dispotif* – that means its organizational structure is liable to change or alteration. The Party is continually rethinking it, remaking the nature of the silk by then having additional, more elastic forms of silk woven into it, which swallows up the previous frame. The Financial Street is a work in progress.

The Beijing Financial Street *Nomenklatura*

The financial industrial complex that the state has engineered for its own position in the Chinese economy does not move by itself. It has a life – a vitalism – that is otherwise composed of a large community of working urban professionals. However, as a demographic employed inside firms positioned at the apex of the country's state-controlled hierarchy of finance, the composition of this workforce has been subject to an extremely high level of intervention, alteration and adjustment by the state. Crucially, the CCP maintains the authority to appoint, promote, transfer and remove individuals to high-powered positions within the core of the Financial Street complex. The actual capacity to do this is exercised as a function of the *nomenklatura* system of cadre control, which is an essential pillar of its power in the district. Together with the *bianzhi* system, which determines the actual number of posts inside these institutions, the *nomenklatura* system defines the job titles and functions, the roles and responsibilities, of all those who variously form the leadership of the state's network of financial institutions in the Financial Street.[72] At the highest levels, those who effectively manage and run China's financial system then constitute a base of support for the Party and its position in Chinese society. The purpose of this chapter is to meant to uncover how this political elite class has been installed and structured into the Financial Street, who the *nomenklatura* actually are and how they now constitute a part of its lifeworld, and how this lifeworld has been effectively engineered to become a force allied directly with the political centre. Finally, it is meant to illustrate the relationship embodied by these conceptual personae between the financial world and the world of the political in China.

Institutional Engineering and the Installation of the *Nomenklatura* System of Social Control in the Beijing Financial Street

What is the *Nomenklatura*?

The *nomenklatura* system basically consists of two things: (1) the Central Organisation Department of the Chinese Communist Party Central Committee (COD; 中共中央组织部, or 中组部 for short[73]), and; (2) a database organized into three lists managed, for the most part, by the same institution.

[72] On the *bianzhi* system, see Brodsgaard, 2002.
[73] In pinyin: zhōnggòng zhōngyāng zǔzhī bù

Sebastian Heilmann is a scholar versed on the inside of China's political system. These three lists are identified and categorized by him as follows:

1. 'a list of cadre positions to be filled and overseen directly by Communist Party headquarters (中央管理的干部职务名称表 [74]);
2. a list of cadre positions to be filled by regional party offices but reported to party headquarters, meaning that the party leadership has the right to intervene if it has any objections to the appointments (向中央备案的干部职务名单 [75]);
3. a "cadre reserve" list, which is a list of those persons suitable to fill the leadership positions in question (后备干部名单[76])' (Heilmann, 2017: 115).

Altogether, the lists that form the *nomenklatura* system's database comprise hundreds of thousands of cadre personnel dossiers (*dǎng'àn;* 档案), which are the documentary basis for decision-making with respect to the appointment, promotion, transfer, removal as well as general surveillance of cadres. As an instrument of power and social control, the principal functions of this system encompassing the utilization of such documents is: (1) to maintain the position of absolute power of the Party within the political realm in China. Insofar as the continued existence of China's one-party system is dependent on the Party's capacity to manufacture the social biology of the bases of leadership in society in support for itself, the *nomenklatura* system can be seen to serve socially this purpose and to be prefigured by the Party; (2) to serve as a mechanism for the selection and inauguration of a high echelon of leadership charged with governing the economy and society and directing its development. Insofar as the one-party system's survival is also dependent on (2) – insofar as the life of the Party and its legitimacy as the guiding hand of the 'China Dream' is dependent on the success of the bands of *nomenklatura* that it nominates to control and operate things on the floor of the economy and society - the Party can again be seen to underline it. The Party and the *nomenklatura* system can perhaps be understood to lie at two ends of a continuum. But on along this continuum the Party is the sovereign. The Party comes first, always. The *nomenklatura* system serves the Party as both a source and instrument of its power.

Prior to 1978, the history of the *nomenklatura* system, which dates all the way back to its establishment in the early 1950s, can be described as one of a powerful, Party-dominated institution becoming the object of various efforts to de-centralise and re-centralise it according to political

[74]In pinyin: zhōngyāng guǎnlǐ de gànbù zhíwù míngchēng biǎo
[75] In pinyin: xiàng zhōngyāng bèi'àn de gànbù zhíwù míngdān
[76] In pinyin: hòubèi gànbù míngdān

debates about the system's vertical and horizontal scope of authority and formal decision-making power over the placement of cadres (Burns, 1987; Chen, 2014: 34-35). Post-1978, 1984, 1988, 1993 and 1998 in particular are significant as landmarks denoting successive waves of institutional reform leading eventually toward centralization, i.e, a shift toward concentration of authority and power to determine cadre positions into the hands of the central as opposed to local state. The Tiananmen Square Massacre was generally a turning point in the evolution of China's *nomenklatura* system. Convinced that their position had been weakened and become unstable, an anti-reformist neo-conservative wing headed by Li Peng (then Premier of China), Yang Ping (a veteran party activist), Pan Yue (Chief Editor of the *China Youth Daily*), and Chen Yuan (the son of Chen Yun, one of the so-called 'Eight Immortals' of the communist era) led the Party on a reactionary programme of tightening party control, which involved re-centralisation of the *nomenklatura* system (Burns, 1994: 465-469). In 1990, the Party then updated and published a new *nomenklatura* list, which as Li (2014: 42) notes, 'significantly extended the range and depth of the Party centre's personnel control' over the leadership positions included in both the 1984 and 1990 *nomenklatura* lists. The difference between these two lists has been illustrated and used by Li as evidence of 'the reconsolidation of the CCP's *nomenklatura* system and the COD's authority' (Ibid: 35-40, 41).

The connection between the system of *nomenklatura* and the Financial Street is part of a much richer narrative of institutional reform that stretches across the entire Chinese economy, not just the state-controlled financial sector and not just Beijing's peculiar ecology of financial institutions per se. Although this narrative stretches back to the beginning of the reform era, we can start it here at 1997 – the year of the Asian Financial Crisis. 1997 is the year in which the system was used to significantly extend the range and depth of central state control over the leadership positions in the country's financial industry. This took place under the Zhu-Jiang administration. Zhu Rongji, a protégé of Deng Xiaoping elevated to become China's premier in 1998, was in particular the architect responsible for employing the system to this end. He wanted to arrest the breakdown of hierarchies in the financial industry and restore the centre's capacity to decide overarching policy.

Boss Zhu's Problem

Boss Zhu had a problem and this is how it went. Decentralisation of the economy in the two decades leading up to the mid-1990s had led to the devolution of financial power across multiple layers of government administrative authority. The financial system had become divided in the wake of the dismantling of the system of central planning. There existed a situation in which the core institutions of the financial system had at their head executives controlled by politicians at the prefectural/city-level and the provincial-level. Similarly, the senior managerial levels of financial regulatory institutions had become localized, with dozens of local branches of the People's Bank of China, for example, deciding who would be appointed to positions of regulatory authority. The problem that presented itself to Zhu then was a financial system that had ceded most the country's financial power to local politicians, who each laid claim to a piece of the financial landscape as bits of their own territory because it was the source of their political power (the power to control the allocation of assets – economic capital – transformable into political capital).

Zhu's solution to this problem can be traced back to a gathering of officials, editors of state media, and members of the Party intelligentsia that took place after the Tiananmen Square massacre at the Beijing Hotel in 1991 (McGregor, 2012: ch. 2). Out of this gathering came a 14,000-word manifesto that at its core consisted of two main proposals: 1) the establishment of direct party ownership over the asset economy; 2) the principle that the Party and the state should maintain control of the commanding heights of the economy. The first of these ideas died a relatively quiet death after it was thought it might look like weakness on the Party's part. However, the second general principle lived on through Zhu. Six years later, at the 15th Party Congress on September 1997, Zhu then presented an idea to recentralize control over the most powerful elements of financial sector, especially the Big Four and the PBC, which he summed up with the slogan 'grasp the big, let go of the small' (*zhua da fang xiao*). Although Zhu had been pushing this line for several years, opposition to it had faded in the wake of the Asian Financial Crisis. The Party saw the crisis as a warning and quickly took the government into crisis mode. An emergency national work conference was called and at it the CFELG, which Zhu headed at the time, prepared a set of proposals for recentralizing China's financial sector as a way to take back control of the Chinese economy and protect it from collapse. These proposals were adopted and Zhu was empowered to establish a system of vertical leadership in the supervision and management of China's financial industry.

The Central Financial Work Commission

Zhu's empowerment took the form of Central Financial Work Commission (CFWC; 中央金融工作委员会[77]), which was the administrative apparatus he used to take control of the *nomenklatura* system and in turn employ it as an instrument of governance to centralize control over the financial sector. The specifics of the CFWC are described in some detail by Heilmann (2005). It was initially

[77] In pinyin: zhōngyāng jīnróng gōngzuò wěiyuánhuì

based out of the offices of the PBC headquarters right on the Financial Street itself, but then relocated its base to the city's central east side as the financial district underwent its makeover. Its organizational structure was composed of three core departments: an Organisation Department, a Financial Discipline Inspection Work Commision that was also subordinate to the external Central Discipline Inspection Commission, and a Department of Supervisory Board Work. Between these departments, the organization was staffed by around 200 officials. These were not financial professionals. They were specialists in Party organization. Many of them were extremely high-ranking. More than 20 had vice-ministerial status (*fubuji,* 副部级). More than 70 held the rank of deputy bureau chief or bureau chief (*fu/zhengjuji*, 正局级). The rest were in the main *fu- or zhengchu*-ranked personnel, which is still a meaningful rung on the political ladder. Very few had experience of any kind in finance. Most of them had built their careers doing 'Party Construction' work.

As its founder, Zhu played an active role in the general affairs and work of the CFWC, but it was run day-to-day by its Deputy Secretary, Yan Haiwang. Yan made his name in construction and then became the former Party Secretary of Gansu province. Similar to those who worked underneath him, Yan had no experience working in finance either and was chosen rather because of his perceived neutrality vis-à-vis the financial world and his expertise in exactly the kind of Party organizational work that the CFWC was created to carry out. Above Yan stood Wen Jiabao – the same Wen Jiabao that became Premier of Hu Jintao's administration in 2002. Wen trained as a geologist and had no financial background. Since Wen was at the time China's vice-premier in charge of financial work as well as Chief of Staff of the CFELG, his position as the CFWC's head secretary had multiple implications for the latter. Firstly, it put the CFWC above ministerial rank, perhaps equivalent to the rank of *shūjì* (书记). Secondly, it brought the CFWC regularly into contact with staff involved in the making of financial economic policy at the CFELG. Whilst the CFWC was not a policy-making body, the connection forged between it and the CFELG, not to mention the General Discipline Inspection Commission, made it an extremely effective instrument of the Party's will as an entity constituting a direct line from power and its conduit. All in all, it was an incredibly powerful institution.

Installation of the *Nomenklatura*: 1998-2003

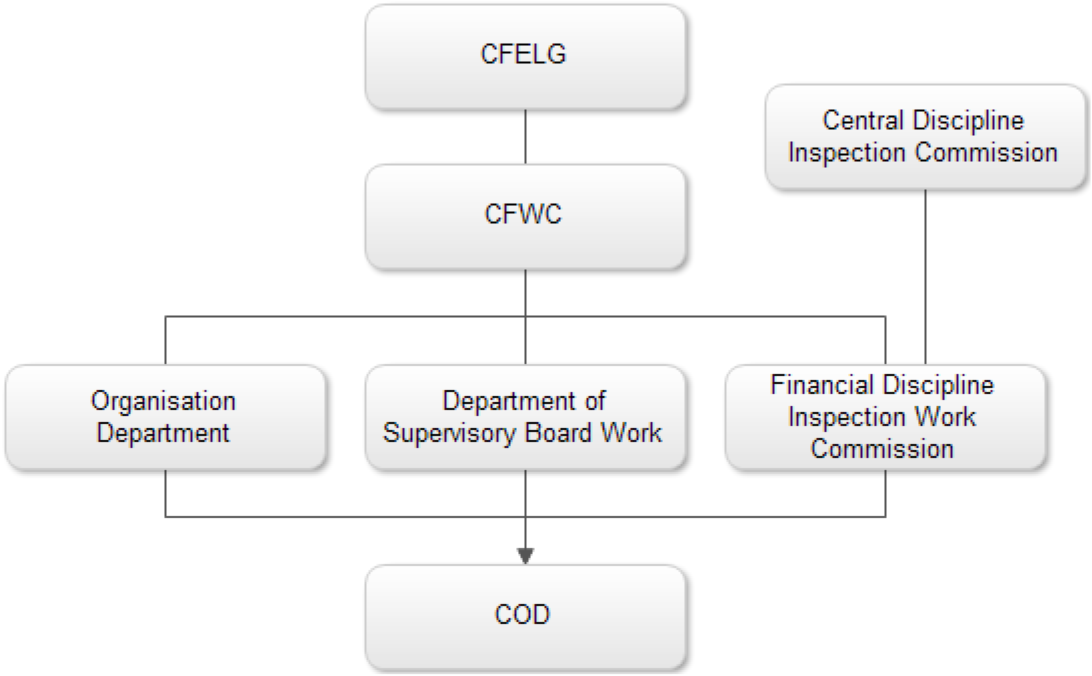


Figure 24: Positioning of the Central Financial Work Commission within the System of *Nomenklatura* Control

From 1998-2003, the CFWC essentially built itself into the framework of the *nomenklatura* system by seizing power from the COD and positioning itself as the supreme decision-making power and authority vis-à-vis the financial sector as one area of the system's jurisdiction. Its territorialisation of the instruments of control of cadres of financial institutions did not stop here either. Outside the Party apparatus, the CFWC wove itself into the very fabric of the financial world by way of the financial regulatory institutions. For example, whilst Yan was the full-time executive Party Secretary who ran things, the CFWC in fact had three more, part-time executive Party Secretaries and two of these, Chen Yaoxian and Wu Xiaoping, respectively held concurrent positions as vice-chairmen of the CSRC and CIRC respectively (Heilmann, 2002: 8-9). Yan himself also served concurrently as a vice-governor of the Central Bank, which led Gilley & Murphey (2001) to propose the hypothesis that Yan was really the man in charge of the country's banking and monetary policy and that the CFWC operated as a shadow central bank. This hypothesis has been since been questioned by Heilmann (2005), but regardless it provided the CFWC with a penetrating degree of oversight and the CFWC essentially became the organizational power within Beijing's financial world.

Table 25: Communist Party Control Over Senior Executives in China's Financial System: Division of Labour in Centralised Cadre Management (from the CFWC's foundation in June 1998 to its dissolution in March 2003)[78]

CCP Central Organisation Department
Appointing the heads (vice-ministerial rank) of national financial institutions based on the cadre appraisal and recommendation of the CFWC.

CFWC
Appraising and appointing senior executives in national financial institutions from the deputy bureau chief level (*fujuji*) to vice-ministerial level (*fubuji*), after consultations with the institutions concerned. Cadres of vice-ministerial rank were formally appointed by the Central Organisation Department.

- Including Central Bank, Securities Regulatory Commission and Insurance Regulatory Commission.
- Including 27 national commercial financial institutions and their provincial-level subsidiaries representing around 80% of total assets in China's financial industry:
    - CFWC as principal supervisory body (*zhuguan* relationship): 18 commercial financial institutions for which the CFWC nominated the senior executives *and* the members of the Supervisory Boards (the big four national commercial banks, the three policy banks, the four asset management corporations, CITIC Group, Everbright Group, Bank of Communications, People's Insurance, China Life Insurance, China Reinsurance, China Export and Credit Insurance)
    - CFWC as registry body (*guaokao* relationship): 9 financial institutions for which the CFWC nominated the senior executives but did not manage the Supervisory Boards (non-state financial commercial institutions such as Minsheng Bank, Minsheng Securities and Minsheng Life Insurance. Moreover: Merchants Bank, Sci-Tech Securities, Minzu Securities, Galaxy Securities, Government Securities Depository Trust & Clearing Co., Chung Mei Trust & Investment).

Table 25 illustrates the level of Communist Party control over the state-controlled financial sector through the CFWC. From 1998 to 2003, the CFWC successfully managed to install a Party hierarchy in the state-controlled financial sector, the scope of which encompassed the management and supervision of approximately 3,500 cadres on the lists of *nomenklatura* in 2001 (Heilmann, 2005: 10). Among the division of labour in centralized cadre management, the CFWC was at this time primarily responsible for the appointment of all high-ranking cadres in the central state-controlled financial sector. Its number one job involved the appointment of the most senior executive personnel of national financial institutions, which as a category of cadre extends from the rank of vice-minister (*fubuji*) at the top to the rank of deputy bureau chief (*fujuji*) at the bottom. The CFWC also had the power to control the appointment of cadre personnel at the second and third executive layers, extending horizontally to municipal/city-prefectural and provincial branches of major national financial institutions and vertically to sub-provincial branches at the county level. In addition, one of

[78] Reproduced from Heilmann (2005: 11).

the first things that the CFWC did upon becoming operational was order every financial institution to name (for the CFWC's appraisal and approval) one Deputy Party Secretary, whose job it then was to take responsibility for the construction of the office of the Party – the Party Committee – and for using it to carry out Party work ('party construction' work, surveillance and monitoring of personnel, ideologically reconditioning, etc.).[79] It also oversaw the construction of party committees between central and provincial levels, which acted as intermediaries for the centre and led to a situation in which only politicians who had built themselves up in the eyes of the central leadership could get promoted to the national executive levels. The secretary of each national financial institution's respective Discipline Inspection Commission as well as all the members of the institutions' Boards of Supervisors were all also appointed by the CFWC. Since each secretary and member of the Supervisory boards were sent out and ultimately subordinate and had to report back to the CFWC as their principal head office, the CFWC therefore be seen as having assumed an actual role in the corporate governance of many national financial institutions.

Installation of the *Nomenklatura*: 2003 – present

The CFWC was not to last. In 2002, the Wen-Hu administration rose to replace the Zhu-Jiang one. The transfer of power led to a shake-up in the Party's institutional arrangements. Zhu had hoped that the next generation of leaders, in particular Wen, who now headed the CFWC, would retain the CFWC and use it as a body to plan and co-ordinate the development of the financial sector. Zhu and his staff had envisaged turning it into a unified financial supervisory body encompassing all the powers of the CFESLG, Huijin (had it existed), the China Securities and Insurance Regulatory Commissions, and the Central Organisation Department. Instead, the leadership took the decision to dissolve it and Wen himself replaced Zhu as the architect of a new framework for financial supervision – one that has remained more or less intact to this day. The powers invested in the CFWC were then divided up and distributed among the components of this new regulatory setup. Most of the CFWC's powers were spun off to the China Banking Regulatory Commission, which was formed by Wen in 2003 as part of a paradigm shift he inaugurated from an emphasis on building an institutional regulatory framework for the stock markets (Zhu's project) to the banking system (Wen's project). Personnel authority over leadership positions in the central bank, regulatory commissions, policy banks, big national commercial banks, and Everbright Group and CITIC Group was then transferred back to the Central Organisation Department. Personnel authority over the

[79] This is the same office whose elements were spun off to form parts of the organisational structure of the Financial Street's corporations, e.g., the human resource departments.

leadership positions in other state-controlled financial institutions then fell to the regulatory agency that held supervisory jurisdiction over the financial industry they belonged to. However, for the highest level positions the COD still gets the final say in approval (Table 26).

Table 26: Communist Party Control Over Senior Executives in China's Financial System: Division of Labour in Centralised Cadre Management after the CFWC's dissolution in March 2003[80]

CCP Central Organisation Department
- National state supervisory organs (Central Bank, Banking Regulatory Commission, Securities Regulatory Commission, Insurance Regulatory Commission)
- Shareholders for National Champions (CIC & Huijin)
10 national financial companies under central administration (big 4 national commercial banks, 3 policy banks, Bank of Communications, Everbright Group, CITIC Group)

Central Bank Party Committee/Organisation Department
- Regional branch offices of the Central Bank

China Banking Regulatory Commission Party Committee/Organisation Department
- Four asset management corporations (Great Wall, China Orient, Cinda, Huarong)
- Merchants Bank and Minsheng Bank
- Government Securities Depository Trust & Clearing Co.

China Securities Regulatory Commission Party Committee/Organisation Department
- Three securities companies (Galaxy, Minzu, Sci-Tech)
- Individual securities companies undergoing investigation and restructuring
- Stock exchanges; future exchanges; commodities exchanges; equity exchanges; regional equity exchanges

China Insurance Regulatory Commission Party Committee/Organisation Department
- PICC, China Life Insurance, New China Life, China Reinsurance Group, China Export & Credit Insurance Corp., China Insurance Group, Minsheng Life Insurance

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Discussion

When considering how the work of the CFWC should be judged, Heilmann (2005: 14) concluded that the commission's most significant 'achievement was to push back the influence of local governments on the branch offices of national financial institutions'. Another of the successes of the commission was its serving 'as a key co-ordinating and overall planning (*xietiao tongchou*) body between the various state regulatory agencies' (ibid: 15). At the same time, he noted the deficiencies of the unit as consisting in the outcome that, 'since the CFWC itself did not establish a

[80] Reproduced, modified and updated from Heilmann (2005: 18).

national hierarchy of Communist Party financial work commissions under its control but left provincial, municipal and other local banks out of its power sphere, centralized supervision and personnel control remained restricted to *national* financial institutions and did not include the diverse provincial and municipal joint-stock banks and other financial companies that had sprung up since the 1990s' (Ibid: 14). However, along these lines, I do not believe that the CFWC failed in its political mandate at all. Zhu's plan and the purpose of that commission, I believe, was never so bold as to try to establish a centralized vertical hierarchy for the network of financial institutions spanning the entire country, which would have required managerial capacity over millions of state employees, but just at the site where it mattered – where the control functions of the economy are based and operated. In this respect, the CFWC very much fulfilled its purpose. The place where the control functions of the economy are based and operated – the Beijing Financial Street – is now truly a highly centralized enclave. Whilst the CFWC ultimately met its demise, its legacy still lives on in the COD, the Central Bank, and the regulatory commissions, which were thereafter elevated to positions of supreme authority and power to be able to decide appointments at the top of the state-controlled hierarchy in the financial system. In subsequent years, this had led to a centralization of the demographic - a bringing of the demographic closer to the centre through the installation of a more politically allied class of *nomenklatura* loyal to the central government. In other words, the leadership has been politically constructed. It is to the characteristics of this demographic that I now turn.

Category	Institution Sub-category	Institution (en)	Institution (cn)	Political Rank	No. Sampled	No. Sampled (Pillar)
Government-led Institutions	State Council	Ministry of Finance	中华人民共和国财政部	Ministerial	10	50
	Central Bank	People's Bank of China (PBC)	中国人民银行	Ministerial	10	
	Sovereign Wealth Fund	China Investment Corporation (CIC)	中国投资有限责任公司	Ministerial	16	
	State-shareholding Platform	Huijin Investment Co. Ltd	中央汇金投资有限责任公司	Ministerial	14	
Banking Industry	Policy Banks	Agricultural Development Bank of China	中国农业发展银行	Vice-ministerial	10	289
		China Development Bank	国家开发银行	Ministerial	22	
		Export-Import Bank of China	中国进出口银行	Vice-ministerial	9	
	Big Four	ABC	中国农业银行	Vice-ministerial	34	
		BOC	中国银行	Vice-ministerial	30	
		CCB	中国建设银行	Vice-ministerial	31	
		ICBC	中国工商银行	Vice-ministerial	27	
	Banking Other	Merchants' Bank	招商银行股份有限公司	Vice-ministerial	33	
		Minsheng Bank	中国民生银行股份有限公司	Vice-ministerial	27	
		Bank of Communications	交通银行股份有限公司	Vice-ministerial	32	
		China Everbright Bank	中国光大银行	-	34	
Portfolio/Asset Management, Securities, & Investment Banking Industry	Portfolio/Asset Management	Jiantou Zhongxin Assets Management (CITIC)	中信建设有限责任公司	-	45	186
		Huarong Asset Management Co., Ltd.	中国华融资产管理股份有限公司	-	23	
	Securities Companies	China Securities (CSC Financial Co. Ltd)	中信建投证券股份有限公司	-	31	
		Guotai Junan Securities Co., Ltd.	国泰君安证券股份有限公司	-	31	
	Highly Diversified Groups	China Everbright Group	中国光大集团股份公司	Vice-ministerial	11	
		China Galaxy Financial Holdings	中国银河金融控股有限责任公司	-	25	
		China International Capital Corporation (CICC)	中国国际金融股份有限公司	-	20	
Insurance Industry	All	New China Life Insurance	新华人寿保险股份有限公司	Vice-ministerial	61	131
		China Reinsurance (Group) Corporation	中国再保险(集团)股份有限公司	Vice-ministerial	18	
		People's Insurance Company of China (PICC)	中国人民保险集团股份有限公司	Vice-ministerial	23	
		Ping An (Group) Insurance	中国平安保险（集团）股份有限公司	-	29	
The Fourth Pillar	State Regulatory Agencies	CBRC	中国银行业监督管理委员会	Ministerial	34	47
		CIRC	中国保险监督管理委员会	Ministerial	5	
		CSRC	中国证券监督管理委员会	Ministerial	8	
Total						**703**

The Beijing Financial Street *Nomenklatura*

In the wake of the country's accession to the WTO, new norms of corporate governance have been imported into China. This has had effect of lifting the veil surrounding the institutions in the state-controlled financial system, many of which are now required to setup websites and provide information about who they are and their activities. Even those that are not often still do in fact in an attempt to mimic their counterparts and generally appear more impartial. China Inc. is about promoting a modern corporate face, even if much of this face is not legally speaking incorporated. The result is that I have been able to piece together some biographical information on the identities of 703 individuals who work in the most high-powered positions in the Financial Street – positions otherwise inaccessible to me as a researcher. The information here generally covers job classes 1 to 3 on the organizational scale of the financial institutions headquartered there (Figure 23; Chapter Five).

Table 27: Ages of the *Nomenklatura*

Pillar	Age									
	30-	**31-35**	**36-40**	**41-45**	**46-50**	**51-55**	**56-60**	**61-65**	**66+**	**Unknown**
Government-led Institutions	0	1	0	0	5	18	14	3	4	5
Banking Industry	0	0	0	14	35	91	102	31	8	8
Investment Industry	0	1	3	20	34	57	42	7	0	22
Insurance Industry	0	0	4	17	26	42	36	5	4	0
The Fourth Pillar	0	0	1	2	4	13	5	2	1	16
Total	**0**	**2**	**8**	**53**	**104**	**221**	**199**	**48**	**17**	**51**

Age

As we can see, the majority including chairpersons (74.54%) are aged between 46 and 60, although a substantial percentage (the remaining 25.36%) lie either side of this age bracket, with a tiny minority at each extreme. 51 individuals' birth information is unknown. If we exclude unknowns, the picture of age concentration becomes even sharper, with 80.49% (524) clustered between the age of 46 and 60. The situation is also more or less constant across each of collection of institutions here as well, with 82%, 81%, 80%, 78%, and 77% of the individuals in each group aged between 46 and 60. At the extremes, the youngest in the sample was 34. With some exceptions, the oldest was 66. Generally, the youngest in the cohort tend to be positioned at the bottom of the pyramid in terms of decision-making power and authority and the oldest concentrated more toward the top. At the very apex of pyramid, the majority of chairs (77%) were occupied by those in the 51-60 age group, with a higher proportion (56% as opposed to

44%) occupied by those between 56-60 (and then the majority within this figure were approaching 60).

Whilst age is a fairly precise biological category, generation is not. Concepts like generation belong to a library of sociological categories that are noted by academics for being notoriously hard to define. State media in China tends just to refer to all leaders born after 1949 as the 'Generation of the Republic' (*gònghéguó yīdài;* 共和国一代). Generational studies on contemporary China, however, have historically tended to delimit generations more or less in accordance with the finer points of official communist history. That is to say, political generations in China have come to be defined in the literature by lots of around 15 years based on specific events experienced by same-age cohorts during their formative years (between the ages of approximately 17 and 25). In his study on generations in provincial leadership, Cheng Li (2003: 79; see also Cheng, 2001; Whitson, 1968; Yahuda, 1979) has forwarded a concept of political generations in China based on the distinctive historical experiences of elites. He characterized five generations, with the first four generations in order of their shared experiences of the events of the Long March, the war of resistance against Japan, the period of socialist transformation during the height of the communist era, and the Cultural Revolution. Each of these generations he calls respectively the 'Long March generation', the 'Anti-Japanese War generation', the 'Socialist Transformation generation', and the 'Cultural Revolution generation'. Each generation is symbolized and embodied by its core leader: Mao Zedong, Deng Xiaoping, Jiang Zemin, and Hu Jintao. The fifth generation Cheng (2003: 79) characterises as the 'Reform Era generation' because of the 'multifaceted, strong impact of the Reform Era on the formative years of' those who grew up in it. It consists of people who were born between 1957 and 1972. As Cheng notes, these individuals would have been between approximately 6 and 21 years of age when the reform era began in 1978, between 17 and 32 years of age during the Tiananmen massacre. At present they are between 43 and 58. Their core leader is Xi Jinping.

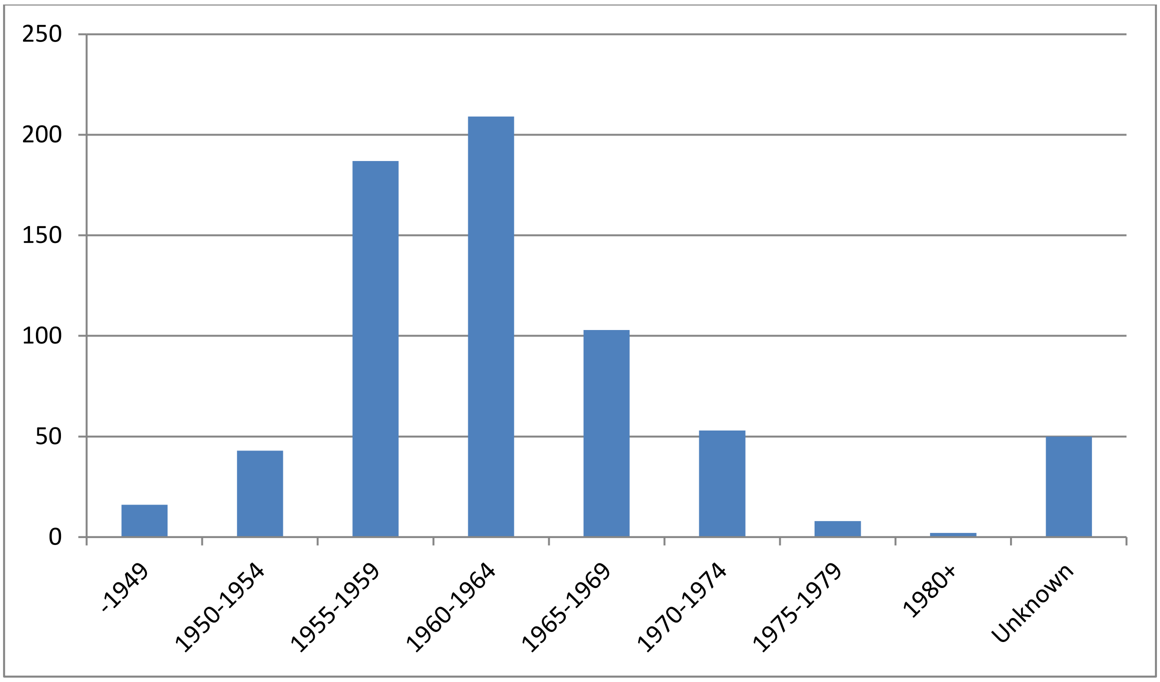

Figure 25: Distribution of Financial Street Enterprise Leaders by Year of Birth

Information about the age as well as other attributes of the top leadership of the state-controlled financial sector in the Financial Street presented here and further on puts the Beijing financial centre's *nomenklatura* in the bracket of China's fifth generation of leaders that came into power with the 18th Party Congress in 2012.[81] In terms of age, approximately 431 (or 66%) of those whose ages could be identified (651; 93% of the sample) were born between 1957 and 1972 and aged between 43 and 58. Within this number, the majority (21 out of 35, or 60%) of the most senior figures among the Beijing Financial Street leadership were also born between 1957 and 1972 (in fact, between 1957 and 1964). At least four of these individuals currently serve as full members of the 18th Central Committee, whilst others serve as alternate members. It is likely that an equivalent number of vice-ministerial and ministerial leaders from the Financial Street will be elected to serve on the next Central Committee at the 19th Party Congress in the autumn of 2017. The Sixth Generation of China's leaders will come into power in 2022 with the 20th Party Congress.

The smaller percentage of the most senior leaders who were older (40%), including the most senior vice-ministerial and ministerial-ranked cadres (34%), tended to be higher up in the hierarchy and nearing the age of retirement. The retirement age in China is currently 55 for women and 60 for men in labour-intensive fields; 55 and 65 in less intensive, white-collar fields. As white-collar workers employed in tertiary sector institutions, the men and women who work in the Financial Street generally fall into the latter category. Retirement is mandatory when they reach the age of 65 and 65 thus represents the upper age limit of the cohort. As those who are

[81] For a discussion on the previous generation, see Cheng & White, 2003: 554-9.

currently at the top are forced to resign, the fifth generation, which has not yet reached its peak moment in terms of its level of representation amongst China's elite, will flood the system. In general, the turnover rate would seem to suggest that by the time of the 19th National Congress – the height of fifth generation – more than 80% of those who lead the Financial Street's state-controlled institutions will be from the fifth generation.

As a caveat, two exceptions exist with respect to the rules surrounding retirement age in the Bejing Financial Street. The first was found among the highest ranked, ministerial chairmen employed at the Financial Street. One of these individuals was the chairman aged 66, who retired at the same age at the end of 2015. The reasons for this are still unknown, but before his retirement he was one of the few left who could be identified as wholly belonging to the fourth generation (namely because of his Tsinghua engineering degree and by the fact that he was born in 1948). The second is an institutionalized exception to the rule, which applies to members of the boards of directors, supervisors and international advisory boards of these companies who are considered 'external'. This means 'independent non-executive directors' on the Boards of Directors, 'external supervisors' on the Boards of Supervisors, and 'advisors' on companies' International Advisory Boards. Those in the advisory category have been completed excluded from this study as they could not be established as members of the Chinese *nomenklatura*. External supervisors, on the other hand, *have been* included in this study because they have been identified as belonging to the *nomenklatura*. Without exception, they are all Chinese and in some way affiliated with the Communist Party of China and its organs. As for independent non-executive directors, the demographic is less straightforward. Whilst the majority is indeed independent, there do appear some among this majority who are not and who, after some investigation, can be clearly identified as somehow tied to the Party and essentially just another face of the *nomenklatura*. For example, Chi Fulin (迟福林), 66, is a senior party committee figure – practically a state official - who studied 'scientific socialism' at a Party School and who sits on the board of China Galaxy Securities as an independent non-executive director.

The upshot of this is two-fold. First of all, it means that statistically speaking there exists a category of the *nomenklatura* working beyond the retirement age in the Financial Street, who may continue to wield a great deal of influence over these corporations well into old age and who have had thus to be included in this study. Secondly, and more importantly, it means that where external supervisors and especially independent non-executive may have been understood as roles meant to bring (amongst other things) a certain level of impartiality and, indeed, independence to the boards of these companies and the operations of these companies as a whole, they appear more or less totally under the influence of the *nomenklatura*, which is represented even where it is not meant to be and can be seen to stretch across almost the entirely of the corporate governance structure of these institutions.

Gender

Table 28 – Gender and the *Nomenklatura*

Pillar	Senior Managers		Vice-ministerial and Ministerial Chairpersons		Total	
	Male	Female	Male	Female	Male	Female
Government-led Institutions	44	2	4	0	48	2
Banking Industry	245	31	12	1	257	32
Investment Industry	144	33	10	0	154	32
Insurance Industry	103	23	5	0	108	23
The Fourth Pillar	38	6	3	0	41	6
Grand Total	**574**	**94**	**34**	**1**	**608**	**95**

Table 28 provides information on the gender attributes of all 703 individuals included in the sample of the *nomenklatura* who work in the Financial Street. Of these 703 individuals, 608, or 86%, are male, whilst 95, or 14%, are female. This includes the Chair-men and -women of each company. Excluding Chairpersons, who make up no more than three of each institution and just under 5% of the entire lot, 86% (574), are male, 94 female (14%). Like most other countries, male dominance in corporations is a common phenomenon in the Middle Kingdom. Generally speaking, there has been a long history of male dominance in Chinese society, dating back to Confucianism and Mencius (372 – 289 BC) and the latter's patriarchal assertion that women should be subordinate thrice over to the father, to the husband, and to the son as he becomes an elder. And while communism is known to have ushered in an era of comparative equality among men and women, not to mention greater wealth equality, China has slid quickly in the opposite direction since it opened up in 1978 and the case for women may now be even worse than the situation in other countries. What the statistics in Table 28 communicate about the comparative positions of men and women at the top of Beijing's financial world, i.e., a world disproportionately dominated by men, makes the numbers appear telling along these lines. The data would also seem to suggest that, the closer one gets to political power, characterized here by the institutions that sit at the top of the political economic pyramid – the MOF, the People's Bank, the CIC, Huijin - the less likely one is to be a woman. In order of descending political rank and status, 96%, 87.2%, 88.9%, 82.8% and 82.4% of the institutions of the party-state, the regulatory authorities, and the banking, asset/portfolio management, and insurance industries respectively are composed of and run by men. Generally, the ratio of men to women increases the higher one climbs in favour of the former. At the Ministry of Finance, 10 out of 10 of the institution's most senior personnel – that is, of those at vice-ministerial rank and above – are male. All 14 of the individuals who run the MOF's shareholding platform, Huijin, are also men.

The tendency of men to dominate becomes noticeably more pronounced the higher up the ladder within the bracket of the managerial layer by itself. The governance layer of the corporations in the Financial Street is generally composed in order of a Senior Management Team, a Board of Supervisors, and a Board of Directors, where the latter sits at the top of the hierarchy in terms of decision-making authority and power. Women, if they appear at all, are more likely to appear on the senior management team as opposed the Boards, with the exception that women do appear more frequently as independent non-executive directors. However, for reasons already stated (because these individuals are often foreigners and can rarely be classified as belonging to China's political elite), these individuals have been mostly discounted from the sample. At the very apex of the Boards of Directors, the contrast between the status of men and women is the most pronounced. Of the 11 ministerial ranked Chairs, none are occupied by women, which fits more or less the wider picture of the Chinese political sphere. Of the 24, vice-ministerial-ranked Chairs, only one (4%) is female. However, she is in fact outranked by an extremely high politically ranked man who stands semi-officially on the same board.

Ethnicity

From Cheng Li's (2008) empirical assessment of ethnic minority elites in China's Party-State leadership, we can gather that the representation of minorities has increased marginally since the 8th Central Committee was formed in 1956, with the 17th Central Committee now composed of 40 (10.67%) as opposed to 9 (5.2%) individuals with minority ethnic backgrounds.[82] In this study of the Beijing financial world's *nomenklatura*, which is partly constitutive of the Central Committee, the figure for ethnic minorities' inclusiveness is far lower. Whilst the sample size for ethnicity is smaller, we can say without much reservation that the Financial Street's *nomenklatura* is in the majority of Han ethnic origin. Of the 141 individuals in the sample, only 2 are non-Han. However, these two individuals are in reality the same person, Tang Shuangning (唐双宁), who as head of the China Everbright Group Chairs both the Group's board and the Board of its subsidiary, China Everbright Bank. Thus in fact just 1 out of the 140 individuals whose ethnicity could be ascertained here is non-Han.

[82] The 17th Central Committee of the Communisty Party of China had therefore in total approximately 370 members, including alternate members.

Table 29: Provincial Hometowns of the *Nomenklatura*

	Provincial Hometown	Number	Chairmen		Total	Percentage
			副部级	正部级		
Municipality	Beijing	3			3	**5.66%**
	Chongqing	1			1	1.89%
	Shanghai				0	0.00%
	Tianjian	2			1	1.89%
Province	Anhui	4			4	7.55%
	Fujian				0	0.00%
	Gansu	2			2	3.77%
	Guangdong				0	0.00%
	Guizhou				0	0.00%
	Hainan				0	0.00%
	Hebei				0	0.00%
	Heilongjiang				0	0.00%
	Henan	4	1		5	9.43%
	Hubei	4	1		5	9.43%
	Hunan	5			5	9.43%
	Jiangsu	2		2	4	7.55%
	Jiangxi	2			2	3.77%
	Jilin	2			2	3.77%
	Liaoning	3	2	1	6	11.32%
	Qinghai				0	0.00%
	Shaanxi	1			1	1.89%
	Shandong	4		1	5	9.43%
	Shanxi	1			1	1.89%
	Sichuan	1		1	2	3.77%
	Yunnan				0	0.00%
	Zhejiang	3			3	5.66%
Autonomous Region	Guangxi				0	0.00%
	Inner Mongolia	1			1	1.89%
	Ningxia				0	0.00%
	Xinjiang				0	0.00%
SAR	Hong Kong				0	0.00%
	Macau				0	0.00%
Total					53	100.00%

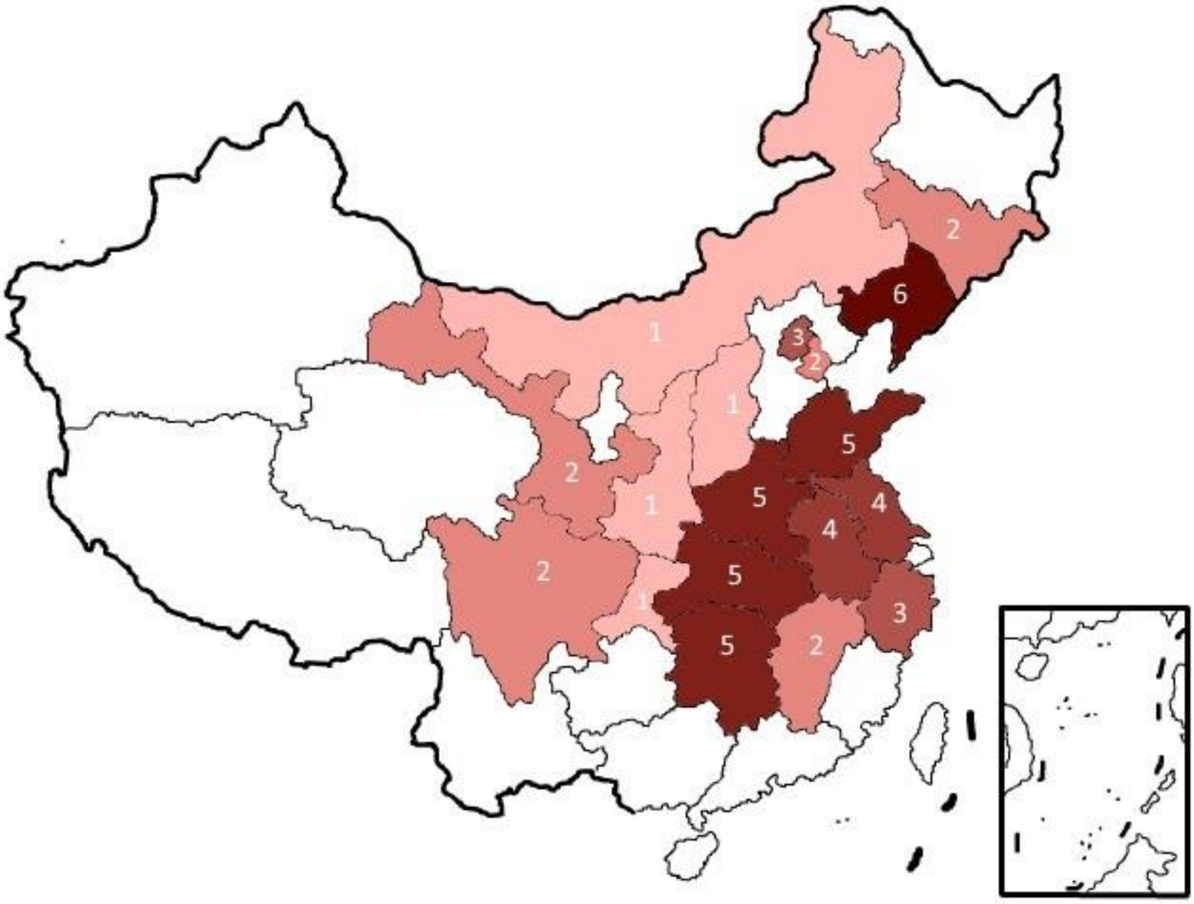

Figure 26: Birthplaces of the *Nomenklatura*

Hometown

Political elites, particularly national leaders, have been observed as coming from certain geographical regions, with the tendency of those regions to dominant within the Party, government, and the military. Provinces on China's eastern, particularly Jiangsu and Shandong, have historically been overrepresented on the Central Committees and generally among national leadership (Cheng & White, 1993; 1998; Zang, 1993). A similar situation presents itself among the leadership of the Beijing Financial Street. Table 29 lists the provinces in which many of the leading figures of China's key financial institutions were born. Among those whose places of birth were able to be identified, 17% were born in China's four major metropolitan municipalities (Beijing, Chongqing, Shanghai, Tianjin), whilst the majority of the rest (83%) were born in the provinces or provincial-level cities. Liaoning ranked top in terms of the proportion of individuals who were born there, followed by Henan, Hubei, Hunan, and Shandong. Together, individuals from these five provinces make up 48% (26) of the total number of individuals whose hometowns could be identified. By comparison, just 1, or 1.85%, of the sample came from China's so-called 'autonomous regions'. The fact that, among the 703 individuals looked across the study as a whole, only one could be firmly established as being born in one of these autonomous regions is particularly striking given that together they make up approximately 45% (4,379,000 square kilometres) of China's total landmass.

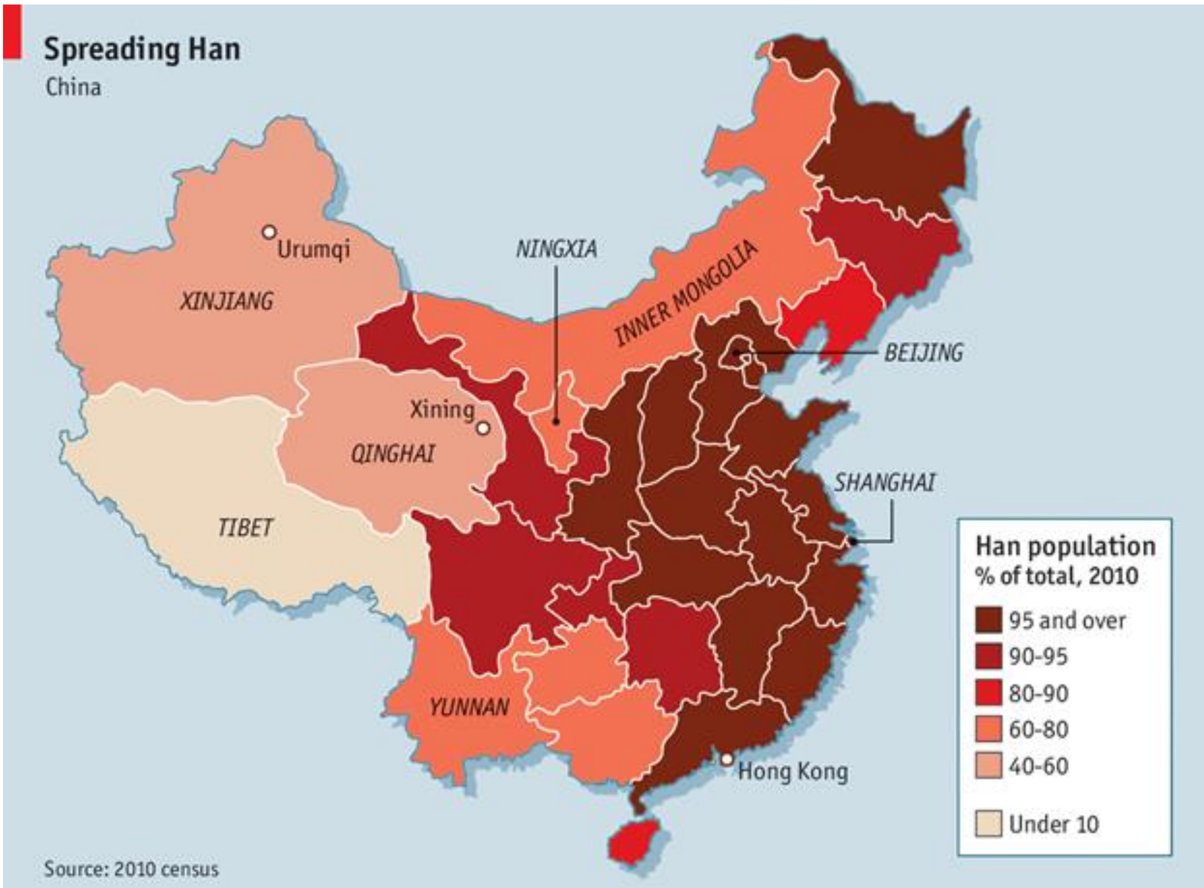

Figure 27: The Spreading Han[83]

The picture of the origins of the Beijing Financial Street *nomenklatura* fits like a glove the heat map of Han dominance published in an edition of the *The Economist* (2016; Figure 27). Their place of birth is in rough proportion to the distribution and concentration of Han population in China, which becomes more concentrated towards the eastern seaboard. Generally speaking, the top leadership of the corporations looked at here is drawn from the places where the concentration of Han is the greatest. What is surprising, though, is the relatively low percentage of individuals who could be identified as being born in Beijing. To the urbanists' question of whose city the city really is, commonsense would seem to suggest that a financial centre based in the heart of Beijing would be more likely to be staffed to by the people who call that city theirs, their home and place of birth. However, this does not seem to be the case. Whilst the capital made up 60% of the total from the municipalities, overall just 5.6% (3 individuals) are from Beijing compared with the 94.4% who are not.

[83] Source: The Economist, 2016.

Educational Background

Education: Degree

Information on educational background was gathered for 610 (87%) out of the total number of individuals studied (703). Table 30 contains information on their general level of educational attainment by each individual's highest level of education. As illustrated, the majority (47%) held a postgraduate degree. 26% held a Ph.D. 15% had undergraduate degrees. A small minority (2%) had a College Diploma. Most of these (around three quarters) were vocational in nature and held by the managers of CITIC Construction Group. Others held qualifications that do not fit easily into any one particular category, had no recognizable equivalent inside or outside China, or were unique to the institutions that confer them. All five instances of said category were here qualifications conferred by the higher education institutions of the Party School system. 48 individuals' highest level of educational attainment could not be established.

Table 30: Highest Level of Educational Attainment of the *Nomenklatura*

Level of Educational Attainment	Number	Percentage
Post-Doctoral Level (inc. PhD)	3	0.49%
Ph.D (inc. S.J.D.)	159	26.07%
Postgraduate Degree (inc. MBA, & EMBA)	287	47.05%
Undergraduate Degree	94	15.41%
College Diploma	13	2.13%
Other	5	0.82%
No Qualifications	1	0.16%
Unknown	48	7.87%
Total	**610**	**100.00%**

Whilst very few of China's fourth generation leaders undertook study at postgraduate level, almost half of the selection of fifth generation cadre considered here had postgraduate degrees and some even had two. This is far from the norm in China. A study by the National Bureau of Statistics (2016) showed less than 1% of the entire population to be holding an educational qualification at postgraduate level or above in 2015.The exceptionally high level of educational attainment of the Financial Street *nomenklatura* compared with the rest of China is put into even further relief by the extremely high proportion of those among them who possess doctoral-level degrees. Altogether, Ph.D-holders account for over a quarter of all those in the sample. Among this number, one had an S.J.D from Wuhan University. Three even went on to do further research and complete post-doctoral work. Altogether, 74% of the sample held qualifications at postgraduate level or above. Never mind China, there is to my knowledge no one country in the world whose population possesses a level of education equivalent or even near to that of the leadership of the Financial Street's major institutions. They are truly, undeniably elite in this respect, and not just elite relative to China but elite in a global sense as well.

Table 31: Highest Level of Educational Attainment of the *Nomenklatura* (Chairpersons)

	Vice-ministerial Chairpersons		Ministerial Chairpersons		All Chairpersons	
Highest level of educational attainment	**Total**	**Percentage**	**Total**	**Percentage**	**Total**	**Percentage**
Post-Doctoral Level (inc. PhD)						
Ph.D (inc. J.S.D.)	10	41.67%	9	81.82%	19	54.29%
Postgraduate Degree	11	45.83%	2	18.18%	13	37.14%
Undergraduate Degree	3	12.50%	-	-	3	8.57%
College Diploma	-	-	-	-	-	-
Other	-	-	-	-	-	-
No Qualifications	-	-	-	-	-	-
Total	**24**	**100.00%**	**11**	**100.00%**	**35**	**100.00%**

The picture of individuals' eliteness from education among the *nomenklatura* becomes further accentuated if one looks at those who rank the highest in the political economic hierarchy. Table 31 provides information their highest level of educational attainment. Vice-ministerial chairpersons hold postgraduate degrees and Ph.D qualifications in almost equal numbers, whilst more than 80% of ministerial ranked chairpersons hold Ph.Ds. To possess a PhD has become more or less a requirement for the figureheads of institutions like the MOF and the PBC. For the other heads of the Financial Street's institutions, Ph.Ds are not implicitly or explicitly a requirement, but add to their legitimacy of their occupying such posts. From the centre's point of view, such figures are not merely the heads of big corporations, but the heads of the socialist market economy, which according to the principles of 'scientific socialism' is a science and therefore can only be legitimately managed by individuals well-versed in scientific methods. Ph.Ds are a way for these champions of the financial sector (and by extension the economy-building project in China) to demonstrate their credentials in this respect; to show themselves as being in one aspect of their personage scientists capable of the task. This also why, regardless of whatever other academic qualifications they may hold, their latest academic qualification is always matching, or made to match, with their role-position and occupation in each institution.

Among all those considered here, a small minority were identified as having studied for 'on the job' (zàizhí; 在职) postgraduate degrees. Sometimes officially referred to as 'in-service training' (zàizhì xùnliàn;在至训练), these are not the same as part-time postgraduate degrees like those typically taken over a course of two years at universities in the UK. China does not yet have a concept of 'part-time' study in postgraduate education. Furthermore, in-service degrees are not equivalent to part-time degrees. The curriculum is featherweight and the courses are not constructed to international academic standards. Consequently, the degrees they confer are widely considered to be less substantial, less of an education. In fact, such qualifications are considered to be a pretense by the otherwise elite-educated graduates who work in Beijing's financial institutions. As one woman told me, 'its just *zaizhi*. It's nothing'. And this is perhaps why so few (two, in fact) of the degrees here were openly described as being 'on the job'. The rest - perhaps half a dozen more - were identified as being in-service type postgraduate qualifications only through deeper research. As a researcher, I would estimate that even more (but still a rather small minority overall) of the postgraduate degrees listed above in the table might be of the in-service kind. Such degrees are more likely to be held by older members of the *nomenklatura* as well.

In addition to degrees, there is another type of education general to many of the Financial Street *nomenklatura*. This is the state of being 'certified'. Perhaps slightly more than half of all those encountered as part of this study were certified as having professional titles granted either by an independent or semi-independent institutions – and this is not particularly novel – or, and as was more often was the case, from the institutions composing the political architecture of the State Council including but not limited to the People's Bank, the Ministry of Finance, and the Ministry of Human Resources and Social Security. Such titles included 'economist', 'senior economist', and 'senior political officer' - the latter appearing to be the most senior title and the rarest conferred. Altogether, these titles and the institutions that confer them constitute an alternative, entirely political Chinese system of educational ranking and differentiation that permeates the managerial strata of the Financial Street, with for example many individuals holding only undergraduate degrees but being attributed the rank of 'senior economist'. More than a few individuals also held multiple titles. A significant proportion of individuals recognized and conferred titles by state organs in this way were also identified as receiving 'special allowances' from the State Council. These special allowances of the State Council are the rewards from an incentive system designed specifically for high-level professional and technically qualified personnel.[84] They come in two forms: (1) in the form of allowances roughly in the region of RMB600/month for a period of one to two years, and; (2) in the form of one-off payments from the State Council usually amounting to around RMB 20,000. Both are exempt from taxation. In order to receive such allowances, prospective candidates must fulfill the following criteria:

[84] This incentive system is called the *guówùyuàn zhèngfǔ tèshū jīntiē* (国务院政府特殊津贴).

(A) 'love the motherland, abide by the law , have a good professional ethics, exemplary job responsibilities' (热爱祖国，遵纪守法，有良好的职业道德，模范履行岗位职责).

(B) 'have a senior professional and technical position and shall meet one of the following conditions' (必须具有高级专业技术职务，并须具备下列条件之一)

Here, 'following conditions' refers to a list of applicable activities that constitute 'outstanding achievements'. Insofar as one's status as a professional and technical position is dependent on the kinds of titles he or she is bestowed with discussed above, the last of these two conditions also means that, in practice, such titles might be more or less a prerequisite for one to be able receive such allowances. The two things go hand in hand.

Education: Subject

Table 32: Subjects Studied at University by the *Nomenklatura*

Academic Major	Number	Vice-ministerial Chairpersons	Ministerial Chairpersons	Sub-total	Sub-total (%)
		Number	Number		
Engineering	33	3	1	37	6.07%
Eco. & Fin. & Accounting	247	13	8	268	43.93%
Management	25	1	-	26	4.26%
MBA/EMBA/MPA	101	3	-	104	17.05%
Law	35	-	-	35	5.74%
Mixed	19	4	2	25	4.10%
Hard Sciences *(inc. physics, chemistry, mathematics & statistics, computing, and medicine)*	16	-	-	16	2.62%
Social Sciences *(inc. history, philosophy, sociology, politics, and media and journalism degrees)*	15	-	-	15	2.46%
Arts and Humanities *(inc. literature)*	7	-	-	7	1.15%
Languages	3	-	-	3	0.49%
Other	1	-	-	1	0.16%
No Qualifications	1	-	-	1	0.16%
				0	0.00%
Unknown	72	-	-	72	11.80%
Total	**575**	24	11	610	100.00%

A notable difference between the fifth generation and the generations that came before can be seen in their type of education. In the revolutionary era, the CCP was led by ex-peasants whose educations, as Cheng & White (2003: 559) says, had for the most part been 'acquired in war'. Various authors, including Cheng (2010-2011), have noted that, by comparison with the leaders from the earlier generations and from the fourth generation born in the 1940s and early to mid-1950s, most of whom studied engineering, the fifth generation, all of whom were born in the late 1950s, the 60s', and to a lesser extent the 70s' undertook study in a more diverse range of academic fields, especially economics-affiliated subjects, management, and law.[85] This

[85] The 'technocratic turnover', as Cheng and White (2003: 559) call it, occurred with the 1992 and 1997 Party Congresses. These were the landmarks of the Zhu-Jiang administration, during whose administration the ranks of the top leadership in China came to be dominated by cadres with backgrounds in engineering, typically from the same

phenomenon is similarly apparent among the corporate elite in the Beijing financial district. As illustrated in Table 32, only 6.07% had engineering degrees, most of whom were concentrated CITIC Group's construction finance subsidiary. Furthermore, few of those at the top of the hierarchy held such degrees. By comparison, economics, finance, and accounting, business administration, management, and law made up over 70% of subjects studied at higher education institutions. Economics and finance made up the majority (62%) within this majority, of which 8% (18 out of 247) studied accounting while the rest studied finance, economics, or finance and economics combined. Management degrees noticeably made up less than the total number of engineering (4%), but management as a subject can also be seen to encompass MBAs, EMBAs, or MPAs, the numbers of which altogether constituted a large proportion of the total (inc. management, 21%) . Of the 104 individuals who held these latter qualifications, Masters in Business Administration made up 77% (80) of the total, Executive Masters in Business Administration 29% (23), and a single individual was recorded as having studied for an MPA (Masters in Public Administration, 1%). Many of these did not match individuals' previous educational qualifications and it was very clear that such degrees were also used to overwrite the past. For example, some of those who had done engineering as undergraduates were noted as having undertaken them much later on in their life and careers, no doubt as an attempt to show coherence between their educational background and current employment circumstances.

The Zhu-Jiang administration and the Wen-Hu administration had a lot in common and in many respects the latter can be seen to have carried on the game-plan of the former. One similarity in this respect was their emphasis on the need to strengthen China's legal system and forge a legal system peculiar to the needs of the so-called 'socialist market'. Consequently, law has become a key subject in Chinese politics and degrees in law have, in turn, become valuable credentials for the Party leadership (see Cheng & White, 2003: 583). Here, 35 (5.74% of) people had degrees in law. Here, 'law' includes Soviet-style law, i.e., the subject known as 'economic law', which was a highly politicized form of commercial law practiced in the Soviet Union. A significant number of those who had studied law did it in economic law. A significant number who studied law (but not economic law) also did it at Ph.D-level. A Ph.D in law is dynamite in the current political scene and, whilst law is certainly a subject much rarer among the educational backgrounds of the Financial Street's elite, it was found that some of those who held such degrees were extremely well-positioned to become members of the Politburo in the future.

universities like Tsinghua University or the Beijing Petroleum Institute. By the time the Wen-Hu administration came to power, not only had most of the Central Committee been 'turned' in this respect, but the nine members of the Politiburo Standing Committee all had engineering degrees. Gradually the Wen-Hu administration ushered in a change in the demographic, however, and today, with power subsequently having once again changed hands, such educations have become passé among the ranks of the Central Committee. At the level of the Standing Committee, Xi Jinping, this generation's 'core' leader, possesses a PhD in Law, the subject of which is, moreover, marketization in China's rural economy.

A small number of individuals studied natural and social sciences. Then there are the insignificants. This includes one fellow who studied insurance at a vocational college and two more who studied languages. Of the latter, one had a degree in Japanese as a foreign language; the other had a degree in English as a foreign language. Generally speaking, the Financial Street leadership does not speak English, or speaks English extremely poorly, with very limited conversational ability. English, or in fact all foreign languages, usually have to be translated for the leadership by the younger employees belonging to China's sixth generation who work lower down in the political hierarchy. I am reminded of one instance in which one of my interviewees - a *kējí*-ranked business manager ((正科级; not *nomenklatura*) - was requested by the human resources department of her institution to attend multiple events at APEC 2016. This employee speaks English fluently and was asked to attend because one of the directors of the board (in fact a director from Huijin) could not and so required a round-the-clock translator. Outside of events like APEC, English is not the *lingua-franca* of the Financial Street because, and I emphasise this point, *Beijing's financial centre as defined by the institutions agglomerated in the Financial Street is not international*. Very few of its institutions relative to the total number of institutions that can be found there can truly be categorised as 'international' and those that can are mostly Sino-foreign joint ventures. Relative to the size of the population of the Financial Street, which might be estimated at somewhere in the region of the tens of thousands, only an extreme minority of individuals who might be considered foreign actually work there, and then usually only in a largely temporary capacity.

I suggested earlier the tendency of the Financial Street's political economic elite to be positioned as scientists of socialism. Do the subjects the *nomenklatura* studied at university match their roles and occupations as masters of the economy in this sense? The short answer would have to be 'yes'. That said, it was remarked by one informant that it is a requirement for these people that things must add-up on paper and make sense for anyone on the outside looking in. This individual went on to suggest that the reality of these individuals' educations might be quite different. After all, according to a report by Asia Sentinel, Xi Jinping didn't even write his PhD and the woman who did committed plagiarism whilst doing it (AS, 2013). Some of my informants expressed similar suspicions about the credentials of those who work at such levels in the Financial Street. The data on MBAs, EMBAs, and MPAs also demonstrates certain qualifications to be an option for those whose possibly more substantial educational qualifications (e.g., bachelors' degrees taken during formative years in adulthood) do not properly fit with their occupations. Such qualifications can be used to alter their educational status to align with their current career trajectory in the present. If one looks closer at the CVs of managerial elites in the Financial Street, one can find a great many instances of a qualification being taken to match retrospectively an individual's career path and history. Indeed, this would seem to be the primarily function of 'in-service' degrees for those who studied them: to catch up with their profession whilst employed in it.

Education: Institution

Table 33: Higher Education Institutions Attended by the Financial Street *Nomenklatura*

Establishment Classification	No.	Vice-Ministerial Chairperson	Ministerial Chairperson	Sub-total	% of Total	% of Total (ex. Un)
		Number	Number			
Key National Universities	260	16	7	283	46.39%	58.47%
C9 League	63	6	3	72	11.80%	14.88%
985 Project	108	7	3	118	19.34%	24.38%
211 Project	89	3	1	93	15.25%	19.21%
Non-Key Higher Education Institutions	190	6	4	200	32.79%	41.32%
MOF Graduate School	15	1	3	19	3.11%	3.93%
PBC Graduate School	9	1	-	10	1.64%	2.07%
Central Party School	13	1	-	14	2.30%	2.89%
Research Institutions	16	-	-	16	2.62%	3.31%
Party School System Schools	4	-	-	4	0.66%	0.83%
Private/Independent	4	-	-	4	0.66%	0.83%
Military	2	-	-	2	0.33%	0.41%
Foreign	64	-	-	64	10.49%	13.22%
Other	67	-	-	0	10.98%	13.84%
No Qualifications	1	-	-	1	0.16%	0.21%
Unknown	124	2	0	126	20.66%	-
Total	**575**	**24**	**11**	**610**	100.00 %	100.00%

Table 33 provides information on the institutions of education the Financial Street *nomenklatura* attended.[86] At the top of our table, universities in China can be broadly divided into those once but no longer officially classified as *zhòngdiǎn gāoxiào* (重点高校), that is, 'key universities', and *pǔtōng gāoxiào* (普通高校), that is, 'ordinary universities'. What we are talking about here is also typically the difference between 'national universities' controlled and regulated by the centre represented by the Ministry of Education and 'local universities' subordinate to local, usually provincial authorities. Key national universities have historically received much more in capital funding from both central and municipal/provincial governments (Chiang et al, 2015: 111-124, esp. 119-121). The effect of these extra budgetary allocations in education spending for the recipients has been to transform them into an elite universities group compared with

[86] Unless otherwise stated, the percentages for this section are based on the percentages if excluding for unknowns.

‘ordinary universities’. They have better campus infrastructure, more advanced facilities, and generally higher standards of teaching and research from more and better quality teachers and staff. They are also privileged in terms of the universities tiering system, which dictates the order in which institutions may process student applications after the national university exam has taken place. Key national universities belong to the first tier (一本) and consequently get to decide which students to admit first. Ordinary universities belong to the second tier (二本) and so are forced to wait until first tier institutions have finalized their selections before they may do the same. The third tier (*sān běn*; 三本) then refers to vocational colleges, which only get to decide after the universities in tier one and two are all finished (Chen et al, 2015; Zhu, 2014). As Yang (2015: 138) has noted, the idea behind this system is to ensure the rational outcome that students/universities will get the universities/students they deserve, but the system can be easily recognized as not only rigged (in the sense that those universities who have historically been the recipients of extra funding will naturally be better positioned in the field of academia) but also self-reproductive and reinforcing of the production of social classes in a way comparable to some of the observations made about the French school system by Bourdieu (1977; Bourdieu & Passeron, 1990). Tier one universities get to cherry pick more academically capable students who, in turn, strengthen the universities’ reputations. As a consequence, talent becomes pyramidally stratified within the system, with the most academically capable students flocking to and becoming concentrated in a disproportionately small number of top universities and graduating from them as elites with more opportunities for employment.

As illustrated in Table 33, almost 60% of the Financial Street’s managerial elite graduated from key national universities at the top of the pyramid described above. Of the 283 who graduated from key national universities, 93 did so from a 211 Project-listed university. Altogether, they make up 19.21% of the total. Looking back at some of these universities, many of the Project 211 universities have histories as revolutionary schools or government-affiliated vocational colleges and institutes and/or served as special schools for the families of high-ranking party cadres. This is the case also for the 985 and C9 League universities. Many of them are older and more established compared with their ‘ordinary’ counterparts. A minority predate the communist revolution. Within the 211 category, one of the universities that proved to be the most popular among the cohort here was the Shanghai University of Finance and Economics (上海财经大学[87]), which is the oldest university specializing in finance in China (est. 1917).

If the 211 Project constitutes the foundation of a hierarchical pyramid of tier one, key national universities, then the 985 Project (985 *gōngchéng*; 工程) constitutes its middle as a group of

[87] In pinyin: *shànghǎi cáijīng dàxué.*

universities simultaneously belonging to but distinguished within the 211 Project. Compared with 211 Project universities, 985 Project universities are closer to government, receive substantially more in funding, and tend to be modeled on a (very Chinese, very pragmatic) concept of the 'world class university'. Of those who graduated from key national universities, 118 did so from these. They therefore make up the majority (42%) of those who went to key national universities and 24.38% of the total. 31%, or 10 out of 32, chairpersons also graduated from these universities. Graduating from such institutions typically bestows upon these individuals the same symbol of exclusive academic excellence as that bestowed upon these 39 universities by the 985 Project and allows them to claim legitimately the title of having benefitted from an elite education (in a country where education after college is by itself considered a privilege by most of the population).

The C9 League (九校联盟[88]) sits at the top of the hierarchical pyramid of elite education in China. It is composed of an alliance of the nine original founding members of the 985 Project.[89] It is the elite of an elite: again an example of a smaller elite group of universities becoming distinguished inside a larger one, in what is a continuous quest for prestige among institutions of higher education in China. They have everything the other universities have and more: more funding from government, more and higher quality teaching and research facilities, world class academic staff, and a wider and deeper research footprint (Allen, 2017; THE, 2011). Of the 283, a lesser but more significant number of 63 (25%) individuals graduated from the C9 League. The number is more significant precisely because of just how elite these universities really are. Relative to even the elite institutions of the 985 and 211 Projects, the C9 League universities are renowned for being extremely selective, for typically requiring high school students to score a minimum of 650 on the university entrance exam just to have a chance (the maximum is 750), and for even then only taking what they consider to be the *crème de la crème* of the applicant base – applicants who, usually because of elite schooling throughout middle school and high school, possess more visible indicators of their being 'rounded individuals'. Yet here almost 15% of those studied appear to have made the cut, which really shows just how elite their status is. The proportion of the demographic here who gained admittance is wildly out of proportion to that of the population as a whole.

It is perhaps additionally worth noting that, within the cohort of those who studied at a C9 League university, many did so at Tsinghua and Peking, which serves as further evidence of the Beijing Financial Street *nomenklatura's* elite status. Peking University and Tsinghua University

[88] In pinyin: *jiǔ xiào liánméng.*

[89] In alphabetically order, Harbin Institute of Technology, Fudan University, Nanjing University, Peking University, Shanghai Jiaotong University, Tsinghua University, the University of Science and Technology of China, Xi'an Jiaotong University, and Zhejiang University.

are considered the Chinese equivalent of Cambridge and Oxford in the UK (Cheng, 2004; Li, 2004; Zhang et al., 2013). They are the apex of China's elite system of education.

In sum, the information here shows there clearly to be a link between key national universities, particularly the more elite among them, and high positions in Beijing's state-owned banking and financial centre. Both the majority of managerial elites (58%) and, within that number, the majority of those who head the Financial Street's financial institutions (72%) have been educated at these universities. Those in the more elite groups of the 985 Project and the C9 League make up 67% compared with 33% (211 Project) of the total number of individuals who graduated from national key universities; institution heads 83% compared with 17%. As such, 'key national universities' should be seen as serving as a major pathway – a class route - from education to employment in the Financial Street. To a highly significant degree, they constitute an institutional framework in which at least one aspect of the subjectivities of the Beijing's Financial Street *nomenklatura* is produced.

Education: Institution Cont.

Table 34: Special Qualifications Held by the Financial Street *Nomenklatura*

Special Qualifications	Number	Vice-ministerial Chairperson	Ministerial Chairpersons	Sub-total	% Sub-total	% Total (610)
Ministry of Finance						
MoF PhD	9	1	3	13	22.03%	2.13%
MoF MA	6	-	-	6	10.17%	0.98%
People's Bank					0.00%	0.00%
PBC PhD	3	-	-	3	5.08%	0.49%
PBC MA	6	1	-	7	11.86%	1.15%
Central Party School					0.00%	0.00%
CPS PhD	1	-	-	1	1.69%	0.16%
CPS MA	3	1	-	4	6.78%	0.66%
Vice-Ministerial & Ministerial-level Research Institutions					0.00%	0.00%
CASS PhD	7	-	-	7	11.86%	1.15%
CASS MA	7	-	-	7	11.86%	1.15%
SASS PhD	1	-	-	1	1.69%	0.16%
SASS MA					0.00%	0.00%
CAS PhD	1	-	-	1	1.69%	0.16%
Party School System					0.00%	0.00%
PS MA	2	-	-	2	3.39%	0.33%
PS BA	1	-	-	1	1.69%	0.16%
PS Diploma	1	-	-	1	1.69%	0.16%
PS Other	5	-	-	5	8.47%	0.82%
Total	**53**	**3**	**3**	**59**	**100.00%**	**9.67%**

As we can see from Table 33, a significant proportion (41%) of individuals were not educated at key national universities, but non-key universities that present a much more complex picture of the educational institutional framework through which members of the Financial Street *nomenklatura* path. The largest part of this cohort is made up of a general selection of 'Others' for whom no one category is sufficient. Some of them are from 'ordinary', tier two and tier three universities run by municipal/provincial local authorities, but many of them are also tier one universities that that were not included in the 211 Project. For example, among the universities that they attended in this category, several graduated from the Dongbei, Jiangxi, Shanxi, and Tianjin Universities of Finance and Economics, as well as the (rather ridiculously named) China Europe International Business School (中欧国际工商学院[90]). All of these are top universities. It should also be noted that Table 33 only takes into account the highest and most recently achieved level of educational attainment and of those that that fit into this category here many previously undertook study at more elite, or at least more visibly elite universities. Generally speaking, the eliteness of these individuals' educational backgrounds is under-represented here. The vast majority of those studied here went to at least one key national university, either at undergraduate or postgraduate level.

After 'Others', a significant number of the *nomenklatura* graduated out of the network of the ministerial-level research and advisory organs. This includes the Ministry of Finance Institute of Finance Science (原财政部财政科学研究所[91]), the Graduate School of the People's Bank, and the state science and social science academies (CAS, CASS, SASS). Between them, they are composed of dozens of teaching and research centres employing hundreds of administrative and academic staff. Teaching is organized and divided up according to the structure of the various degree programmes each one has to offer (some certified, some not). Over the years, they have trained thousands of graduates. As of the end of 2016, for example, the graduate school of the MOF alone purported to have trained a total of 3548 individuals, of which 2853 graduated with master's degrees and 695 with Ph.Ds (MOF, 2017). More importantly, however, they also double as government think-tanks and are highly influential in policy-making circles. Over the years, they have essentially served as intellectual factories producing thousands upon thousands of internal research reports that get distributed among the members of the State Council, the Ministry of Finance, and the upper managerial layers of state-controlled institutions in the Financial Street as well as elsewhere. Their output is also often presented in contributed publications to so-called 'national economic core journals' (全国经济类核心期刊[92]), some of which they themselves edit. Through them, knowledge at the heights of China's political system

[90] In pinyin: *zhōng'ōu guójì gōngshāng xuéyuàn.*
[91] In pinyin: *yuán cáizhèng bù cáizhèng kēxué yánjiū suǒ.*
[92] In pinyin: *quánguó jīngjì lèi héxīn qíkān.*

is constituted and transformed into economic policy. Each is therefore not only a training ground for Beijing's financial elite, but a factory for the production of knowledge in the financial environment they work in and according to which said environment often gets ordered and reconfigured.

Between the three institutions just considered, the People's Bank of China Graduate School is worthy of further attention. This is a government research unit under the head office of the PBC in Beijing. Since the 1980s when it was established, it has generally performed two roles: one as a platform for recruitment of the bank's staff and their in-career training and one as an intellectual home for China's financial talent. In 2012, the school was merged with Tsinghua University to become a joint venture with the PBC Graduate School. It is now called the Tsinghua People's Bank of China School of Finance (Tsinghua PBCSF). It has 13 full-time faculty members, 129 industry supervisors, and 21 adjunct professors. It offers a mix of PhD programmes, master-degree programmes, MBAs and EMBAs, and what it calls 'education for executives' (divided into programmes for individuals and programmes for entire organisations) (PBCSF, 2017). Outside of teaching, the school doubles as a component in a new cutting edge research institution – the National Institute of Financial Research (NIFR) - formed of itself, the central bank, and the national state regulatory agencies (the CBRC, CSRC, and CIRC).

Among Tsinghua students, the alumni of the Tsinghua PBCSF are practically famous. They call them the Tsinghua *wǔdàokǒu* (五道口) – '*wudaokou'* being the name of an area in Beijing where the school is located. Here is an institution to cap the apex of the pyramid of education discussed earlier. Tsinghua PBCSF is known even outside of Tsinghua to be Tsinghua's most elite school. Its reputation in China is perhaps the equivalent of that of the Harvard/Judge Business Schools in the US and UK respectively. Consequently, those who graduate from the Tsinghua PBCSF are not just considered the elite of an elite, but the elite of an elite of an elite. Out in the wider world, its alumni constitute a veritable Who's Who of managerial power and influence occupying key posts not just within the PBC, but in many other financial and economic institutions as well. Vis-à-vis the Beijing Financial Street, 10 members of the *nomenklatura* were identified as being educated at this institution, including Hu Xiaolian, the only female chairperson. Hu is a protégée of Liu Hongru (刘鸿儒), her mentor and one of the architects of China's financial revolution. Liu is also a chairman on the board of the Tsinghua PBCSF. Hu graduated from the Tsinghua PBCSF with a PhD. Interestingly, among the top leaders considered here the only female to head a major financial institution in the Financial Street is perhaps in terms of her educational background the most elite among them.

As post-reform Chinese society and its education system have become in connection with each other more and more hierarchical, stratified, and globally connected, and with the education system in particular having been turned into a ruthlessly elitist system supporting class stratification across the country, private/independent elite schooling in the sense that the term is typically understood in the West appears to be making a comeback in China. According to Yang (1998), all private education institutions were shutdown in 1952. Today, according to Huiqing Jin, president of Anhui Sanlian University, Hefei, private universities in China account for 19.3% of higher education institutions in China and 19.7% of all university students matriculate there (Jin, 2014). Here, however, among the ranks of the Financial Street's *nomenklatura*, only 5 out of 575 individuals – less than two thirds of a percentage point - were found to have graduated from private/independent universities. How can this be explained? Peidong Yang (2016) has pointed out that, whilst a fair few researchers in the field of elite studies on China have concentrated on private/independent schooling, notions of eliteness from education in China are in fact much more closely associated with the institutions of public/state schooling, i.e., institutions that fall under the 211, 985, and C9 projects. Notions of eliteness only seem to connect with private/independently run schools with parents when they're considering where to send the children at a younger age, i.e., at the age of pre-school and kindergarten (3-5 yrs), primary school (6-11 yrs), and possibly junior and senior secondary school if the aim is to send them to study abroad.[93] As one interviewee told me, being educated at a private/independently run university in China, either at undergraduate or postgraduate level, is considered equal to failure in terms of educational attainment and something that is widely looked down upon by the elites who work in the Financial Street. This individual is a 985 university graduate with a Ph.D from a Russell Group university in the UK, who was educated before the age of 18 at the famously exclusive Beijing Jingshan School (北京景山学校[94]). She went on to say that, where eliteness in education is concerned, only *international* private/independent schools might be considered elite and even then only in connection with an individual's formative years in childhood, when such schools are understood to be a step in the creation a bilingual global elite Chinese individual.

None of the four who attended a private/independent university attended an international one. They went to a Chinese one that, although promotes international education, does not possess an international environment. In fact, all five attended the same university: the Cheung Kong

[93] Junior and senior secondary schools cover pupils aged 12-14 and 15-17 years of age respectively. Many private/independently run schools market themselves on their position in the international circuit of education as opposed to the Chinese one, offering alternative curriculums alongside the Chinese curriculum that enable students to skip the *gaokao* – China's grueling university entrance exam - and apply directly to overseas universities.

[94] In pinyin: *běijīng jǐngshān xuéxiào*.

Graduate School of Business (长江商学院[95]). The Cheung Kong Graduate School of Business is a private, non-profit independent educational institution setup and funded by the Hong Kong-based Li Ka Shing Foundation. Li Ka Shing (李嘉誠) is a knighted, Hong Kong billionaire reported by Forbes to be the second richest person in Asia as of June 2017 (Forbes, 2017). The Cheung Kong School is one of the few business schools in China governed by its own faculty (that is to say, it has no Party Committee). The faculty is composed in the main of an internationally educated staff of Chinese academics, with many possessing degrees from Ivy League schools in America. The school caters mainly to Chinese students. Annual tuition and fees come out over RMB 400,000 (around USD$60,000) per year. In 2015, the average annual wage in China's metropolitan areas was RMB62029 (less than $10,000)(NBS, 2016). Thus CKGSB can be understood to cater primarily to the rich as well. CKGSB's reputation is as school for the training of wealthy, high-powered executives. The school markets itself as having an alumni consisting of over 3,000 business leaders of various Chinese companies, including Jack Ma (马云), who perhaps needs no introduction, and Wu Wajun (吴亚军), one of Asia's richest women and once *the* richest woman in Asia. In 2011, CKGSB publicized information saying that, if taken altogether, the university's alumni network could be seen to collectively manage more than $1 trillion in company revenues in China, equivalent to 13.7% of China's entire GDP at the time (P&Q, 2016). To put this into context, they would have constituted the 16th largest economy on earth. Most of the network that constitutes this wealth can be understood to come from the Chinese private sector, however, and the university is famous for producing economic elites, not political economic ones like those who work in the Financial Street. CKGSB is said to play a leading role in the private sector, not the state-owned sector and certainly not the state-owned financial sector.

As the data would seem to indicate, it is rather unusual for elites in state-owned financial institutions come from educational backgrounds like this. Going from private/independent schools to the Financial Street is one of the least likely pathways for one to become *nomenklatura*, which brings us back to the subject of eliteness discussed above. The concept of eliteness from education appreciated in the Financial Street is very different from the concept of eliteness promoted by CKGSG, which is based on a discourse of success from wealth. By contrast, the Financial Street is all about prestige: prestigious families, prestigious schools, prestigious political backgrounds. Then it is also about power. The Financial Street is biologically the antithesis of people like Jack Ma. In the Financial Street, they call people like Jack Ma, i.e., those who got rich quick in the private sector, 'new money'.

[95] In pinyin: *chángjiāng shāng xuéyuàn.*

Within the general demographic, 68% of those who went to non-key institutions of higher education went to universities on the Chinese mainland, whilst 32%, or 13% (64) of the total, studied overseas. Given the generation many of them belong to, which generally had much less opportunities afforded to it to undertake education overseas, the number of people who went abroad for education here would seem yet even more significant and evidence of the increasing popularity of overseas study and education within China pointed to by other researchers (Zhang, 2013). Of those who studied overseas, many tended to do so at an internationally recognized institution, with an educational history prior to that in a key national university. The University of Hong Kong (HKU) was a popular option, as was the Hong Kong Polytechnic University. Otherwise, other foreign universities attended by managers in the Financial Street include the University of California, Harvard, Cambridge, Oxford, the University of Madrid, Yale, Columbia University, London Business School, Brown University, Murdoch University in Australia, MIT – in general, quite a few from different countries' respective 'Ivy League' equivalents. For those who attended such universities, eliteness as an attribute of the Financial Street *nomenklatura* in general can be seen to be constructed not only inside the elitist system of education in China, but outside of it inside comparable systems of reproduction of elite privilege internationally. Furthermore, because of their experience of study overseas, the 64 individuals who fall into the bracket of having once studied overseas can also be grouped into the bracket of the concept of the returnee. The concept of the returnee in China has been for some time now an officially recognized category of persons in China and a category that generates for those who get classified into it a great deal of prestige (Ibid). For many of those who work in the Financial Street, it is yet another symbol of their eliteness.

The Party School System and the Central Party School

An extremely significant yet totally under-researched and poorly understood institution currently propping up the Communist Party's rule in China is the *dǎngxiào xìtǒng*, that is, China's Party School System (党校系统). The system is composed of an immense, hierarchical network of between 2600-2700 national, provincial and sub-provincial ranked schools that extend to every region and province in China, penetrating vertically all the way down through the municipality (市), county (县), and township (乡) levels (Jiaqi et al., 1989).[96] They serve as a system of mid-career education and training and politicisation of millions of Party cadres and tens of millions of state cadres. At the top of the hierarchy sits the Central Party School (中共中央党校[97]), which has remained the most important and prestigious centerpiece of the system

[96] In pinyin and in order of appearance: *shì, xiàn, xiāng.*
[97] In pinyin: *zhōnggòng zhōngyāng dǎngxiào.*

ever since it was founded in 1933. Many of the finer points of the Central Party School and its role within the Party School System, not to mention the role of the Party School System as a whole, have been detailed in some great articles by Liu (2009), Shambaugh (2008), and Pieke (2009). Here, I will try to repeat only what is necessary with a view to illustrating the Central Party School and its relationship with the Beijing Financial Street *nomenklatura*.

The CPS is located about a thirty minute drive northeast of the Financial Street, close to the Beijing's fourth ring road. It is headed by a member of the Politburo Standing Committee. Presently, it is headed by Xi Jinping himself. It is structured organizationally into a general management office, a Graduate College composed of seven main teaching divisions, a research office, and two research institutes. As of 2008, it had 1360 staff, 600 which of were faculty. 168 and 159 of its faculty were respectively full professors and associate professors. 70 of these were qualified to supervise PhD theses. Historically, the school has only admitted central-level cadres of vice-ministerial or ministerial rank and *sheng bù jí* (省部级), that is, provincial ministerial-ranked cadres who sit at the very top of the Party hierarchies in the provinces. However, throughout the Zhu-Jiang and Wen-Hu administrations there has been a reduction in the schools social exclusiveness and the school now trains students from more socially (but not necessarily politically) diverse backgrounds, including certain PLA-types, researchers from the Party's ministerial-level research and advisory organs like those already mentioned, and more recently entrepreneurs from the private sector. With regard to this general demographic, the CPS is meant to perform three core functions, known in Chinese as *sān wèi yītǐ* (三位一体). These are teaching, research, and advising (Liu, 2009: 109).

The CPS provides two types of education, which can be divided into two primary categories of courses the school teaches. These are 'principal classes' and taught degree programmes. Its degree programmes are taught by the Graduate College. They include 6 PhD programmes in 22 subjects and and 12 MA programmes in 28 subjects, all of which have been officially state-certified. From 1981 to 2006, the school has produced 1126 Mas and 226 PhDs (Liu 2009: 118; Shambaugh, 2008). According to Liu (2009: 105; 118), those enrolled on the MAs tend typically to be individuals pegged to become future political instructors in Party, state or educational institutions, whilst those who do the PhD tend to be theoreticians in the Party's formal ideology researching new ways to legitimate Party rule. 'Principle classes', on which the overwhelming emphasis is put and which are basically designed to align individuals' political outlook with that of the Party, are for cadres undergoing what is known as 'training by rotation' or 'cadre-fostering' (Liu, 2009: 111). They are cadre-specific, which is to say that principal classes are tailored to the type of cadre meant to enroll on them as opposed to around a subject per se, e.g., a subject's canon. The school runs training classes for five types of cadres that it recognizes in this sense: (1)

ministerial and provincial leaders; (2) governors of municipalities and other prefectural-level cities (large cities); (3) Party secretaries from select counties; (4) cadres doing ‘ethnic work’ in Xinjiang and Tibet or Xinjiang and Tibetan cadres, and; (5) young cadres at the central level on the promotional track to becoming vice-ministers. The school also runs three special training classes for cadres from China’s central and western provinces, from state-owned enterprises, and from the United Front (中共中央统战部[98]) (Shambaugh, 2008: 837). Some of these courses can be done online. The content of the school’s courses can be separated out into: (1) official ideology and (2) modern knowledge, combining the demands of the previous generations to keep the focus on maintaining the centrality of the Party and its ideology with new generations’ desires to modernize the syllabus and expand significantly the scope of education to empirical knowledge. ‘Modern knowledge’ might, very broadly speaking, be explained as the kind of knowledge typically taught as part of subjects at universities in the West, but adapted within the ideological frame of the Party and instrumentalised toward the exposition of what the Party defines as practical issues in Chinese economy and society. Official ideology consists of the ‘three basics’ (*sān jīběn*; 三基本), which is a syllabus aimed at demonstrating and proving a ‘continuous line’ (*yīmàixiāngchéng*; 一脉相承) from Marxist-Leninism to ‘Mao Zedong Thought’ (毛泽东思想) to ‘Deng Xiaoping Theory’ (邓小平理论）.[99] It also consists of basic issues of ‘Three Represents’ thought (*sān gè dàibiǎo*; 三个代表), the ‘five contemporaries’ (*wǔ gè dāngdài*; 五个当代), and ‘strategic thinking and major practical issues’ (Liu, 2009: 114; 115-116; Shambaugh, 2008: 839).

The CPS is not just a school for educating and indoctrinating China’s cadres, it is also a school for turning them into researchers and enlisting them in research. Its functions as a research unit are compartmentalized into a research office composed of 3 sub-departments and two separate research institutes. The two research institutes are themselves composed of approximately 7 departments engaged in 9 demarcated areas of research. Shambaugh (2008: 837-8) has noted these areas of research. They include Marxist strategic theory, international politics, world economics, Chinese foreign policy, human rights, political and legal history, ideological political work, Mao Zedong Thought, and Taiwan-Hong Kong-Macau affairs. In connection with its role as a research centre, the CPS also has a publishing house that publishes books and textbooks as well as seven periodicals. The former are typically classified and only for internal usage or limited circulation (Shambaugh, 2008: 838).

The CPS is also the Party’s personal think-tank. Its intellectuals provide through forms of sophistry the legitimizing supports for the political ideas drummed up by the Central Committee

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[98] In pinyin: *zhōnggòng zhōngyāng tǒngzhàn bù.*

[99] Respectively, m*áo zédōng sīxiǎng* and *dèng xiǎopíng Lǐlùn* in pinyin.

and high-level Party organs like the Publicity Department of the CPC (中共中央宣传部[100]). Since the 1950s, the CPS has produced many intellectual ideas that have either become original contributions to formal Party ideology or that have been used to flesh out the Party's pre-existing ideological and theoretical initiatives as well as certain campaigns and internal political debates. Analysis on the content of the Central Party School's textbooks and one of its periodical journals has also shown its publishing house to be illustrative of the supporting role of the CPS in this respect (Shambaugh, 2008). Along with the MOF, the PBC, and the other ministerial-level research institutions like CASS, we can understand the CPS as the apex of a politically subordinated system of knowledge production altogether highly constructive of the uniform interpretive order that the centre continually seeks to recreate and legitimise itself.

With regard to the specific demographic of the Financial Street, 14 of those identified here as belonging to the *nomenklatura* studied at the CPS, of which five studied at its Graduate School. Of these, one did a Ph.D. Four, including one vice chairman, studied on master's programmes. The remaining nine received diplomas. The relationship between the Financial Street and the CPS, however, is far more substantial than just these fourteen individuals and goes beyond what can be seen statistically from the quantitative part of this study. 'Training by rotation' and 'cadre-fostering' in the form of 'principal classes' discussed above rarely appears as part of individuals' formal education, but is nevertheless a constant fixture in the lives of many of those in high-positions at the Financial Street.[101] As managers of state-controlled, central-level financial and financial regulatory institutions, they are a category of high-level cadre specifically targeted for education by the Party School System and are required to undergo a minimum of three months training every five years (Shambaugh, 2008: 831). In reality, most are likely to undertake more than the bare minimum. CPS training is not something an individual would want to shy away from. With the Li-Xi administration, the targeting of Financial Street personnel for such types of education has also become increasingly intense as a result of the so-called 'Three Stricts, Three Honests' (*sān yán sān shí;* 三严三实) education campaign aimed at 'improving political ecology'. Some companies' Party Committees now run workshops in which they attempt to dissect the 'spirit' of Xi Jinping's speeches on the economy and try to derive from them an improved 'state of mind', shall we say, for approaching subjects like 'how to improve efficiency in the banking sector', 'how prevent financial risk', how improve financial services', etc. etc. This is not science. This is the underside of scientific socialism.

Since many of those in this study are of vice-ministerial rank or above, they get sent to be trained at the CPS and nowhere else. For example, all 34 members of the CBRC leadership

[100] In pinyin: *zhōnggòng zhōngyāng xuānchuán bù.*
[101] Note that this is not the same as the 'in-service' or 'on-the-job' graduate training discussed earlier.

included in this study occupy general director-level posts and were selected to attend training courses held by the CPS in 2015 (CBRC, 2015: 107). Those who rank at the next level down, i.e., at *jú jí* (局级), at the bureau level, will be trained at the municipal Party School in Beijing, although it does appear that some of these individuals have some access to CPS training through their institutions. For the most part, however, the Beijing Financial Street leadership's access to the Central Party School is generally not a function of the rank of employees' institutions, nor the Party School itself, but of the lists of *nomenklatura* on which these high-level employees appear. This means that even institutions without a political rank, e.g., some of the securities companies looked at here, may have staff sent for training at the CPS if their name personally appears on the list of cadres to be reported to the centre. Ultimately, it is the Central Organisational Department that decides who gets sent, not the Party School and not the board of directors of any company. Candidates for principal classes are first selected and put forward to the Party School by the COD. It is only then that the Party School gets a say.

Candidates selected to participate in the Central Party School's mid-career training classes generally consider it an honour to be accepted. To have been trained at the Central Party School is a source of political prestige. It is a sign that one is 'in' with the central Party crowd; a sign that an individual has 'made it', so to speak, all the way to the top. It is also a sign of success. In addition to the two *nomenklatura* lists – the central list of cadres and the list of cadres to be reported to the centre - there is also a third 'reserve list of cadres'. Although her work might now be outdated, so is the *nomenklatura* system and one can get a sense of what is meant here by this alternate, reserve list in an article by Manion (1985). It can perhaps be seen as a kind of intermediate political space lying between and overlapping with the political spaces created by the two previously lists. One might also think of it as a political talent pool. For some of those who work in the Financial Street, this talent pool is a career in limbo in the abyss: the list is huge, with the number of people on it, I am told, numbering in the thousands, and it is unlikely that any of them will ever be promoted. Being selected to attend the CPS, however, often indicates that the COD has a special interest in an individual who is slated for promotion. For this individual, the reserve list is more of a portal to allow one to jump from the list of cadres to be reported to the centre to the list of those covered by the centre itself. That said, it is well known that this process is not always linear. Those who get promoted sometimes go through training after the fact. That is to say that their training at the CPS sometimes takes place only after a promotion has already been made and as a way of altering an individual's educational background in retrospect.

Vis-à-vis the Financial Street, the Central Party School should thus be understood as not only an institution for the progressive education and indoctrination of a certain type of political economic personality, leading to the increased politicization of an entire stratum of leadership over a particular segment of finance (and one that is rather important and that controls much of economic outcomes in China), but, whether real or symbolic, as a mechanism for the incorporation of such financial 'talents' into the high echelon of the Party and the political sphere. Whilst those who remain in the Financial Street for long periods of time must engage in rotational training and therefore continue to be subject to a slow transformation of their socio-political dispositions in an attempt to make them more loyal and attuned to the Party centre, occasionally the CPS will serve as an artificial cocoon for a kind of metamorphosis. Some of those who go in, for example, have been known to come out not as the heads of major state-controlled corporations in banking, finance and insurance, but as the governors of provinces or members on the Central Committee.

A Field of Revolving Doors: *Nomenklatura* Liquidity

The political elite demographic of financial executives described statistically here has been constructed within the framework of the *nomenklatura* system as an instrument of social control. At the highest levels, the Financial Street's personnel structure is a function of the organizational power granted to the Party by the *nomenklatura system* to select and allocate certain individuals to positions of high power. These positions and the *nomenklatura* that occupy them then constitute one of the most significant ways in which the big state-controlled financial corporations headquartered in the Financial Street are bound politically to the central government. In the conceptual personae of the *nomenklatura*, the world of the political and the world of the economic are institutionally bridged as a function of the posts they occupy inside their respective companies, which grants them corresponding positions in the CCP cadre system of government. Between these two worlds, the highest echelons in the corporate governance structures of each of the financial institutions in the Financial Street thereby form a layer constituting an(Other) level, which spans horizontally uninterrupted across the entire firm-network. There are a number of things that are possible to say about this level.

Firstly, this level is characterised by a great deal of turnover. Whilst the posts reserved for the *nomenklatura* are permanent, appointments and transfers of personnel between them occur frequently. The executives on this level are also subject to a system of rules that does not apply to those employed lower down in the hierarchies of their respective financial institutions. These rules not only determine the structure of personnel, but the game of performance, remuneration, and how long they are permitted to stay. To begin with, the criteria by which the performance of a member of the *nomenklatura* is measured are not exclusively related and bound to the performance of the corporation *per se*, but the performance of the corporation in the context of how well they are able to carry out of the will of the Party in the form of political tasks set for them by the centre. In this sense, the careers of the executives who work in the Financial Street's big institutions ride on perceptions of them among the central leadership. Performance-related pay is also disconnected from company profits (and thus the economic principle of profit maximization). The structure of an executive's remuneration typically consists of a base salary, a performance bonus, long-term incentive compensation (for carrying out political tasks), and hidden income (in the form of expense accounts, welfare benefits, etc.). These are not determined by the corporation but by Huijin and the Central Organisation Department. A member of the *nomenklatura*'s tenure is also limited. They can only lead a corporation for a maximum of two terms, 10 years in total. Retirement at 65 is mandatory. These are rules non-specific to state-controlled financial institutions. They have been a core characteristic of elite Chinese politics for decades and are used by the Party as a way to curb the powers of individual elites.

Secondly, the layer on which the most high-ranking members of the *nomenklatura* operate not only spans the firm-architecture of the party-state's financial apparatus, but the party-state itself as an opened world made accessible to them as a function of the dynamic positionality of the financial executive. On the level, everything is simultaneously political and economic. There happens also an exchange of personnel between the two. Frequently, executives will not only be transferred from one corporate body to another, but from one corporate body to a government body and vice versa. Particularly among executives of vice-ministerial rank, it is not unusual to see an individual embark on a temporary secondment inside a government bureau doing Party work for a while, only to return to the corporate sector later on. Each financial institution in the financial street can therefore be seen to serve as a system of revolving doors, which enable their executives to slide in and out of politics. In its entirety, the Financial Street is a Mobius strip enabling rotations of personnel not only among leadership positions allocated in government-related and controlled enterprises, but in government and party committees. For the financial executive, the sum of this rotational activity is meant to eventually equal elevation. Speaking of tenure, to remain an executive in the Financial Street would mean failure. For example, for a vice-ministerial ranked to stay as the head of his institution means that he or she can never become *buji* (minister). *Fuji* is the limit. In order to ascend, therefore, they must find a way to leave their post behind. The goal is to get out into politics. For those who succeed in doing this, the Financial Street is a stairwell to power.

Lastly, the power that runs on the level of this Mobius strip has multiple dimensions. In one of its aspects, the level itself is formed of the party-state's power to affect the financial world through policy-making and the institutions of financial supervision and regulation and again by use of the *nomenklatura* system as an instrument of social control. This is how the rules get set. On the other hand, there is a power attached to the posts the *nomenklatura* itself occupies. As representatives of the state inside their respective corporations, their posts afford them direct lines of communication and different levels of access to the state's economic planners, strategists, government ministries etc., which in turn allows them to affect policy. Then at the very apex of the group, some vice-ministers also wield the power of political representation as participants in a 25-member interest group that sits on the Central Committee of the CCP. The presence of the CEOs of corporations on the Central Committee is a trend in elite recruitment that dates back more than a decade to the 16th Party Congress in 2002, when the CFWC attended it with their own delegation (Cheng & White, 2003: 559). This, in turn, can be traced back to Jiang Zemin's theory of the 'Three Represents', which paved the way for business groups to enter the fold of the political centre by legitimizing the recruitment of economic 'entrepreneurs' into the Party. Most of the talk regarding the three represents has focused on the incorporation of the private variety of entrepreneurs into the Party. In fact, the vast majority of these so-called entrepreneurs have been bosses from big state firms, most notably from strategic production industries and from the major corporations of the financial sector headquartered in Beijing (e.g., from the Big Four). This bloc constitutes a formidable force in the political realm. They represent the state-ized elements of the economy, whose power (political capital) is derived mainly from the economic services their corporations provide the government (tax revenues and dividends to the government from shares important for the national budget; capital raising in the economy; deployment of assets for economic expansion both at home and abroad).

Markets from Networks: The State-Making of a Stock Market

Beijing's financial industrial complex is not just the context for China's network of state-controlled financial institutions; it has also become the catalyst for a more extensive organisational arrangement known as the NEEQ, that is, the National Equities Exchange and Quotations stock market. Created in the state's image, this stock market is becoming that by which Beijing is increasingly identified as a centre of financial markets, not just finance industry. In this respect, it is also increasingly beginning to feature alongside Shanghai and Shenzhen as an emblem of rising Chinese financial power. However, by contrast with the stock markets of Shanghai and Shenzhen, Beijing's stock market is based on an invite-only, over-the-counter (OTC) system for the exchange of stocks and shares, which follows from a plan to install a third market as a strategy to broaden and deepen the country's capital markets. For the largest part of the OTC market's history in China, efforts to construct a market based on this type of system for exchange in China had been largely unsuccessful. However, with the NEEQ things have recently taken off. The OTC market has exploded.

The spectacular rise of the NEEQ is the subject of this chapter. It is also a chapter in discovery. Despite growing recognition of its role and status as an exchange, still very few people actually know what the NEEQ is, let alone understand its position and significance in the Chinese economy. Both inside and outside China, academics are only just beginning to take note of it. The first section here will provide an overview of the order of China's capital markets, before the second then documents the emergence of the NEEQ as a missing link. Subsequent sections then delve into the NEEQ in more detail, looking at its current status, role and position in financial markets, the micro-structure of its exchange-platform, and the exchange's political colouration and architecture. I argue that the rise of the NEEQ should be understood as an institution designed and built to de-centralise the state's role and responsibilities as a market provider. Ultimately, the purpose of this chapter is to develop research foundation for understanding the NEEQ as an important force in the drive toward state-managed capitalism in China.

The Order of China's Capital Markets

The Exchanges

In order to get a proper sense of the NEEQ's position and significance in the Chinese economy, it is necessary to provide an overview of the order of China's capital markets. It is perhaps easiest to picture China's capital markets as arranged in a hub-and-spoke-like configuration of exchanges. At the core of capital markets on the mainland, the Shanghai and Shenzhen Stock Exchanges (SSE and SZSE) are the hubs. Spokes – stock connect programs and regional trading arrangements - connect them together and to a large network of smaller, regional equity trading venues. The latter used to be known variously as 'Equity Exchanges', 'Assets and Equities Exchanges', or 'Property Rights Exchanges'.[102] They can be distinguished by their exclusive permissions to trade local state-owned assets. As of 2014, there were around 33 of these trading places in China altogether (CSRC, 2014: 42). As part of an initiative to increase market connectivity across the country, these regional equity trading venues have also recently come together to form inter-provincial trading arrangements that follow the political geography of relationships between particular local governments. In addition to these and the main stock exchanges, China's capital markets configuration also includes four exchanges engaged in the trading of futures. These are the China Financial Futures Exchange (CFFEX), the Shanghai Futures Exchange (SHFE), the Dalian Commodity Futures Exchange (DCE) and the Zhengzhou Commodity Futures Exchange (ZCE).

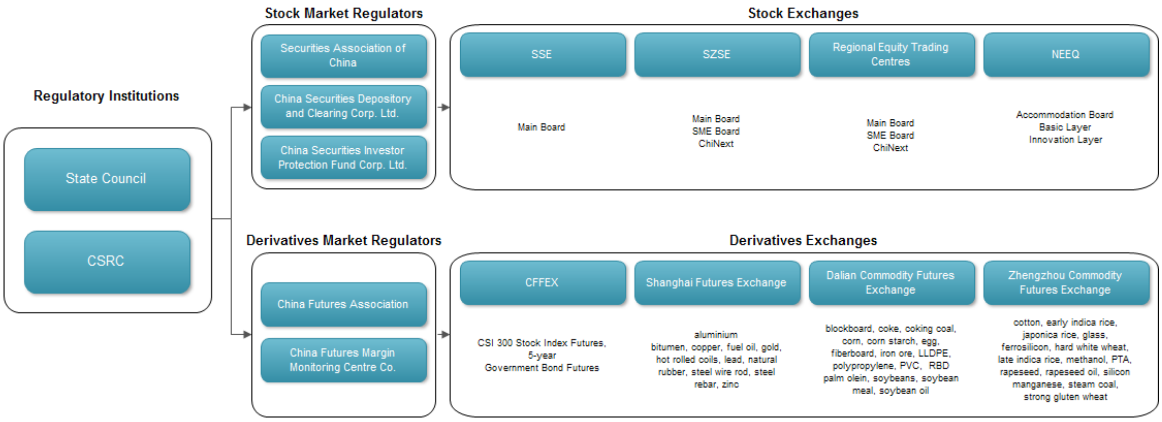

Figure 28: Exchanges and Regulatory Structure in China

Lastly, the position of the Hong Kong Exchange (HKEx) vis-à-vis the stock exchanges on the mainland is too important to ignore. It cannot be excluded for two reasons. Firstly, in the years that Hong Kong has been handed over to China, the HKEx has become an attractive destination for mainland Chinese companies to initially offer their shares to the public (IPOs) and companies incorporated on the mainland now constitute a huge part of the total market capitalisation of the exchange. Secondly, HKEx is now part of a scheme to create a single 'China' market by enabling southbound trading, from the SSE and the SZSE to the HKEx, and, vice versa, northbound trading from the HKEx to the SSE and SZSE. These are called the Shanghai-Hong

[102] Few researchers, both in- and outside China, have paid these exchanges any attention. Jingu (2009) is the only authority on property rights exchanges I have come across. Her research, however, is now out-dated.

Kong and Shenzhen-Hong Kong Stock Connect Programs. Figure 29 illustrates how these programs work.

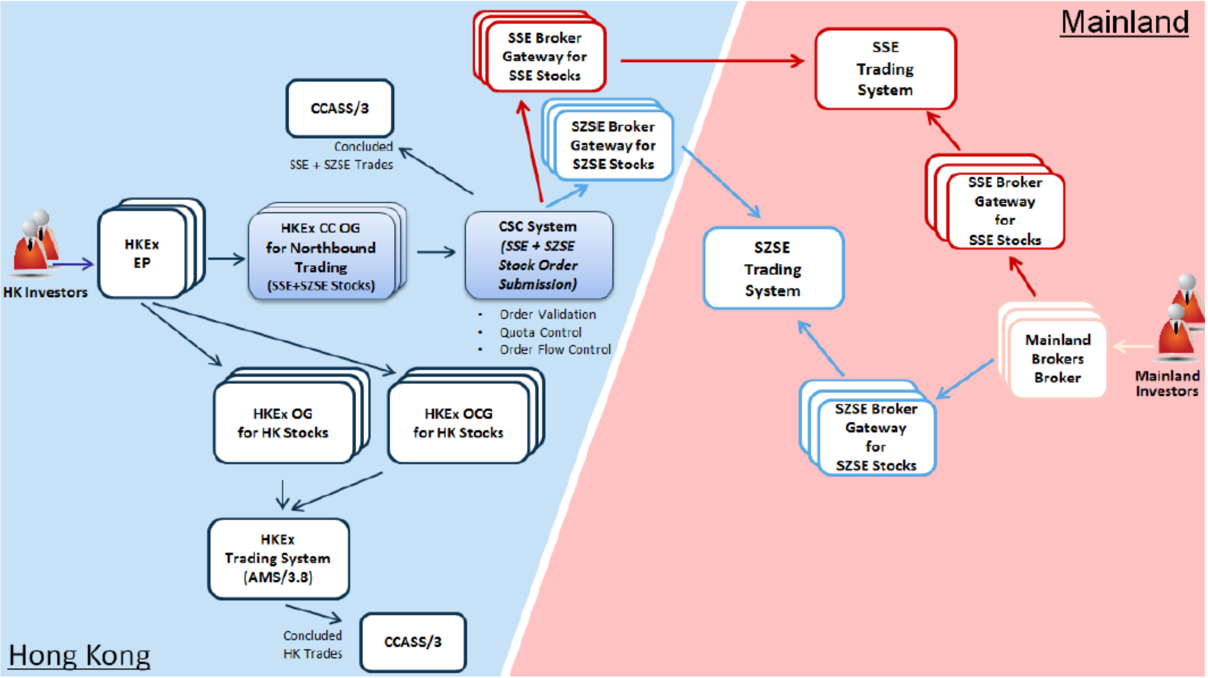

Figure 29: Illustration of the Hong Kong-Shanghai and Hong Kong-Shenzhen Stock Connect Programs[103]

The Boards: China's Multi-Layered Capital Market

China has a multi-layered capital market. The hub and spoke configuration of exchanges in China layers the country's capital market into multiple 'boards': a main board, an SME board, and the third board market. The Main Board Market in China consists of the main boards of the SSE, the SZSE, and the HKEx. It caters for the financing needs of large and super-large corporations, particularly state-owned corporations. The Small- and Medium-Sized Enterprise Board Market in China consists of the SME Boards of the major stock exchanges, the ChiNext, and the Growth Enterprise Market (GEM). The latter are sub-boards of the SZSE and HKEx respectively. The SME Boards are platforms designed to provide financing options for small and medium-sized firms with stable growth, with an emphasis on high-tech enterprises from industries of strategic importance. The ChiNext and the GEM are purpose-built to meet pent-up demand from the similar sized enterprises that, by comparison, are less stable and/or from less developed, emerging industries with less options to secure financing. The small- and medium-sized enterprise board market in total is essentially a platform for the direct channeling of investment funds into different sizes and types of SMEs from different industries.

[103] Source: HKEX, 2016.

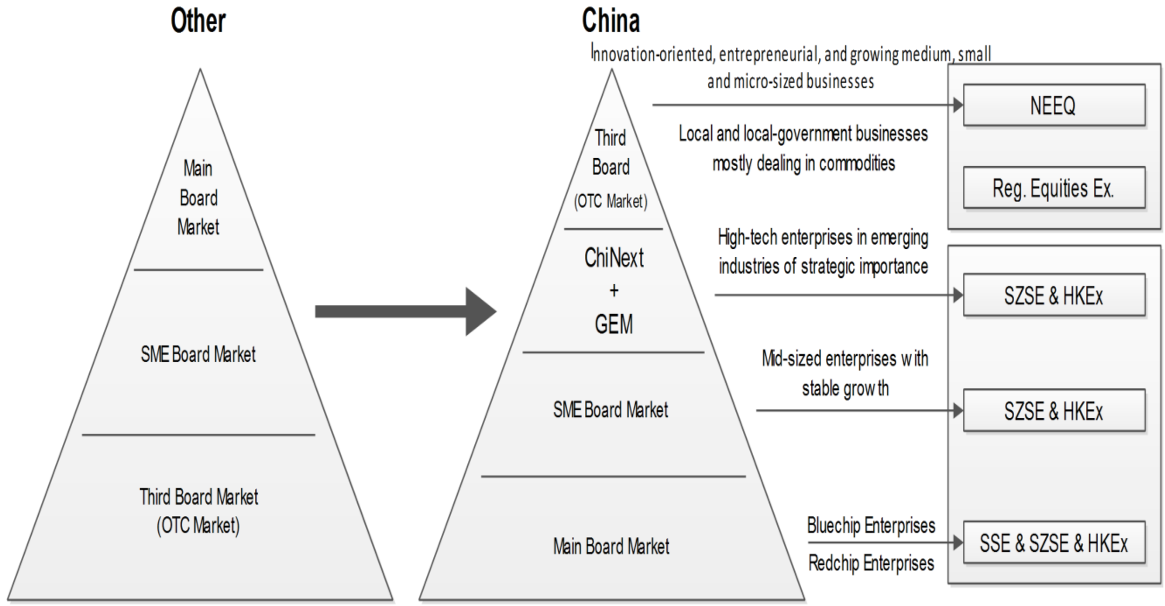

Figure 30: China's Multi-Layered Capital Market

From the Main Board Market to the SME Board Market to the ChiNext and the GEM, the segmentation of different classifications of listed firms into distinct layers constitutive of China's capital markets is effected through a merits-based regulatory regime that attaches to each layer specific sets of financial requirements as a corollary of the *Securities Law of the People's Republic of China* (Figure 30).[104] Requirements imposed on prospective issuers of the main board are the strictest, while the rules for listing on the ChiNext and the GEM are less stringent. Even so, the requirements of the latter (never mind the requirements of the main boards) still represent significant obstacles for small- and, especially, micro-sized enterprises and make it difficult, impossible even, for firms that have yet to become profitable to list on the corresponding exchanges. The financial requirements placed on them by regulatory bodies effectively prices them out of the market. Consequently, the Third Board Market has been developed as an experiment in pricing them back in. Compared with the other boards, the third board market has been purposely created as a platform for channeling funding into high-tech, high-growth and high innovation companies that might not be able to find funding elsewhere, either because of their relatively smaller size or because of their newness, both of which are indicators of risk. It is also meant to provide an exit for capital and firms that are listed on the main and SME boards but which can no longer meet the requirements and are likely to be delisted. Either way, the Third Board Market is supposed to provide liquidity to another stratum of business composed of firms that are alternately cutting edge or financially precarious (or both). It is organised around the regional equities trading venues mentioned above and the New Third Board – the NEEQ.

[104] Some of the intricacies of this merits-based system are discussed further in Huang (2011).

The New Third Board: Building the Chinese OTC Market

The NEEQ market is fixed in the National Small-and-Medium-Sized Enterprises Stock Shares Transfer System Co., Ltd (全国中小企业股份转让系统[105]) – the platform on which it is operated and run. Compared with the regional equity trading venues and their cross-regional trading arrangements, the position of the NEEQ is paramount within the third market. It is the core of the OTC market in China and is pegged to eventually become the board around which everything else on the layer is connected and organised. It differs from the regional equity trading venues in that the NEEQ has never been planned as a platform for the trade of local state-owned assets, but rather as a foundation for the private sector. It differs from the Main Boards and the SME Boards like ChiNext and GEM in that it is targeted in a far more real sense at the 'innovation-oriented, entrepreneurial, and growing medium, small and micro-sized businesses' in China. (Lin, 2016: 33). Such firms are now seen by the government as key to the continued success of the Chinese economy.

Different authors place the NEEQ's beginning at different points in the history of China's attempts at building a functioning multi-layered market for capital and securities. Lin (2016) perhaps traces it back the furthest, to 2001. However, if we look at the history of the entire over-the-counter market in China, the earliest foundations of the NEEQ's development date back to Beijing status as a major centre of financial policy-making and institution-building in the early 1990s. This is also the exact same moment at which the city begins to develop as a modern financial centre. Both developments should be contextualised as part and parcel of the state-ensconced period of financial restructuring that took place in that decade. But while both emerged at the same time, they did not always develop hand-in-hand. The NEEQ follows an OTC-market planning and institution building timeline that begins and ends in the capital, but which in the intervening years moves around and gets trialed and tested in the south and other provinces. The story of the NEEQ can thus be said to have a beginning, middle and an end.

1984 – 2001: STAQ and NET

The first OTC markets in China were brought into existence by the machinations of government in Beijing, Harbin, Guangzhou, Shanghai, Shenyang, and Tianjin. They traded the corporate bonds and shares of a relatively tiny number of state-owned enterprises that were being trialed as shareholding corporations after 1984. These markets, however, dealt almost exclusively in bonds. Stocks, by comparison, made up just 1%, 2%, and 1% of the total volume of securities traded in 1986, 1987, and 1988. Prior to the establishment of the two main exchanges in

[105] In pinyin: *quánguó zhōngxiǎo qǐyè gǔfèn zhuǎnràng xìtǒng.*

Shanghai and Shenzhen, the concept of equity markets was new to most. The city of Shanghai, however, perhaps owing to its history as a commercial and financial centre prior to 1949, was first off the mark and quickly emerged as the centre for the over-the-counter trade of bonds. It opened several trading counters as well as brokerage houses and appears to have been the primary site for innovation and expertise in capital markets throughout the 80s' (Su: 2003: 5).

The first OTC markets to trade in stocks constructed in China were the STAQ – the Securities Trading Automated Quotation system – and the NET – the National Electronic Securities Trading system. Both came into being in the early '90s. While they were initially intended to be bond trading networks, both the STAQ and the NET performed the same role as platforms for the trading of treasury bonds as well as two types of shares: 'state-owned legal person shares', i.e., a certain kind of share with limited tradability that, at the time, made up a third of every issuer's equity structure, and 'employee shares', which were non-tradable and, officially at least, were given no liquidity outlet (Green, 2003: 15; Yao, 1998: 9-12). Both had the same objective, i.e., to provide a secondary market to complement the Shanghai and Shenzhen Stock Exchanges that had been built just a few years earlier. While virtually identical, each was owned, operated, managed and regulated either indirectly or directly by two different government departments. The STAQ was classified as a 'non-enterprise government institution'; the NET as a 'non-bank financial institution'. There were some other features they possessed that set them apart, which I will briefly describe here beginning with the STAQ.

The STAQ, firstly, began operation in 1992, although it had been a subject of policy discussion and formulation before that, since around 1990. When at last it was implemented, the operations of its market were run by the China Stock Exchange Executive Council, which was a group inside the government formed in part by the Wall Street returnees. It also included the membership of nine government financial institutions. By the end of 1993, the STAQ's membership had expanded to 294 member-financial-institutions from every province in China. Members, who essentially played the role of brokers, were divided into two types: 'A' and 'B'. 'A' members had direct access rights to trade in the market. 'B' members had to access the market indirectly through 'A' members in order to trade. STAQ was a dealer market system with market makers and specialists as opposed to an auction market environment like the SSE and SZSE. Market makers' participation was compulsory in all trades. Within the first year of its opening, the market counted 15 market makers in total. The rules for market makers were, however, incredibly strict. Per the purpose of the exchange, they were only allowed to engage in market making activities for state-owned corporations. Bid-Ask spreads were fixed at a maximum of 0.2RMB per share. And the difference between share price between any two consecutive trades could not rise above 0.2RMB per share or fall below 0.05RMB per share, regardless of the actual share price. Market makers were further prohibited from posting quotations that deviated from the previous trade price by more than 1 per cent, irrespective of volume. All quotations by market makers had also to be firm quotes with a minimum volume of 100 shares. In other words, a single trade unit equaled 100 shares. Lastly, whilst trades had to be arranged through market makers, it was compulsory that all trades be executed by a STAQ member (A or B). Every trade thus consisted of an investor, a market maker, and a STAQ member acting as a broker (Yao, 1998: 45-46).

The building of the NET followed the STAQ a year later in 1993. Its ownership structure reads like a Who's Who of the major players headquartered in the Beijing Financial Street. It was created, operated and managed by the China Securities Trading System Co. Ltd (CSTS). The CSTS, in turn, was owned and jointly run by the PBC, the Industrial and Commercial Bank of China, the old CCB – then the 'People's Construction Bank of China' – the Bank of Communications of China, and the People's Insurance Company of China (PICC). The CSTS was also partly-owned by three of the largest national securities companies at the time: Huaxia Securities, Guotai Securities, and Nanfang Securities. The PBC held the most effective power and control among these stakeholders, however, as the stockholder with the decisive vote in CSTS, whose board of directors and senior management it also dominated. Contrasted with STAQ, the NET had an auction market environment without specialists or market makers. It was not a continuous auction market like the Shanghai and Shenzhen exchanges, but rather a call auction market with an automated execution system. Basically, buy and sell prices would either be collected and stored throughout the day and matched and executed as trades at predetermined intervals or they would be executed consecutively as trades matching the highest bids with the lowest offers as they were entered into the system. A single trading unit again equaled 100 shares. All orders had to be priced or limit orders. There was no negotiation. As the more advanced of the two systems, NET linked Beijing electronically to three other provinces (Hainan, Fujian, Guangdong) and two major cities (Guangzhou and Xiamen). It is estimated by one author that the exchange eventually was linked electronically to 38 other cities (Li et al, 2015; Lin, 2015). Unlike STAQ, the NET also had a computer bulletin board – an OTCBB - that displayed basic information about the state of the market (in STAQ, market makers were required to post publicly-accessible information inside their trading venues). It displayed the previous trading day price, the current day opening price, and basic statistics on current day trading (see Yao, 1998: 46-47).

Table 35: Features of the Securities Trading Automated Quotation system and the National Electronic Trading system

Feature	STAQ	NET
Equity Structure	More liquid market for state-owned legal person shares	Also a market for state-owned legal person shares, but a less liquid one and with more focus on treasury bonds
Liquidity	Relatively Liquid	Relatively Illiquid
Market environment	Dealer market	Call auction market with automated execution system
Market Makers	Yes	No
Specialists	No	No
Method of price discovery and trade execution	Two-way Quotations	Collective pricing method; Consecutive pricing method
OTCBB	No – quotes posted by market makers inside trading venues	Yes
Regulator	SERC	PBC
Level of regulatory oversight	High	High

The STAQ/NET environments were deeply politicised ones in which the regulators, the state, actually had proprietary and investment interests (exposing both exchanges to huge potential for insider trading or otherwise the general miss-use of non-public information). They were also closed systems in that members of one were prohibited from engaging in the affairs of the other, or indeed the Shanghai and Shenzhen exchanges, and there was no mechanism for the transfer of shares from one board to another like that seen in the HK-SH and HK-SZSE Stock Connect Programs. Together, they represent the first attempts by officials at the Ministry of Finance and the State Council to commence the workings of a third market - an institution-building effort that was conducted for the most part in Beijing. The 90s' heralded their simultaneous end, however, as during that time both became plagued by frequent breaches in the rules concerning the quoting and trading of employee shares and shares for state-owned legal persons of non-listed issuers. There were many instances – a few scandalous – of non-tradable employee shares being illegally traded and transferred from employees to non-employees or alternatively restricted legal person shares being transferred from state-owned entities to non-state-owned entities. The Red Temple Black Trading Market, an informal market for the trading of shares of non-listed companies held by employees that emerged in Chengdu, the capital of Sichuan Province, became notorious for illegal trading of this kind and was closed down by the government in May, 1993. During the same year, the conservative movement within the State Council ordered a ban on all future listings of legal person shares as well. By March, 25th, 1998, employee shares had been prohibited in public offerings too and the issue of 'rampant illegal

OTC stock trading' had become such a problem that the State Council decided to get rid of it altogether and start anew. It approved a *Plan for the Clean-Up of Illegal Over-the-Counter Stock Trading*. In 1999, STAQ and NET were then officially closed down and all associated venues for trading non-exchange-listed shares were closed down (Yao, 2013: 172).

2001-2012: From the 'Old Tertiary Market' to the 'New Tertiary Market'

The second stage in the story of the NEEQ's development picked up the pieces of stage one. In 2001, the Securities Association of China (SAC), authorised by the CSRC, established the SATS, the 'Shares Agency Transfer System' (股权代办转让系统[106]), which was set up as a board for the transfer of the equity of the enterprises ('legacy issuers') of the STAQ and the NET after their failure. It was also intended to act as a safety net for companies with historical problems or companies that, for various reasons, had to be delisted from the main boards of the Shanghai and Shenzhen stock exchanges (Lin, 2016: 33-34). To a lesser extent, it was meant to serve as a platform for the transfer of the equities of companies integral to regional trading hubs as well. It is estimated that the SATS played host to around 300 different firms and six securities companies during its lifespan (Li et al, 2016: 1051). Things then took a turn in 2006, as the third market was made to move around and go mobile. As part of a trial OTC programme, an expanded version of the SATS called the 'Zhongguancun Issuer Quotations and Agency Trading System' was started at the Shenzhen stock exchange as a separate transfer platform and made to work with the high-tech sector, in particular the high-tech science park of Zhongguancun. Dubbed China's 'Silicon Valley', Zhongguancun (中关村) is an area that became famous as the birthplace of Lenovo and for the number of companies that subsequently set up there and now do business in the area in its footsteps. It is claimed that 49 companies started up each day in 2014 (Bloomberg, 2015). Back then, though, Zhongguancun was a much smaller place and only a few high-tech enterprises participated in what was to be renamed the 'New Third Board'. Nevertheless, from 2006 the exchange took on a definite technological character as a result of its inclusion of the shares of unlisted joint-stock companies in the Zhongguancun Science Park. By the end of 2007, it hosted trading for 8 of the firms originally listed on the STAQ and NET systems, '41 stocks de-listed from the two exchanges, and 23 companies of the Zhongguancun Science Park. A total of 570, 000 accounts had been opened with the total trading volume amounting to 4.4 billion shares, and US$1.4 billion' (CSRC, 2008: 179).

[106] In pinyin: *gǔquán dàibàn zhuǎnràng xìtǒng.*

In 2009, the state issued a notice that envisioned the New Third Board as a way to turn Zhongguancun into a globally competitive, ‘science and technology innovation centre by 2020’ – China’s ‘Silicon Valley’ (Yao, 2013: 166). The idea was:

> *‘to promote science and technology-based financial reform, facilitating the quotation of unlisted Zhongguancun issuers on an unlisted issuers brokerage trading platform, graduating in time such Zhongguancun issuers from the OTC issuers system onto the listed markets, and organically linking the various issuer capital market access levels within the overall capital markets system’* (SC, 2009).

This notice was directed not only at the Ministry of Science and Technology (MOST), but also the Ministry of Finance, and there was then formed by the State Council a ‘21-Ministries Coordination Group’ to implement it chaired by the minister of Science and Technology (Ibid: 167). In 2011, the National Development and Reform Commission (NDRC, 2011) issued a *Program of Action (2011-2020)* that connected the development of Zhongguancun and the New Third Board with the development of eight key industries in China: aeronautics and aerospace, automobiles utilising new energy, biomedicine, digital and other high tech applications to cultural works, electronics, new energy and clean energy, new materials, and smart equipment. To further implement this program, the NDRC established a ‘Beijing Municipality Leadership Group’ and an ‘M21-Beijing Joint Subgroup’ (Ibid: 167-8). The Beijing Municipal Government along with nine other ministries thereafter issued various joint opinion statements with the effect of cementing Zhongguancun’s status as science and technology centre with global influence, culminating in the reiteration of its position as such within the *Twelfth Five-Year (2011-2015) Plan for Economic and Social Development of the People’s Republic of China*.

The relationship constructed between firms and the New Third Board was engineered through a very specific piece of legislation issued jointly by the MOF and MOST. This piece of legislation was essentially brought into being a Stock and Incentives Program applicable only to state-owned or state-controlled high-tech and academic- and research institution-run enterprises in the Zhongguancun Science Park. Securitisation of these enterprises was effected through the distribution of their stock to employees and/or the re-distribution to employees of stocks and shares of third-party companies to which the enterprises contributed their assets as capital (e.g., state-owned parent holding companies). The technicalities of this process as well as the rules to regulate trading on its board and the particulars of the methods of trading are covered in some detail by Yao (2013: 169-176). Participation was limited to legal persons and institutional investors, with exceptions under certain circumstances for natural persons. To prevent the rise of spurious trading markets, all trading in stocks of the New Third Board were required to take place exclusively on the system and all participants had to use the same brokers to handle their orders. There were no market makers. Transactions were handled differently through what was known as ‘exact price-and-quantity trading interests’ (like an all-or-none limit order), ‘exact-price with maximum-quantity orders’, and ‘execution order pairs’ (an off-exchange agreement that then gets executed by brokers afterward on the exchange).

According to Yao (2013: 173), a total of 200 companies were being quoted and traded on the New Third Board by the end of 2012. More or less in line with what the NDRC had intended, they spanned industries ‘from biomedicine, computer and electronics, clean energy, new materials, and telecommunications to other, mostly innovative industries’ (Ibid). In August of 2012, the experiment with shareholder reform and over-the-counter trading as a means to develop China’s industries and make China’s high tech sector more globally competitive was then extended to the technology gardens of Shanghai (Zhangjiang Hi-Tech Park) and Wuhan (Donghu New Technology Development Zone), coming almost full-circle back to Beijing with Tianjin at the end (Binhai New Area). All of the businesses in these parks were subsequently allowed to issue their stock on the New Third Board as a state-encouraged method of raising capital for investment. So as to keep this experiment on a tight leash, there was then put into play a requirement that an enterprise’s adoption of the Stock and Dividend Incentive Program be pre-approved by the government agency that had direct authority over the assets of that enterprise. In practice, this meant that enterprises had to seek approval from either SASAC, the Ministry of Education, the Ministry of Industry and Information Technology, or the Chinese Academy of Social Sciences – whichever one applied to them specifically (Yao, 2013: 171). This was to ensure that the interests of the State as a stakeholder of each enterprise was not harmed by the shareholder reform process. The state, in the end, maintained ultimate control.

2012-2014: The New Third Board

Li et al (2015: 1051) characterise 2006 to 2012 as a period when the OTC market came to be properly realised in China. It was the NEEQ, however, that provided the stage for the OTC market to really go national. On September, 2012, one ‘National Small-and-Medium-Sized Enterprises Stock Shares Transfer System Co. Ltd’ was set up as a national securities trading site for the operation and management of an SME share transfer system. It was registered to a building on Beijing’s Financial Street. It was, and still is, jointly owned by a mix of vested state-interests in its development, namely the China and Shanghai Financial Futures Exchanges, the Dalian and Zhengzhou Commodity Exchanges, and the Shanghai and Shenzhen Stock Exchanges. Its business scope is to provide an organisational platform for the issuance and trading of non-listed, joint-stock company stocks and shares; to provide services to support this method of company financing as well as M&A activity; and to provide participants in the market with information, technology and training services (NEEQ, 2017).

On 16, January, 2013, the National Small-and-Medium-Sized Enterprises Stock Shares Transfer System Co., Ltd. opened its headquarters in Beijing with a ceremony. It was declared at the time that the board, which was actually split into two boards – one for national innovation-oriented companies (an extension of the Zhongguancun/NTB partnership) and one to accommodate legacy issuers and issuers delisted from the main stock markets – already had 200 issuers, i.e., issuers that it was tasked by the State Council to inherit from the Zhongguancun Issuer Quotations and Agency Trading System. During the ceremony, the New Third Board market was also renamed the National Equity and Exchange Quotations system (NEEQ) as the government sought to redefine it as an instance of the wider process of transformation and upgrading going on in the Chinese economy. Outside of the event, it was publicised as serving and supporting the cutting edge of the nation's economy: the small, innovative hi-tech enterprises that hitherto had no means of capital formation. The NEEQ was therefore in the public interest and had social utility. It was to fit into a grand vision of a 'Silicon Valley' combined with an 'OTCBB' to turn Beijing into a mega 'Science-Technology-Financial Innovation Centre with global influence' Yao (2013: 176).

Pursuant to the ceremony, Yao (Ibid) identifies January, 2013, as an historical moment in the development of China's capital stock markets; as the moment when 'the Zhongguancun System "graduated" from an SAC-run, SZSE-supported incubator OTC market for the Zhongguancun science and technology enterprises (as well as being a "home" for the Legacy Issuers and Delisted Issuers), to a State Council-approved CSRC-regulated "national securities trading platform" under the Securities Law' (Yao, 2013: 176; sic). What had once been just an experiment limited to the hi-tech hubs of selected, major cities in China was extended to all qualifying companies across the whole of the nation's technology sector (Lin, 2016). The Zhongguancun System in Shenzhen was wound down and in its stead the Beijing Financial Street and the NEEQ's operator were declared the base for the OTC market in China. There then underwent a transitional period, during which staff at the Shenzhen Stock Exchange proceeded to provide training and the technical know-how and equipment needed to get the new system up and running and to make the NEEQ a fully functional platform for trading. Thereafter, the NEEQ proper came into being.

The Rise of the NEEQ: 2014-2016

Yao's (2013) record of the building of the OTC market in China is a useful resource for anyone interested in this subject. However, it stops at 2013 and actually the year that really made the NEEQ – i.e., the year that really established the NEEQ's position as a trading platform within China's capital markets environment - was 2014. In 2014, two important events occurred. The first of these events occurred on January, 24th, when the NEEQ first began accepting listings from firms outside the technology sector. The second occurred on June 5th, when the market maker mechanism was introduced as a corollary of the *Regulations of the NEEQ on the Administration of Market Makers' Market-Making Business*. The market maker mechanism essentially enabled firms listing on the NEEQ to appoint securities firms to act on their behalf and to 'quote' bids and asks on their stock prices. The system was applied on July 3rd of the same year, with the issue of the *Guidelines of the National Equities Exchange and Quotations Co. Ltd. For the Confirmation and Modification of Stock Transfer Method*.

As a consequence of both its opening up to the rest of the economy and the market maker initiative, the NEEQ boomed as the preferential policies attached to it made it stand out in the context of China's capital markets, attracted more and more firms and securities companies to deal over the network (Zhang, 2015; see also Jiang, 2016). From the time it was made public in 2012 to 2013 when the system was put to the nation, the number of firms listed on the NEEQ grew steadily, until 2014 when the number soared. By the end of the first quarter of 2015, more than 2000 companies had already been listed on the NEEQ; hundreds were also awaiting approval. By the end of 2015, the former number had risen greatly to 5,129, exceeding the combined total amount of stocks listed on the SSE and SZSE. In statistical terms, the number of listed stocks increased by 226 percent over the previous year. In total, 296 billion shares were listed (a 350 percent increase over the previous year).

Recent years have also seen the emergence and proliferation of a whole array NEEQ-market-oriented institutions and related services that have further confirmed the board's status and cemented its role within the Chinese economy as the platform on which the OTC market is being built, run and regulated. Two indexes of the market have been created: the NEEQ Component Index and the NEEQ Market Making Component Index. They started on March 8th, 2015. The NEEQ's membership has also expanded to include a large number of partner-institutions, including 33 banks, 39 accounting firms, 97 sponsored brokerages, and 418 law firms. They call themselves the 'professionals' and they try to sell connected products and services tailor-made to issuers and investors based on the strength of their expertise. As of September, 21, 2015, preference shares are now being trialed on the NEEQ as well as a corollary of the *Guidelines on Preference Share Business*. This has broadened the scope of financing instruments available to prospective issuers. Altogether, the creation of market indices for greater access to information and its analysis, the partnerships developing between the NEEQ's operator and affiliated members, and the inclusion of alternative options for issuance and investment has effected something nearing the environment of a proper OTC market, so much so that the NEEQ's rather developed state should be taken as an indication of its position as a brand-new constituent of China's financial order. As essentially the primary exchange for the OTC market in China, it is likely to become increasingly important as the platform around which the base layer of China's capital markets is going to be shaped.

Key Metrics

Today, there are more than 10,000 company stocks listed on the NEEQ. As of 18th January, 2017, there were 10,296. The total number of listed companies has now surpassed not only that of the SSE and the SZSE, but the SSE and the SZSE combined and the SSE, the SZSE, and the HKEx combined as well.[107] The quantity of stock is fast approaching the 600 billion mark, if it hasn't achieved this milestone already.[108] Since the beginning of 2015, the number of new firms listed each month has yet to have fallen below 100. From Table 36, we can see that the number of new listings increases in the order of 33.85% each month. The resulting number of firms listed at the end of each quarter has increased on average by 28.77% since the start of 2014. In total, the number of firms listed on the NEEQ has increased by 1439% over the past three years.

Table 36 – Key Metrics of the National Equities Exchange and Quotations Stock Market[109]

NEEQ Key Metrics					
Date	Total share capital (100m)	Total market capitalization (RMB100m)	P/E ratio (times)	No. of listed companies	
				No. of new users by quarter	No. at end of Quarter
03/2014	225.86	1270.96	25.56	304	660
06/2014	280.16	1900.83	31.41	102	762
09/2014	468.92	3093.45	32.42	391	1153
12/2014	658.35	4591.42	35.27	419	1572
03/2015	919.16	9622.04	56.55	578	2150
06/2015	1277.02	11933.69	45.9	487	2637
09/2015	1893.73	15110.20	42.48	948	3585
12/2015	2959.51	24584.42	47.23	1544	5129
03/2016	3738.04	28936.12	39.63	1220	6349
06/2016	4634.93	31081.90	26.54	1336	7685
09/2016	5251.19	35430.21	26.86	1437	9122
12/2016	5851.55	40558.11	28.71	1041	10163

[107] As of data presented on each of the stock exchanges' websites for 03/01/2016.
[108] As of 07/01/2016, the total number of stocks listed on the NEEQ was 588,582,000,000.
[109] Data reproduced from the NEEQ official website.

Date	Total share capital (100m)	Total market capitalization (RMB100m)	P/E ratio (times)	No. of listed companies	
				No. of new users by quarter	No. at end of Quarter
Avg. changes in the chain	35.45%	39.75%	3.55%	33.85%	28.77%
Total movement	2490.78%	3091.13%	12.32%	242.43%	1439.84%

The value of the NEEQ has surged with the rapid increase in the number of companies getting listed (Figure 31). Listed company equity has increased by an average of 35.45% each quarter. Total share capital – the total number of shares on the board – stood at 585 billion at the end of 2016, increasing by 2490% over the past three years. The total value of the firms listed on the NEEQ – the NEEQ's market capitalisation – is now RMB 4.05tn (almost US$600 billion). On average, the total value of the board has increased by 33.23% each quarter. It has increased by a total of 3091% since the start of 2014. It has to be said, however, that the NEEQ's market capitalisation pales in comparison to that of Shanghai, Shenzhen, and Hong Kong. As of the start of 2017, the total value of the firms listed on the SSE, SZSE, and HKEx amounted to around RMB 29tn (US$4.2tn), 21.4tn RMB (US$3.1tn), and RMB158tn (HK$179tn; US$21tn) respectively. This is because the firms listed on the NEEQ are generally much smaller than those listed on the Main and SME Boards of the public exchanges.

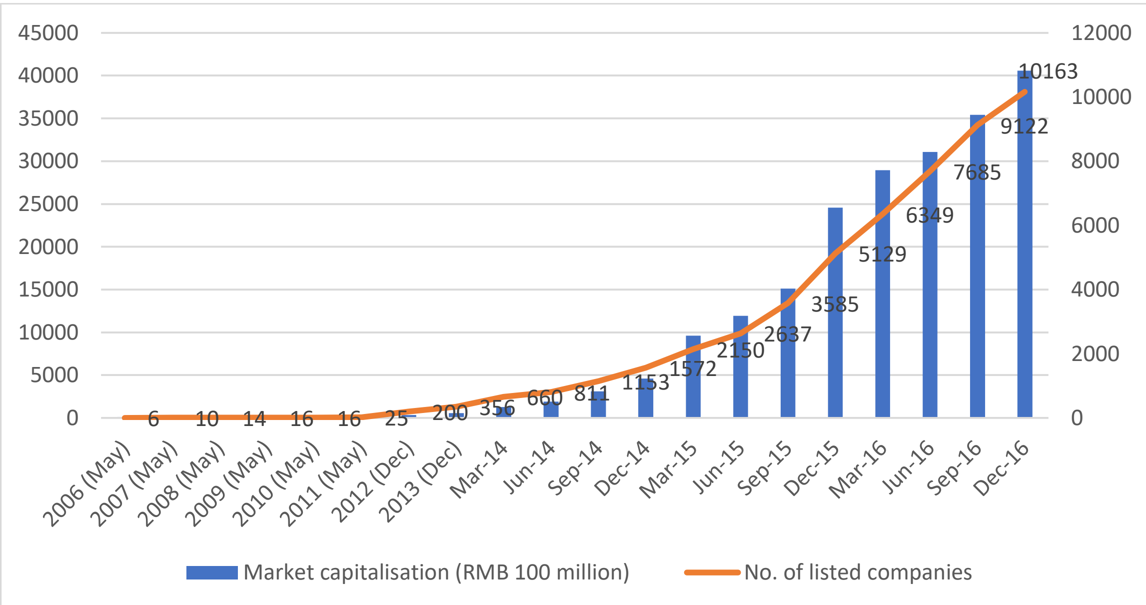

Figure 31: Comparison of No. and Total Market Capitalisation of Companies Listed on the PEEQ (2006 - 2012) and the NEEQ (2012 - 2016)[110]

[110] Data for 2006-2011 is from Ding (2016). Data for 2012-2016 is taken from NEEQ (2014; 2015a).

The NEEQ: A Bubble of Fortune?

The NEEQ has been called a bubble of fortune. The allure of the NEEQ as a listing platform in this respect essentially boils down to three things: less stringent listing requirements, the soaring valuations of the companies that have gone on to list on its board, and the mood of uncertainty surrounding the country's system for IPOs and its historical track record in this respect. The listing process is generally much cheaper and faster than the equivalent on the other boards. It usually costs around RMB1.2 million (perhaps a tenth of the cost of an IPO on the HKEx), although it depends on the issue and the underwriter and can cost more or less than this sum. It takes around 6 months from start to finish, which is the practical equivalent of The Flash with regards to the bureaucratic process in China. The annual maintenance cost of doing business on the board is also extremely low, at around RMB30, 000. Prospective issuers also enjoy a number of preferential policies classed as that related to and in support of the stock markets in China in general, including preferential tax treatment and subsidies from 'restructuring funds' to conduct IPOs (potentially hundreds of thousands of RMB) even though technically speaking shares made transferable on the NEEQ are not offered to the public. Lastly, as a matter of state policy, the banks have been ordered to get involved with the NEEQ as a way to meet the liquidity demands of the OTC market, again so that the burden of SME financing might be further removed from the state sector and put on the shoulders of the private sector through the stock market instead. As a result, 33 banks now offer issuers on the NEEQ 71 tailor-made specialised products and services, including special types of small credit and loans and financial advisory services as well as services for payment and clearing, etc. Not only does this make it possible to get loans from the NEEQ, but listing on the NEEQ also makes it easier for companies to get loans in the future elsewhere as well. All in all, the low cost and benefits of doing business on the NEEQ act as huge enticements for firms looking issue and sell their stock but who before the platform existed had problems being able to afford it. In this sense, the NEEQ very much serves its purpose as a board meant to fill the gap in micro- and small- and medium-sized enterprise financing.

Not only does the NEEQ offer a platform for financing SMEs, but it offers the shareholders of small companies the opportunity to get extremely rich, extremely fast, through soaring company valuations. P/E ratios – the ratio of a company's share price to its per-share earnings, i.e., the company's market value per share – have rocketed in recent years along with the board's total market capitalisation and are much higher compared with other stock markets. As shown in Table 36, the average value of the companies quoted on the NEEQ at one time reached 56 times their actual earnings per share. If this statistic alone is not enough to convince a company to list on the NEEQ, then a number of NEEQ success stories have also cemented the board's reputation as a site for raising vast amounts of funds. They include: the Tangchuangjiuding Investment Management Group, which raised RMB 15 billion from April 2014 – 2016 and now has a market value of around RMB100 billion; the Guangzhou Evergrande Taobao Football Club, which was valued at 21.8 billion renminbi after its first negotiated transaction on the NEEQ and is now the highest valued football club in the world (surpassing the value of that of even Manchester United); and Innovation Works (now Sinovation Ventures), a startup incubator formed by the former head of Google China, Kai-Fu Lee.

One could take the extreme P/E ratios of the firms listed on the NEEQ and the high valuations of its success stories as an indication to mean that investors are speculating on huge growth and high profits in the future and this would not be incorrect. However, there are a number of other factors that have helped to turn the NEEQ into a seller's market, driving up prices, or that have enabled prices to skyrocket in the first place. The first explanation is that around 80% of listings are done by directly negotiated equity transfer agreements and at auction. Negotiations would tend to favour the seller, who sits across a table from an investor who does not necessarily know whether he or she is competing, nor who with, while bidding at auctions in particular means that multiple buyers, pooled together in a single public venue, will have to compete head-to-head to buy shares that will only go to those bidding the highest price, a consequence of which is that the seller is less likely to experience buyers' undervaluation of their stock. Another explanation is that, as a dark market, the NEEQ offers no pre-trade transparency, which reduces the advantage of traders who would otherwise be well-informed and, in turn, allows sellers to potentially get a better average price than they would if they traded on a transparent exchange like the SSE/SZSE.[111] Lastly, unlike China's other stock markets, which impose daily price limits of ±10% on stocks and ±5% on ST stocks, whilst also employing index circuit breakers and volatility control mechanisms to prevent things like flash crashes from happening, the NEEQ has yet to implement its own rules to control prices. In a single day, it is not uncommon that the quote for single stock may swing upwards or downwards hundreds of percentage points. Theoretically, the quote change is unlimited and, therefore, the potential for profit is as well. This is an attractive prospect to both issuers and investors alike, but risky business.

[111] This is the theory developed for large investors in Angel et al. (2010: 35) at least.

Governance

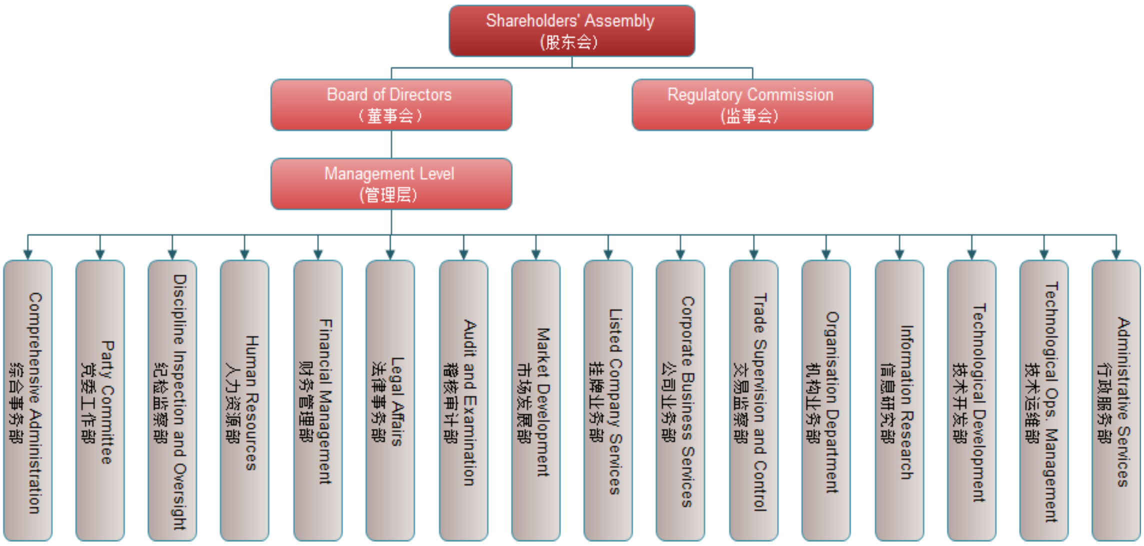

Figure 32: NEEQ Operator Governance Structure[112]

The NEEQ should be understood as a nationalised stock transfer system. It's Shareholders' Assembly is composed entirely by other state-controlled institutions and has been conferred the title of the 'highest decision-making body' of the NEEQ marketplace (Yao, 2013: 196). It has a Board of Directors that is classified as the NEEQ's 'governing body', with the 'power and obligation' to execute the resolutions of the Assembly, establish and enforce rules for the market (subject to CSRC approval), and to determine the NEEQ market's composition in terms of exchange membership and participating firms and investors (Ibid: 196-7). Legally and practically speaking, capital contributions from exchange members as 'membership organisations' or by anyone to the NEEQ as a 'corporation' are not permitted. The NEEQ's operator thus cannot be considered to be either type of organisation in the truest sense. The NEEQ's Party Committee as well as the Board of Directors are all nominated and basically determined by the CSRC, to which government body the NEEQ's operator is politically committed. The Regulatory Commission's statutory role as defined in the Company Law of China is that of an 'independent watchdog', but the pool of individuals who may be elected to become its chairman are all nominated by the CSRC. All of senior management are appointed or otherwise removed and replaced, year after year, by the CSRC as well. The CSRC is also in charge of appointments of all persons to positions in departments considered to be the most crucial, i.e., the Human Resources Department and all of the departments possessing positions of power in finance (e.g., the Financial Management Department). Departments that are not considered to possess positions of such power and significance are able to recruit themselves, but those whom they recruit are still subject to monitoring and surveillance. No foreigners are allowed.

[112] Source: NEEQ official website.

The corporate governance structure of the NEEQ thus fits right in with the Financial Street. It is not dissimilar from the manner in which the Big Four banks are governed. All of the roles, procedures and proceedings of the NEEQ operator are prescribed by the political centre. Within this field of possibly prescribed for them, the NEEQ's personnel are free to 'play' as they wish to achieve policy-objectives within certain time-limits. Insofar as its corporate governance structure is a copy, it also reproduces the social structure of seen generally in the world of finance in Beijing. The people who work there – the people who 'operate' the NEEQ's trading platform – are not members of a capitalist class, 'red' or otherwise. They are not themselves specialists on the floor or market makers. They are not traders or investors. They are bureaucrats and clerks, all born in China, who are similarly a part of the class fabric of the financial district. That is to say that the NEEQ is managed by the *nomenklatura*.

The Micro-Structure of the Exchange

Order- vs. Quote-Driven Markets

When it comes to exchanges, there are two types: order-driven and quote-driven. Ideally speaking, in an order-driven market the centre of execution of trades is the exchange, which itself is organised around a certain number of trading venues, or trading halls, or virtually online. Investors issue orders – usually limit orders, i.e., orders to sell at or above a minimum price for a maximum quantity of stock or orders to buy at a maximum price for a maximum quantity of stock – which are routed by brokers to a centralised 'electronic order book' and executed against each other automatically. Contra-orders are matched and executed as trades during a 'call auction', with or without an opening/closing 'cross', and a 'continuous auction'. The latter is the main mechanism for trading. The call auction invariably takes place during half-hour segments at the beginning and end of each day. Day trading is conducted via continuous auction and is segmented into morning and afternoon sessions, with special sessions before, after, and in-between, depending on the rules of the exchange. Some exchanges also allow after-hours trading, again depending on the exchange. Both trading mechanisms sort, match and execute trades algorithmically, just in different ways. Algorithmic trading is a subset of electronic trading and involves a much higher degree of automation in trading as opposed to trading over the phone, through mail, or face-to-face. Intermediaries – the brokers – do not play any role in trades' execution. Instead, brokers act as agents that channel the orders of the investors they represent into the marketplace. Data on executed trades is fed back from the order book to the intermediaries who then confirm the trades with their client-investor. The trade information is sent at the same time to dedicated clearing houses to be logged and cleared.

By comparison with the mechanics of order-driven markets, the NEEQ's management have focused on the construction and maintenance of what conforms generally to the workings of a quote-driven market. In a quote-driven market, the execution system is not an electronic order book coupled with an algorithm for matching bids (buy prices) and asks (sell prices). Nor is it a trading hall, the likes of which are anyway disappearing as the medium of communication has increasingly shifted from voice and hand signals and generally making noise on the floor to discrete electronic messages or computer-generated electronic commands made from corporate offices or at home on your mobile phone. Instead, the execution centre is the intermediary, the market maker. In a quote-driven exchange, these market makers are numerous and compete with one another to represent and buy/sell the stocks of listed companies that might reward them with the greatest bid/ask spread (the sum of the difference between the price at which they buy and sell stocks, which is all profit). Each market maker 'quotes' one- or two-way prices in securities in which they themselves may or may not have an interest in as a 'position' they take in the market. Customers – who can be either investors or, indeed, other market makers, other intermediaries – submit orders to the market makers to be executed at the quoted prices. In so far as these types of trades are not visible to the public, but rather private and visible usually only to the participants (makers) of a specific deal, a quote-driven market is usually one characterised by anonymity.

The SSE, SZSE, the HKEx, as well as the exchanges of London, Europe and the U.S., are all order-driven markets or hybrids. In some respects, the NEEQ is also a hybrid, but by comparison it is also much closer to what we would call a quote-driven market. In fact, it is probably the purest example of such a market actually existing today. In what follows, I have put together information on the micro-structure of the NEEQ in order to provide a more complete picture of what this exchange entails and how it differs from other exchanges.

The Issuer

The first thing to note is that, from the standpoint of the firm looking to use the NEEQ as a platform to raise capital, companies are required to have first fulfilled some basic conditions. The second thing to note is that, amongst all the stock markets in China, these conditions are the least difficult to fulfill in terms of the requirements they impose on prospective issuers. Compared with the SSE and SZSE, listing on the NEEQ requires a company to have had a valid existence for just two years; for the Main Boards, the SME Boards, and the ChiNext, it's three. Further, the NEEQ has no minimum pre- nor post-IPO profit requirements and instead applies a rather vague concept of 'sustainable profitability' that is very much open to interpretation in that it does not prescribe any specific financial requirements. There is neither any required minimum number of shareholders, contrasted with company listings on the SSE and SZSE that may not have less than 200. The other boards all also employ an approval-based system for listing that makes the issue of each company's stocks subject to final approval by the CSRC. By comparison, the NEEQ uses no such system, but instead uses a system in which it is up to the NEEQ operator to decide whether or not to approve new listings based on the strength of their application. The only exception occurs when a prospective issuer has more than 200 shareholders, in which instance the CSRC will again have the final say. Otherwise, there are no listing requirements related to cash flow, assets, or total share capital, or anything like that. The less stringent listing requirements and the shorter and cheaper timeline for listing relative to that of the other exchanges as described earlier means that financing for small, high-growth enterprises is often greatly expedited.

For the companies that decide to list on the NEEQ, the process of listing on its board does not entail the methods and procedures that one might have come to expect of dealing in a stock exchange. Companies can still seek financing through various means, e.g., through ordinary share issuance, issuance of preference shares, issuance of convertible debts, and the sale of company bonds, but none of these means end in an initial public offering (IPO) in the sense usually associated with listing on exchanges. Shares are not made available to the public and as such there is no such thing as an IPO in the true sense of the term. Instead, the latter three fund-raising activities are typically conducted through privately negotiated equity transfer agreements (explained later). Ordinary shares can be issued via such agreements as well, but they can also be issued through private placements. In a private placement, a company's securities are sold to a relatively small number of select investors. This is very different from an IPO, in which securities are made available not only to all the investors on the exchange, but to any type of investor as well. As instead a closed market for a particular security, the field of investors for private placements is usually constructed socially off-exchange. Underscoring this process is a set of practical concerns, as research suggests that the business of engaging in private placements off-exchange is used as a strategy by issuers to reduce transaction costs (agency fees, for example), increase company valuations (e.g. through asymmetries of information and/or one-sided bargaining), and, perhaps most importantly, to defend management autonomy and control by the careful selection of investors who are passive or trusted to act in management's interests (Barclay et al., 2007).

The second way of getting listed on the NEEQ is through a kind of 'mini-IPO' that requires the participation of the market makers (see further on). Issuers begin by seeking approval to list at their shareholders' conference. After that they must find and employ two securities companies to sponsor their application to list on the board and to represent them as market makers for their quotations. One must be the principal. Usually the second is selected by the principal on the basis of the latter's knowledge and expertise vis-à-vis the securities industry. The principal sponsoring firm must then employ a team consisting of at least one accountant, solicitor, and financial analyst to conduct a due diligence investigation concluded in a report. This report then has to be verified and endorsed by an internal audit team formed by the principal again to conduct an investigation into the issuers' books. The results of these investigations are then disclosed as information enclosed in an application submitted to the NEEQ operator, who assumes oversight functions over both the issuer and the issuer's representation along with the CSRC. If the listing is then approved, the issuers' shares are then made tradable on the exchange.

The Board

Initially, the NEEQ was created with two boards for the placement of firms and the issuance of their stock. The first of these was the accommodation board, i.e., the board for legacy issuers and delisted issuers, which is today hidden from practical view. The second was the board for national innovation-oriented companies, which reflects the market's institutional legacy as an entity that grew up on the circuits of its historical partnership with the technology sector in China. In 2015, however, the NEEQ went through a period of 'stratification reform' (*fēncéng gǎigé*; 分层改革), whereby changes to its constitution divided the company stocks quoted on the second board into two categories: 'basic', or 'foundation' (*jīchǔ céng;* 基础层), and 'innovation' (*chuàngxīn céng;* 创新曾). The two-tier system, with its basic layer and its innovation layer, is meant to increase transparency and thus liquidity by providing investors with more information about the status of the companies listed on the exchange. In practice, the factors determining issuers' placement within this new classificatory scheme include a combination of a company's development trajectory and current status, the size of its issued share capital, its market capitalisation, the scale of its operations, and its financing needs (KPMG, 2016: 33 PP). The NEEQ market is thus in fact composed of three boards that segregate firms into three separate categories, with the least proportion of issuers in the accommodation layer followed by the innovation layer and then the basic layer (Figure 33). Furthermore, each category is doubly significant. On the one hand, each category is attached a certain social and economic significance, with those in innovation layer categorised as having the most social utility (as the cutting edge of the 'new normal' economy), followed by the firms in the basic layer, and finally the older, potentially less relevant or poorly performing firms on the accommodation layer. On the other hand, the compartmentalisation of firms in this way is not only meant to encourage investors to invest in the cutting edge of the economy, as firms grouped on the innovation layer are implied to have a higher growth potential, but to compensate for the risk created as a consequence of the relatively relaxed listing requirements by grouping firms into categories that sends signals to buyers about their potential dangers of investment post-quotation.

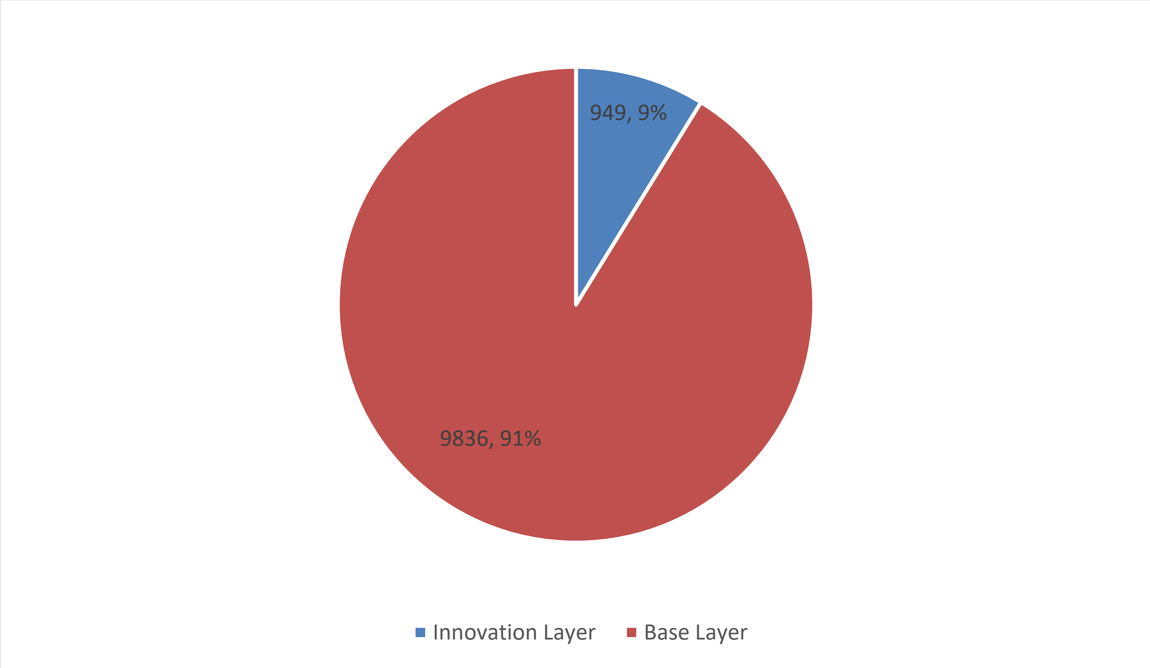

Figure 33: NEEQ Listed Issuer Distribution (Feb 2017)[113]

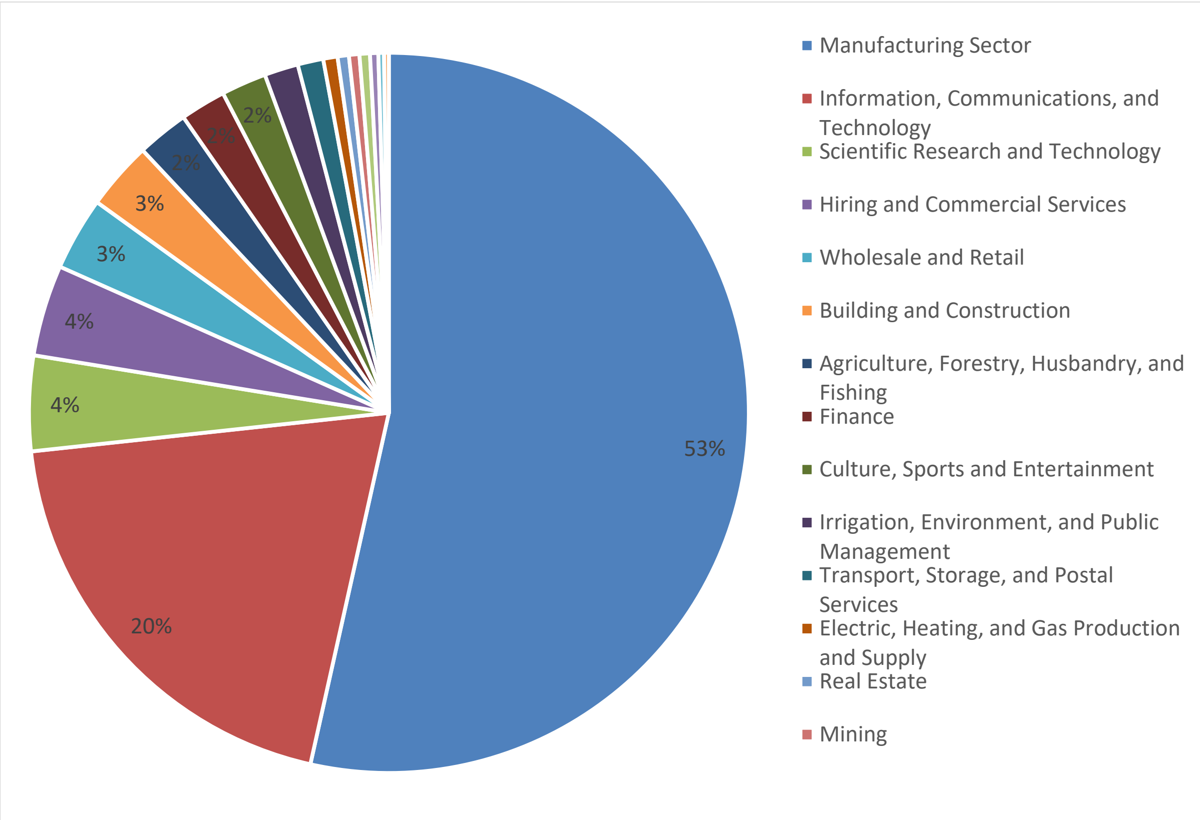

Figure 34: NEEQ Number of Listed Companies (Feb 2017)[114]

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[113] Source: NEEQ, 2017a.

The firms listed on the NEEQ are generally smaller in terms of their market capitalisation than their counterparts in other exchanges. They are distributed across different sectors of the Chinese economy in a particular way. Data for 2015 shows that, despite the NEEQ's history as a platform for financing the high-tech industry in China, the majority of the stock listed on the NEEQ belongs to companies in manufacturing (53%), followed by ICT (20%), and then various others in minority proportions. Data for the same year and all previous years also shows that the majority of these companies were incorporated and based in Beijing (763, 14.88%), although in 2017 this situation has changed with the number of listed companies incorporated in Guangdong province marginally surpassing that in the capital (1691 firms to 1550, or 17.3% to 15.9%)(NEEQ, 2015b). The map and table below show the concentration and distribution of all the firms whose stock has been issued on the NEEQ thus far. Generally speaking, the distribution of firms follows a well-known pattern of concentrated trade and commercial development along China's eastern seaboard.

Figure 35: Geographical Distribution of Listed Issuers on the NEEQ Market[115]

[114] Source: NEED, 2017a.
[115] Source: NEEQ, 2017c.

Table 37: Geographical Distribution of Listed Issuers on the NEEQ Market[116]

Location	No. of Listed Firms	Percentage of Total No. of Listed Firms	Location	No. of Listed Firms	Percentage of Total No. of Listed Firms
Guangdong	1691	17.30%	Jiangxi	143	1.46%
Beijing	1550	15.86%	Chongqing	128	1.31%
Jiangsu	1315	13.45%	Xinjiang	100	1.02%
Zhejiang	947	9.69%	Heilongjiang	94	0.96%
Shandong	595	6.09%	Yunan	84	0.86%
Hubei	366	3.74%	Jilin	81	0.83%
Henan	352	3.60%	Shanxi (山西)	70	0.72%
Fujian	350	3.58%	Guangxi	63	0.64%
Anhui	323	3.30%	Inner Mongolia	63	0.64%
Sichuan	304	3.11%	Ningxia	58	0.59%
Liaoning	214	2.19%	Guizhou	53	0.54%
Hunan	213	2.18%	Gansu	33	0.34%
Hebei	208	2.13%	Hainan	32	0.33%
Tianjin	183	1.87%	Tibet	6	0.06%
Shanxi (陕西)	150	1.53%	Qinghai	5	0.05%

The Investors

China's stock markets are peculiar in that they are dominated by its citizenry. There are around 200 million investors in China. Most of those are retail, rather than institutional, investors (about 85% are retail). This means that they buy and sell securities for their own personal accounts rather than for an organisation. There are generally four ways in which they do this: 1) individually as investors; 2) through retail brokers (who channel their orders to the market) 3) through investment clubs composed of associations of individuals who decide to pool their capital together for investment, and; 4) through managed accounts whereby an individual designates an account manager and grants them permission to make investment decisions on his or her behalf. Unlike large financial institutions that manage investment programmes such as mutual funds, pension funds, etc., these investors trade in much smaller amounts and without graduate degrees. Furthermore, contra to the myth that China's inhabitants possess huge savings with which to invest, they do so using mostly borrowed money (Fahey & Chemi, 2015). They trade more than any other citizenry on earth.

For the reasons above – the fact that most of those who invest are inexperienced individuals without any expertise in finance and without any actual money, i.e., with debt – China's stock

[116] Source: NEEQ, 2017c.

markets have frequently been called ‘worse than a casino’ (Kuhn, 2001; Knight, 2015; Kamp, 2016). The term refers to the Chinese people’s historical reputation as obversely a nation of experienced gamblers, because of which growing participation of the citizenry in capital markets has led to an increasing propensity for massive speculation. Such speculation reached new heights during the first six months of 2015, as surging retail investment pushed up the value of the SSE by more than 200%. The bubble that was created then burst and came crashing down after an initial shock in June, followed by a series of aftershocks that lasted into January the following year. For the simple reason that the majority of the value of the stock markets belonged to the people trading on their own accounts, the effects of this crash were felt far and wide across the population, impacting the real economy in a way that such an event would not have done perhaps in places like the US and Europe, where capital markets are dominated by large financial institutions.

By comparison with the SSE and the problems the markets of the main exchanges generally face as objects of retail investment speculation, the NEEQ has been from the outset a different story. As a board designed to provide financing options for high-tech, high-growth SMEs and micro-sized startup firms, allowing a large body of individual retail investors with little knowledge and expertise in how to invest in high-risk companies from the start made no sense and was not what the government had in mind nor a part of the government’s proposed strategy for the development of the NEEQ market. Instead, the government’s strategy was aimed at making the NEEQ an institutional market. While the companies quoted on the NEEQ are subject to less stringent financial requirements in order to give them a platform on which to actually be able to list and potentially secure financing, investors looking to finance them are subject to much higher investor requirements than they would otherwise be on the SSE, SZSE and HKEx. Built-in regulatory barriers ensure that only certain kinds of qualified investors can invest. They are: 1) institutional investors that are legally speaking corporations and possess a minimum of RMB5 million or alternatively enterprises classified as partnerships that have paid-in capital contributions equaling the same amount or more; 2) natural persons in possession of a securities portfolio worth RMB5 million or more or who are professionals with more than two years of experience in investment, accounting and finance or other related employment backgrounds.

To be clear, these requirements edit out the vast horde of China’s retail investors from participation in the NEEQ market. Contra to the idea that the NEEQ market may in the future become more open, the NEEQ’s operator and the CSRC have also embarked on a programme of tightening and increasing the level of enforcement of these rules and regulations, for example by developing stricter definitions of what constitutes securities assets for natural persons. With respect to its pool of investors, then, not only is the NEEQ very much a closed system, but one in which the routes for participation are becoming smaller and smaller. The rationale behind this enclosure of the stock market is at once both economic and political. Initially, the government's strategy was to encourage institutional investors to participate in the market as a method of dealing with issues of thin trading volumes and low market liquidity. Later, the state decided it wanted to avoid a repeat of the extreme price volatility and market speculation that occurred on the SSE and the redoubling of its commitment to enforcing the rules and regulations of the exchange can be seen to have occurred in the context of this event. By comparison with individual retail investors, institutional investors' size – both in terms of capital and human resources – mean that they approach the market from a position of relative strength and expertise that makes them better able to weather occurrences of risk and crises in the market.

Transaction Infrastructure

Like the interbank debt markets and the stock exchanges proper, the mechanisms for trading and investing on the NEEQ are now state of the art. Unlike exchanges for the Main and SME Board markets, however, this art is not based on precisely the same transaction infrastructure for determining how prices are first established or discovered and orders then executed to match them. Trades executed on the NEEQ are typically divided into those conducted via 'protocol' and those conducted via 'market making'. The former category can however be separated out into two different modes of price discovery and order handling, which brings the total number of identifiable trade-types to three. The first of these are transactions that occur directly between buyers and sellers through negotiation and contract signing between parties, including private, off-the-system negotiations and equity transfer agreements and private auctions. These transactions are very often made on mobile phones and computers through instant messaging, mass e-mailing, apps like WeChat (*wēixìn*; 微信), and special online trading channels that are used to convey the interests of different parties between each other. The NEEQ is thus more than a physical location. It is also a virtual space composed of established networks of participants in the market linked together through information and communication technologies, some of which are designed specifically for the NEEQ. In the last instance, however, everything gets settled and cleared through the platform and its data centre in Beijing.

If a quoted stock is set for 'private negotiation' as a method of pricing and trading it, the NEEQ may simultaneously provide a call auction market for it as well. The call auction runs from 9:30am to 11:30am, breaking for lunch and then restarting at 1:00pm and ending at 3:00pm, to a total of four hours per day of trading. At 10:30am, 11:30am, and 2:00pm, and then every 10 minutes until 2:50pm, and thereafter each minute to 3:00pm, the exchange will display an indicative equilibrium clearing price at which the maximum volume of orders may potentially be executed at the last minute. At 3:00pm, all of the bid and ask orders made that day are aggregated and transacted at once at an equilibrium price – a number calculated to be that at which the most trades can be executed at the best average price. Like other exchanges that employ this trading mechanism, this might be understood as the moment at which the collective interests of the exchange are made at least equal to the interests of individual traders in that a decision is made to try to maximise the overall value of the exchange by distributing it as equally as it can among all of its participants.

The third and final transaction type that can happen on the NEEQ are those that are not concluded face-to-face directly, but instead through the medium of securities companies who post buy and sell quotes and who themselves then engage in the work of matching orders in the market. In this sense, the NEEQ is its own hybrid: it is a merging of the STAQ, which used to use market makers and specialists, and the NET, which utilised a similar call auction system for the executing of orders at pre-specified intervals. In any case, the main difference between the transaction infrastructure of the NEEQ and the transaction structure of other, order-driven stock markets is that the NEEQ does not run a continuous auction that would allow traders to engage in things like high-frequency trading. Even so, the fact that the NEEQ has no mechanism for the real-time execution of trades does not mean that it is not advanced in its own way. Trading is serviced by a rather elaborate website that is mostly data and provides an up-to-date picture of what is going on daily, weekly, monthly, annually.

The Market Makers

There are currently 1094 formal securities market-related institutions in China, that is, the number of entities registered with the Securities Association of China (SAC, 2016). Of these, 126 are actual securities companies – the total number of domestic, not foreign securities companies on the mainland (although some – around a dozen - are joint-ventures). As of January, 2017, 89 of the 126 securities companies in mainland China were doing business in the NEEQ market (KPMG, 2016). Since the NEEQ started, they have committed significant resources, time and energy to investing and positioning themselves in its market. If one browses the annual reports of these companies, one will find that sometimes as much as 30% or even 40% of securities companies' funds for investment have been allocated for developing their business in the NEEQ. Despite its relatively small size and underdevelopment status compared with the capital markets of the main exchanges, the Chinese securities industry is starting to play an active role in the OTC market.

There are two primary ways in which the securities companies incorporated in the Beijing Financial Street as well as elsewhere in- and outside Beijing have become constructive of the NEEQ market in general. The first is through sponsorship of listed firms, which I talked about briefly in the context of the listing process. Note in addition that the securities company that takes it upon itself to become a listed company's principal sponsoring firm is required to continue to supervise and guide the issuer post-quotation with respect to general representation, information disclosures, and certain financial advisory services. The bond between the issuer and the principal is for life. No other company can become the principal. Any securities company that decides to enter and do business on the NEEQ as a principal would thus find it difficult to exit the market afterward. Once they get involved they basically get 'locked in' per the requirements imposed on them as sponsors. Their position in this sense has been intentionally engineered by the CSRC, which has implemented the rules as an attempt to engender some sense of social responsibility within the market in lieu of the relative absence of the regulator.

The second way in which securities companies are constructive of the NEEQ market is through their role and performance as brokers. Since the implementation of the market maker mechanism in 2014, securities companies have been called on by the government to act as instruments for the New Third Board's completion. They have been elected the 'market makers' - the dealers. Finding buyers and sellers in any market can be quite difficult, but particularly so in dark markets like the NEEQ. Securities companies positioned as market makers in the NEEQ market act as intermediary service-providers who specialise in locating and matching buyers' and sellers' interests, helping to execute them as trades. As institutional investors, their capital strength enables them to be more patient searchers in this regard and to take long positions in the market, especially with regard to securities that may be hard to trade. The traders they find are called 'latent liquidity suppliers' by some economists, i.e., traders who market makers have to ask first before being able to establish them as prospective buyers or sellers (i.e., as willing to trade). Market makers are thus like advertisers. They post buy or sell quotes as advertisements displayed on a separate index of the OTCBB online on the NEEQ's website, hoping to pique somebody's interest.[117] What we are talking about here is liquidity, which is what such advertising is essentially meant to create. Through advertising the prices at which market participants are willing to buy and sell stock, market makers perform their role as intermediaries that facilitate purchases and sales and increase the pace at which new market participants can enter and exit the NEEQ. Their financial strength and market analysis abilities are also supposed to reduce liquidity risk by improving the accuracy of valuations (the accuracy of quotations vis-à-

[117] The NASDAQ and the London Stock Exchange are two examples of securities markets that have over time become dependent on market makers for their smooth function.

vis the actual value of the firms listed on the board), which has historically been a problem in the OTC market in China.

The relationship between the NEEQ market and the securities industry is such that the two have now become mutually constitutive of each other. Not only do the market makers provide liquidity, but the New Third Board market represents an economic opportunity for securities traders, who can profit from the bid-ask spreads as well as commissions and fees for sponsoring customers' listing application.[118] That said, the current depth of securities traders' position in the NEEQ market and their performance as market makers is still low. At the end of 2016, transactions completed by securities companies acting as market makers represented just 16% of all transactions conducted on the NEEQ's board (Figure 36). Moreover, of the 10,000-plus companies listed on the NEEQ, only 1654 had appointed brokerage firms as market makers. The majority of trades on the NEEQ are still being conducted privately off-exchange.

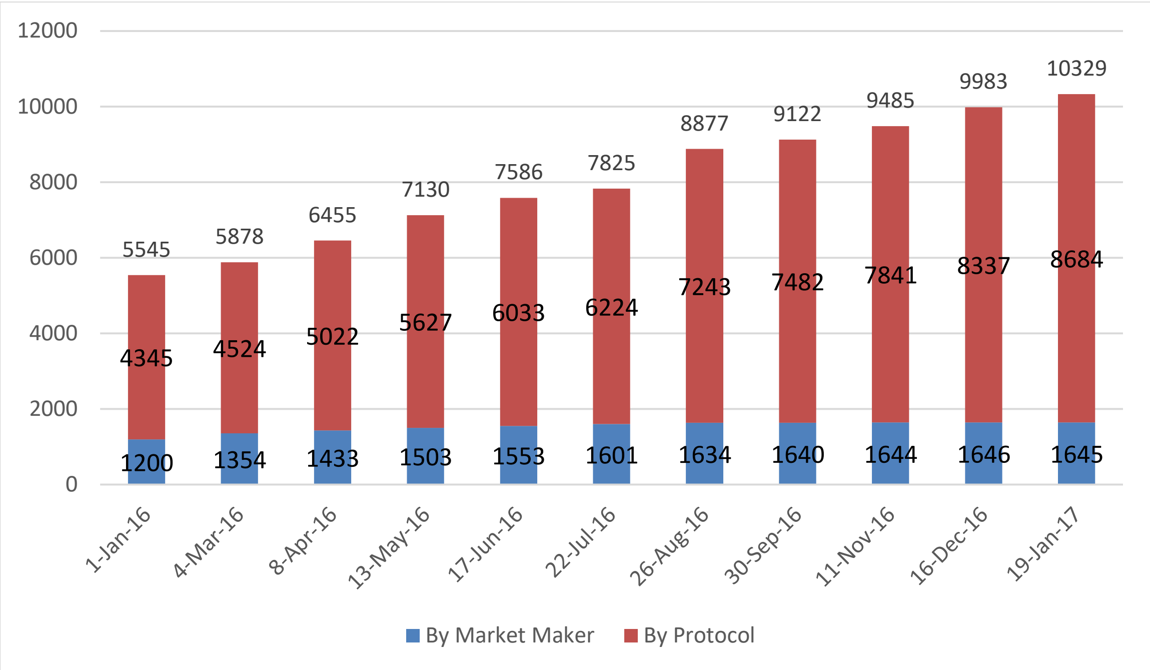


Figure 36: Comparison of Trades Conducted by Market Maker vs. Protocol on the NEEQ[119]

The future of the market makers and the provision of liquidity in the NEEQ will not only depend on the designs of the securities industry, but also on the NEEQ's regulatory framework and what the state decides to do with it next. It is rather well-known that the securities market environment on the mainland is one which has been, and will likely continue to be for some time, an area of finance closely tied to the state's prerogative, i.e., the making of financial policy by the Party. At the moment, policy-ramifications are such that the position and role that the market makers can actually play in the NEEQ has been made less autonomous and limited with

[118] The bid-ask spread is the difference between the cost of buying the stock and the price at which it is sold.
[119] Source: NEEQ, 2017a.

the aim of training them in support for the market's collective development and success. To start with, formal market-making activity is a highly demanding practice that requires considerable sums of capital to begin with as well as sophisticated and technologically advanced trading and risk management systems. As an economic practice, it can only be undertaken by firms that are well-capitalised and employ personnel with a high level of education and experience. Any firm that then wants to become a market maker must thus first prove itself not only by obtaining various complying with performance obligations set by the NEEQ's operator, but by getting approved by the CSRC and the SAC to become incorporated as a registered securities company in the first place (one only needs remind his or herself of the relatively tiny number of securities firms registered to date in China to get a sense of how difficult this might be). Despite the current rules pertaining to the participation of certain types of actors in China's stock markets, which makes the A-share market indirectly open to certain types of foreign investors, QFII and RMB QFII are also flat-out forbidden by the CSRC from participating in market making, although joint-ventures are permitted. In Asia, it is important, moreover, to distinguish between the kind of market making we are talking about with respect to the NEEQ, which is formal and regulated, with notions of market making that one sometimes hears about in Hong Kong or elsewhere in South-East Asian states. In the latter, market making is used informally to refer to anyone who essentially deals and trades in securities for their own account, only providing liquidity as an incidental externality of their own individually-oriented investment behaviour. Even then, the amount of liquidity they contribute to market quality is minimal and as a general rule they are usually not required to maintain continuous quotes or abide by performance obligations, nor are their activities necessarily monitored and supervised. By contrast, the NEEQ operator and the CSRC have sought to assure the quality of the market by ensuring that market makers maintain two-way quotes. Their role as a liquidity provider is clearly defined and written into their style of participation in that it is compulsory for them to post quotes that display both the bid and ask prices of a particular security and be committed to buying and selling at those prices in the event of a trade. Not only is this meant to improve liquidity, but it also shows the potential bid-ask spread, giving investors an idea of where the market in a particular security stands (where smaller/larger spreads indicate more/less liquidity in the market for a particular security). To do this, however – to be able to provide two-way quotations simultaneously – market makers must actually hold stock. Again, this is something which requires these firms to have access to substantial pools of capital reserves or assets. Issuers may have multiple brokers quoting their stock at the same time, but then each broker is not allowed to hold more than either 5% or 1 million (whichever figure is the lowest) of the shares of the companies that they quote. The Bid-Ask Spread is not allowed to exceed 5%, but the percentage of companies' shares that can be traded on a single day is unlimited. In other words, companies can get 'sold out' on the initial offering. Lastly, there are certain rules regarding the relationship between the principal sponsors of issuers and their stock. For example, the sponsors of issuers listed on the accommodation board are prohibited from dealing in their stock whatsoever. Instead, accommodation layer stock can only be traded via the daily call auction or through privately negotiated transfer agreements.

Disorder in the NEEQ Market

There are a number of problems with the NEEQ, some of which are located in the past while others can be seen perhaps to have persisted from the past to the present or are otherwise contemporary. Those historic problems I refer to mostly relate to the period of ideological revisionism, shareholder and modern enterprise reform, and the technical construction of the OTC exchanges themselves (so that shares could then be traded). During this period, which lasted from 1984 to the closure of the STAQ and the NET systems in 2001, there was brought into order an investor-specific shares structure pursuant to the theory of a socialist shareholding system - the theory of a shareholding system in which the reform of state enterprises into modern corporations, their limiting/unlimiting by shares and the flotation and listing of those shares, and the pricing of such firms in the primary market were all subject to macro-economic control by the state for the purpose of serving socialism. Shares issued by stock corporations were classified and segregated into state shares, state-owned legal person shares, individual shares for Chinese, and foreign person shares, all of which were subject to specific sets of laws designed to preserve the dominance of public ownership in the overall structure of the stock markets (Yao, 2013). Not only did this result in a highly artificial and segmented capital market environment characterised by poor liquidity, correlating artificial prices, and prices for the same stock that differed among fragmented markets, but also a great deal of economic deviance and corruption in the form of black markets in illegal OTC stock trading exemplified by the activities of the Red Temple Black Trading Market. The underside of order, in this sense, was a great deal of disorder that, as I mentioned earlier in the section on building the OTC market in China, was one of the determining factors in the government's decision to completely close down and rebuild the OTC exchanges in the new millennium.

Today, the Party's vision of itself as a market regulator has been replaced with a similar but much more intelligent vision of itself as a market provider, in which the idea of using the market as a device to determine the distribution and allocation of capital resources according with the concept of value and the laws supply and demand first formulated in the same era as that which led to the theorisation of a socialist shareholding system, has informed the construction of economic policy and its implementation much more than before. The issues the Party faces thus usually have to do with its role as a provider of markets, i.e., with dealing with what it perceives as challenges and obstructions to its own, self-appointed role as the maker of conditions for markets to emerge relatively autonomously, or alternatively with problem-solving the complications it encounters as a continuous guarantor of markets' quality and smooth function. With respect to the NEEQ, these issues can be general, for example in the sense of having to contend with the new social types created by its interventions in the economy – the Ma Yuns (马云) and Ren Zhiqiangs (任志强) of the world – or the liberal media, in the sense of the picture of disorder in the NEEQ market I will draw in the next couple of paragraphs.

Firstly, opposition to the NEEQ's regulatory framework has been strong by Chinese standards, with the financial press often publishing articles containing unfounded rumours about a potential relaxation of the entry barriers and the creation to date of around 100 or so complex funds by private companies that have been used to circumvent investor requirements in order to allow small retail investors access to the NEEQ's market. The threat of the NEEQ becoming another casino is thus always present and the CSRC and the NEEQ's operator has been playing a fairground game of 'Wack-A-Mole' with respect to keeping these small retail investors out. With regard to the NEEQ, this is where the war between the *nomenklatura* – the political elite - and the private entrepreneurs and 'red capitalists' is being fought in terms of each attempting to dominate China's capital markets.

Secondly, the number of new stocks being issued on the NEEQ boards has increased phenomenally over the past few years, with the number of new listings increasing by an average of 29% each quarter and the total number of company listings having increased by a whopping 1440% since the beginning of 2014. However, the actual trade turnover – the daily volume of stocks traded against total share capital – is extremely low. In other words, many of the companies who list on the NEEQ only infrequently get traded. In fact, many have never been traded at all. Liquidity, or rather, the lack-there-of, is a problem historically not just limited to the NEEQ, but characteristic of the entire OTC market ever since those bond markets I mentioned were brought into existence in the mid-80s. As a recurrent feature of the institutional market, it has been used as another argument by capital for letting smaller retail investors in so that the increasing number of funds for investment might match the liquidity needs of such a large number of listed companies. Thus far, however, the strategy of the NEEQ operator and the CSRC as twin market designers has been to implement the market making mechanism and encourage securities companies to apply to become market makers. Yet even this seems to be failing. It is apparent from Figure 36 that, while the absolute number of market makers in the NEEQ is increasing, the number of market makers as a proportion of the total number of companies quoted by both market maker and by protocol is actually declining. Consequently, liquidity demands still remain to be met. One could argue that the illiquidity of the NEEQ is a symptom of the relatively underdeveloped state of the securities industry in China in general (its small size vis-à-vis the demands of China's stock markets).

Lastly, many of those that have gone on to trade and who have been successful have been too successful. Some stocks have been quoted as high as RMB100,000 per share before being investigated (afterward falling back down to around RMB1000 per share) and while the kinds of P/E (times) ratios seen on the NEEQ may be viewed as a sign of investor confidence in the growth- and profit-potential of the NEEQ market, they can more realistically be understood as evidence of overvaluation and stock manipulation. The NEEQ's problems in this sense are characteristic of stock markets across the rest of China and Asia. In 2015, the percentage of IPOs offered at a P/E multiple of more than 20 times earnings increased from 51% to 64% on the mainland, while 89% of new listings on the HKEx, GEM, SSE, SZSE, ChiNext, and Taiwan TSEC closed their first day of trading with a price above the IPO issue price (PWC, 2015: 10).[120] On the Chinese mainland, the prices of stocks have sometimes reached such spectacular heights as to spark a centrally-governed crackdown and intervention to try to cool down the markets. Stock pricing relative to P/E ratio is closely scrutinised and subject to strict control by the CSRC. If its 25% above industry average, the CSRC looks into it and requires additional disclosures of information. The NEEQ is just as open to such inventions by the central state, but central state doesn't have to because it has empowered the NEEQ's operator to do the same. The operator's management is also known to take instances that it says 'seriously disrupt market order' very seriously indeed. Their commitment has a rather Asian flavour to it in that, in their own words, 'we have zero tolerance, and will take out our sword' (Reuters, 2015).

Discussion and Analysis

When the New Third Board market first went live, the few who knew about it and the even fewer who actually participated in it interpreted the event as the opening of the first truly unfettered 'free' market in China. Indeed, with the caveat that it was confined to the gardens of high-tech enterprises – those parks in Beijing, Shanghai, Wuhan, and Tianjin – some investors believed it to be regardless freer than SSE and the SZSE. Today, with the NEEQ's opening up and expansion nationwide, there is even less standing in the way that would prevent it from being interpreted in this way. And while China may be adjusting to the so-called 'new normal' of less

[120] For Shanghai and Shenzhen individually, this increases to 67% and 80% respectively. By comparison, Hong Kong – the world's leading centre for IPOs - is 36%. About a third of Taiwanese listings had a P/E multiple of 15 times or greater.

than double-digit growth, the NEEQ certainly is not and members of the financial press have taken the explosive growth of its market to mean evidence of a thriving bit of pure capitalism in China (CNBC, 2015).

There are a number of reasons for why observers may have been led to the conclusion that the NEEQ is the purest example of a capitalist free market in China. Firstly, the OTC market in China has always had a reputation for being the most experimental, least effectively regulated and most fragmented of all of the country's capital markets. As the new core of the OTC market in China, the NEEQ has had to carry this reputation as a flag that has progressively become equated with a less restrictive marketplace for capital investment. Secondly, the NEEQ's history as an entity in which, for long periods, administrative power did not intervene excessively in its development has been reiterated in what could be understood as the supplanting of the traditional role of the CSRC as the regulator with the empowerment of the NEEQ's operator as a 'self-regulatory organisation' (SRO). Not only does this make the NEEQ look comparable with the main exchanges, which are all run by operators with SRO status, but it contrasts with them in that the SSH and the SZSE still include significant regulatory oversight by the CSRC, which controls the listing process, affecting efficiency, time, and costs for things like IPOs, whereas the NEEQ does not and is not affected by this. In fact, many of the companies that list on the NEEQ are betting on using it as an IPO-less backdoor to the main boards and SME boards after a system for board transfers gets implemented. Third, and related to the previous point, the requirements for listing as I explained before are relatively low and simple and the process of listing is expedited by the absence of the CSRC. In addition, the demand side of the NEEQ market is primarily composed of private firms as opposed to state-controlled firms, which means that public ownership of stocks is relatively low compared with that in the SSH and SZSE, even the HKEx, where some of the highest valued companies constitutive of those markets are effectively state-owned and run. In this sense, it might be argued that the NEEQ is the least 'socialist' stock market in China. Lastly, what I said before about the platform's mechanism for pricing, consequently the potential for soaring valuations of companies listed on its boards, and comparing the system for IPOs with the wider IPO environment making it look like a bubble of fortune has led people at first sight to an understanding of it as a little piece of the financial order that is the most market-driven, not to mention a golden opportunity to make money.

While the above certainly does make the NEEQ in many respects a market qualitatively distinct from that of the SSH, SZSE, and HKEx, it would be a mistake to then conclude that the NEEQ is some kind of unfettered free market paradise for the new, capitalist investor classes in China. The NEEQ as a market institution is one just as much configured and coloured by a form of political governance and a way of ordering markets. Firstly, the history of the building of Chinese

OTC market shows that, from its origins in the STAQ and NET systems to its renaming as the New Third Board to its current position as the centre of the OTC market today, the NEEQ has been from the outset a project ensconced by the state system and realised through varying degrees of central and local government control and financial policy-making and its implementation in China. It is the legacy of a two-decade long cyclical process of de-/re-territorialisation, whereby the OTC market has gradually been created through the state perfecting ways to make and manage it more effectively, first through the building of STAQ and NET systems, then through the building of the Zhongguancun Issuer Quotations and Agency Trading System, and lastly through the building of the systems devised for the New Third Board and the NEEQ as described in this chapter. From this perspective, the NEEQ is not all that unique, but rather part of a broader picture of the political economy of the state making capital markets in China that dates all the way back to 1981 (see Lai & Yang, 2009). This brings me to the NEEQ's operator and the Financial Street.

With the relocation of the NEEQ's operating platform to the Financial Street, Beijing has once again become the centre-stage for the OTC market in China. This repositioning is not a coincidence of any sort. It means that what once was regarded as an experiment and an institution quite impermissible within the ideological confines of a socialist economy has been brought purposefully into the orbit of the political industrial financial complex as something to be actively constructed and promoted in the public consciousness. As well the NEEQ's operator should now be understood as completely submerged and immersed in and configured according to the political community and power structure of this industrial financial complex. For not only are its human resources divided into a highly-educated stratum of technocrats at the lowest levels and a *nomeklatura* class of political elite at the highest, but its status as a self-regulatory institution is a legal fiction. As an institution, the NEEQ is similar to that of many other of the financial institutions in the Financial Street in that, in the last analysis, shares in its company are majority-owned by the state and its corporate governance system is shot through by a set of CSRC-presribed rules for the market and the proceedings of its management structure that makes it less a membership organisation or a corporation than an enterprise governable by satellite. At best, one author has described it as 'an SRO following the government's guidance' (Yao, 2013: 198). Others have described it as 'partial self-regulation with Chinese characteristics', or 'part of the government in the name of self-regulatory organisation' (Ibid: 198-99). Whatever one wishes to call it, the notion of a 'self-regulatory organisation' seems to mean differently to the government in China, where it has been applied to all the exchanges of the stock markets as a discourse generally used to refer to institutions positioned to autonomously practice what the centre preaches without it having to micro-manage them.

Third, the listing process for issuers may be easier and faster than that experienced by their counterparts looking to issue their shares on the main exchanges, but the requirements for investors are much higher and the NEEQ as a whole is a closed system inside which the NEEQ operator sits rather panoptically as the CSRC-appointed guardian of the market. It is managed and overseen to ensure the function of an institutional market, i.e., a market in which companies are unable to offer securities to the public, but instead may only sell their stock to specific qualified investors. The NEEQ market is doubly cordoned off in this sense as it completely excludes foreign investors (QFII and RMB QFII) from participating, whereas the SSE and SZSE do not. All of this is by design. The difference between the NEEQ and the stock markets dominated by institutional investors in other parts of the world is that historically it has been artificially constructed and nurtured as an object of increasing policy-support post-2001 (as opposed to capital seeking independently new markets and profits).

Despite the absence of price controls, the NEEQ can thus be seen in another sense different from a free market as maintaining realistically its historical status as the most restricted marketplace in China. Within this environment, the volatility and risk posed by the absence of price controls, as well as the NEEQ's soaring valuations and its associated problems, can furthermore also be seen to be limited to a select demographic of investors namely composed of the richest members of Chinese society (individuals with millions in capital for investment) and the institutional corners of the financial world as opposed to the retail side of it and the middle classes. Furthermore, the market maker mechanism has been implemented precisely as an experiment in controlling and reducing volatility and risk and mitigating the negative effects of their occurrences. In terms of the roles they perform both as sponsors of issuers and as brokers for posting quotations, as well as the limits imposed on them and their behaviour, market makers have been positioned as guarantors. Their position is such that they have been made socially responsibility for keeping the NEEQ's market 'cool' versus its propensity to become superheated.

A Closed Market for the P/E and V/C Industries

Lastly, the NEEQ market is not only a closed market, but a market that is on the inside connected and configured according to a number of other industries and support for their participation by the state. The most obvious of these is the securities industry, which has been, and will continue to be well into the future, an industry closely tied to the state's prerogative both in terms of ownership (many of the relatively few securities companies in China have been formed out of backgrounds all related to state ownership or government agencies; see Yao, 2013: 199) and in financial policy-making terms. As it stands, their positioning within the market as market makers would suggest that the state believes it can build a securities industry in the image of itself, i.e., in the image of its role as a provider of markets. Ultimately, their position is meant to be conducive to the third market's completion as a role outsourced to them by the state. The NEEQ also serves as an experimental site for the venture capital industry, which is an important source of capital for the kinds of firms listed on it. As an industry considered by many mainstream economists to be a powerful driver of innovation, job creation, and economic growth in a nation's economy, many governments across the world have promoted the development of venture capital market as a national economic strategy and China is now no exception: the use of venture capital to fund firms is now an emerging focus of Chinese economic policy, both in general and oriented specifically toward the NEEQ. Lin (2015) provides a timeline for the development of the venture capital market in China that shows that the development of the venture capital market is influenced to a large degree by the development of the domestic stock market, including the NEEQ.

The Constructedness of the Closed Market

All in all, this creates a rather different image of a market that is not only a rather strict place to trade, but one that, given its historical constructedness, the nature and position of the securities intermediary structure in the marketplace, and the NEEQ's status as a recipient of support from other industries in the financial sector, not to mention state policy, has been intentionally made that way and oriented toward a specific purpose. The making of the NEEQ can be attributed to the state's aim to construct a multi-level capital market to create greater depth of financing options for the different sizes and types of firms in China. In turn, the position of the NEEQ within the Chinese economy should be interpreted and understood as oriented and aimed at becoming an instrument for the third market's completion (the state's plan being essentially to try to 'complete' a market). Market completion is the idea here. From the state's viewpoint, the NEEQ is important as an institution that might be able to shoulder the burden – the risk – of fostering the development China's of innovation-oriented, entrepreneurial, and growing medium, small and micro-sized businesses that have been historically hard to finance through the banks. If the NEEQ is targeted toward a particular type of company – small, early stage – it is also aimed at pairing and locating it amongst a certain type of social and economic capital. The second function of the NEEQ is to enable China's new investor classes, especially V/C and P/E firms as well as brokers (securities companies; the market makers), to participate in new areas of advanced production and services. It enables China's new investment classes to access sectors idealised to become the next drivers of growth and transition in the country's economy.

The State as a Market Designer

What I have been trying to demonstrate here is the NEEQ's constructedness, and not only that but its constructedness as an artifice of the state looking to produce an environment of negligible transaction costs, perfect information, and more accurate pricing toward optimum, or equilibrium, capital allocation (a 'complete' market). Through the CSRC, the NEEQ operator, and the state-ized securities intermediary structure of the marketplace, the state has decentralised its role and responsibilities as a market provider to become an effective market designer. The goal of the centre has been to make a market that would in turn make China a leading edge of innovation in the world economy (as opposed to its historical reputation as a copycat). And whereas ideas about how best to construct markets in the West tend to rest on a neoliberal theory of using the least amount of state possible to guarantee them through the provision of laws, the Party evidently attaches few limits to the capacity of the government to intervene in this sense. Historically, the state has used a heavy hand to mould and form the NEEQ gradually over decades, while variously manipulating and tweaking its legal regulatory structure to orient it toward the national economic and financial planning objectives of the times. Consequently, the NEEQ should not be understood as a corollary of liberty, freedom, and democracy, as foundations of the capitalist shareholding system on which the stock markets in America and Europe, and generally elsewhere, are based, but of its market's designer giving certain types of people whose intentions fit into the groove of the market's design permission to use them so long as their intentions are seen to match the outcomes the state preconceives the market as producing and which justify its *raison d'etre*. Of course, the flip-side to this is the level of disorder and disequilibrium perceived as being created in the market as a consequence either of the behaviour of entities who choose not to follow the prescribed logic of the market or as a result of the market's bad design. In any case, both manifest as 'problems'. Some of these problems have been explained in this chapter. They are dealt with through interventions aimed at re-establishing the market's desired order.

Conclusion

A Translucent Fiction

We tend to think of financial centres as globalised spaces of capital flow; as elements of a supra-orbital international economic system that has risen to become a satellite of earth beyond the relations of production and bypassing the sovereignty of states. Among the empirical referents for this system are privatisation, deregulation, and the opening up of national economies to an expanding network of transnational firms, which constitute the financial centre as their corresponding unit. As the spatial expression of this system, such places remodel bits of cities according to a certain replicated vision of the global, forming a translucent image: towering combinations of steel and glass, reflective surfaces, water elements, and large open spaces. Behind this glossy exterior, the financial centre is then believed to serve as a site for the glamorous, economic decision-making activities of a transnational creditor-rentier class, whose figures of economic inclusion stand closest to the model of *homo oeconomicus* insofar as they operate in an imaginary economy largely free from the real, material one outside (Staheli & Savoth, 2013: 237). The speculator especially is often presented as the figure-of-the-financial-centre *par excellence;* as he who, as Kaufman (1994: 6) put it, is 'free to roam throughout the financial sphere, in and out of currencies, equities, bonds, commodities, and related derivative instruments with primarily a very near-term focus and no particular loyalty to any national marketplace'. This vision of the speculator and the world to which he or she belongs is encapsulated in the thesis of the end of political economy by Baudrillard (1993: 18, 33):

> *'Marx simply did not foresee that it would be possible for capital, in the face of the imminent threat to its existence, to transpoliticise itself, as it were: to launch itself into an orbit beyond the relations of production and political contradictions, to make itself autonomous in a free-floating, ecstatic and haphazard form, and thus to totalize the world in its own image. Capital (if it may still be so called) has barred the way of political economy and the law of value; it is in this sense that it has successfully escaped its own end. Henceforward it can function independently of its own former aims, and absolutely without reference to any aims whatsoever…. Money is now the only genuine artificial satellite. A pure artifact, it enjoys a truly astral mobility; and it is instantly convertible. Money has now found its proper place, a place far more wondrous than the stock exchange: the orbit in which it rises and sets like some artificial sun'*

The Sinking of the Exchange

I would argue that those who see the financial centre in this way have become lost in an empty American immaterialist fantasy. It stands in stark contrast to the concept of the financial centre developed empirically here, which far from being a part of orbit is understood as being *sunk* in an economy of substance. Here, the financial centre's translucent architecture is not the result of an orbital whirl of capital touching down and becoming hyper-realised on the earth's surface; it is an edifice formed tellurically out of a national state project. From its inception, the Financial Street has been formed under conditions of national sovereignty and centralised control as opposed to globalisation. Furthermore, the root of its identity is not global: the mass of its architecture does not meet the needs of a network of transnational firms. Transnational firms compose only a small and highly insignificant part of it. Instead, the architecture through which money in the Financial Street passes is comprised primarily of a mix of locally incorporated or non-incorporated entities, all of which for the most part retain a near focus on the domestic economy. Moreover, in all my travels as a researcher, I never once came close to finding anything like the conceptual persona of the speculator outlined above. Far from housing an elite, transnational class of capitalists who are 'free to roam' global financial markets, the institutions comprising the Financial Street are managed by an appointed class of political elite, whose activities and by extension the activities of all those who work underneath them are heavily monitored, managed and restricted by the centre. In the Financial Street, economic decisions about asset storage, allocation and investment are often made within the frame of what the state considers acceptable from both an economic and moral standpoint.

The type of financial centre we have here visibly differs from anything seen historically. It is a focal point for state capitalism, in particular China's unique brand of centrally-managed capitalism. Understanding it as a setting supporting a central component of this model of economic development, sequential parts of this thesis proceeded one by one to unpack the black-box of the Financial Street's substantive content. Looking at it as a complex of institutions as opposed to focusing on particular firms and what goes on inside them, the organisational structure of Chinese state capitalism was shown in the Financial Street to be arranged in a networked hierarchy. This networked hierarchy can be understood to be composed vertically in the following manner: 1) at the top, institutions of political authority and financial policy formulation and transmission; 2) at the bottom, a set of vertically integrated state-controlled commercial corporate groups organised under Huijin; 3) in the middle, the regulatory apparatus of the state serves as a medium for the co-ordination and supervision of the implementation of policy as well as its enforcement. Fixed to the vertical axis of this hierarchical structure, the *nomenklatura* system acts a central motor for a helicoid personnel structure and appointment process controlled and managed jointly by Huijin and the Central Organisation Department of the CCP.

The hierarchical features of Chinese state capitalist organisation are here not difficult to understand: top-down mechanisms of governance within each corporate group link each of the core parent companies constitutive of the Financial Street's status as a 'headquarters economy' to other, state-controlled institutions positioned at the heights of the Chinese financial system, from whence actual commands are the sent down in the form of policy-directives transmitted from the centre's economic planners and strategists. However, this system is not simply hierarchical. The Financial Street's networked hierarchy is itself networked into larger, more elaborate networks inclusive of party organs and government administrative bodies. Such networks are what distinguishes China's model of finance capitalism here from other types of capitalism. In particular, the Financial Street's involvement in these networks is the result of a number of distinct but complementary institutional bridges. Some of these bridges appear informal, such as in the case of business associations. As a type of institutional bridge, such organisations speak to the embeddedness of economic activities in social relations (*guanxi*) – another feature of capitalism in China. More than this, however, they also serve as centrally-controlled armatures of the state's regulatory apparatus and builders of market institutions. Other types of institutional bridges appear legal, such as in the case of the Financial Street's controlling shareholder regime. In this respect, China's variety of capitalism shares something in common with the corporate capitalisms of other countries in Asia, where the control of firms by a small number of shareholders is not uncommon (Courteau et al., 2017). On the other hand, China differs from them in that the controlling shareholders in these countries, especially countries in Asia, are usually the founders of the firm and/or his or her family members, with firm control rights concentrated in the family or the lineage as socio-economic unit.[121] Still others types of institutional bridges are more overtly political in nature. Human Resource Departments, Communist Youth League Committees, Discipline Inspection Teams, and the Supervisory Boards - these are forms of red governance linking individual components of the Financial Street complex to the political centre. Lastly, each of the Financial Street's core corporations is also structured organisationally according to a formal political-administrative system of hierarchical political ranking, which binds them together in a regime of political equivalency.

[121] E.g., in Japan, Mitsubishi, Mitsui, Sumitomo, and Yasuda– the Zaibatsu; in South Korea, large family-owned conglomerates like Hyundai and Samsung – the chaebol. Before the communists took power, the world of Shanghai finance was also known to be controlled by three dozen or so industrialist families. Historically, the lineage served as the primary corporate form in China.

Discipline and Finance

All things considered, it is suggested that one useful to think of the networked hierarchy of the Financial Street is as a web formed by and around the party-state as this model of finance capitalism's central organising agent. One of the most distinguishing characteristics of this web is its size. It encompasses an absolutely huge slice of the 'pie' with respect to the entities constitutive of the position of dominance the state has engineered for itself in the domestic economy. Another distinctive characteristic of this web is then not only its size, but its significance as a complex that encompasses in addition a cross section of two types of elites in Chinese society: one economic, one political. At the highest levels, its personnel structure is constituted by a hybrid merger of the two, by the *nomenklatura*. Insofar as the *nomenklatura* represent a base of the Party's interest, the Party can be seen to be prefigured in the biological architecture – the silk - of the district's web. The *nomenklatura* constitutes its social code – a more intimate way in which the Beijing financial complex is tied up into politics. In a very real sense, the *nomenklatura* are a biopolitics constituting a key vertical interlock between the party-state and the corporate business groups it controls in the Financial Street. They are the ultimate institutional bridge.

In this light, the financial centre appears less like a (formal economic) construct of financial markets than an integral part of China's political system. More than that: it is part of an authoritarian political regime. As such, it embodies a political *dispotif* – a system of relations with distinct structural characteristics composed between its unique clustering of elements at the apex of the state-controlled financial system in China. The methodological function of this *dispotif* forms a discipline for the construction and maintenance of the state's power within it. In turn, this discipline forms the basis – the foundation – of the state's financial power in the economy. Such power is then typically exercised in one of a number of ways. Most basically, it is oriented toward sustaining the production, accumulation, and reproduction of capital. As a political resource, the state then allocates and distributes it as a means to do or achieve something through finance (keeping strategic industries alive by demanding that banks loan to them, etc.). More complexly, it is exercised as a discourse – a way of constituting knowledge and a form of power – that circulates and constructs the state as a pillar of order in the financial world. As the physical embodiment of this pillar, the Financial Street is that around which all roads then 'lead to Rome', so to speak. This is to mean that, as a national financial management centre, the Financial Street is generally that according to which the environments of banking and finance in China are asymmetrically configured. All networks of finance, once they become saturated with traffic (money), eventually get routed through it and included subordinately as part of a general strategy of domination and control over the financial sector. Quite different from 'flow', finance here gets 'stuck' in the web of the financial complex' regulatory apparatus, which perhaps more than capital is the source of all its financial power. Finally, the power that runs through the disciplinary regime of the Financial Street is exercised in connection with the state's role and vision for itself as an institution-builder. Chapter Seven documented the construction of the NEEQ: such institutions are demonstrative of the Financial Street as a centre of market design. And whilst it is the most market-driven piece of the financial order manufactured to date, its development has been joined with the sequence of purposes of the political industrial financial complex.

The Infrastructure of Means: the Asian Infrastructure Investment Bank and the One Belt, One Road Project

In the final part of this thesis, I want to discuss briefly the Financial Street as an *infrastructure of means*; as collectively the subordinate parts of an undertaking by the state. Specifically, I want to discuss it as an infrastructure of means 'to go out' (*zǒu chūqù;* 走出去). Increasingly, the disciplinary regime of the Beijing Financial Street now forms not only the foundation of the state's controlling position in the domestic economy, but the springboard of its economic activities overseas. Historically, the Big Four banks have served as the key elements of its infrastructure in this regard, which can be gathered by looking at the map of their expansive global footprint in Figure 37. Not only does the network of their overseas branches and subsidiaries constitute the primary channels for the state's investment activity abroad, but as the listees of Huijin their corporate groups serve as the capital base for the extensive international investment activities of the China Investment Corporation (China's number one sovereign wealth fund). More recently, however, China's mission to go global has become the undertaking of a new addition to the Financial Street's institutional environment, that is, the Asian Infrastructure Investment Bank (AIIB).

Figure 37: The Global Footprint of the Big Four[122]

Established in 2015, the AIIB is a multilateral development bank (MDB), which is typically an international financial institution formed through international treaty by group of sovereign nations to finance the development of other, usually developing countries. MDBs' mode of financing is project-oriented. Projects are financed through long-term non-concessional loans (loans offered at market or close-to-market interest rates), longer-term concessional loans (loans offered at below-market interest rates) and grants (in the form of development assistance and aid). They tend to act like global corporations in that each nation contributes capital and is a shareholder with clearly defined voting rights and responsibilities. Between the nations in the group, there must be contributed a sufficient amount of capital for the MDB to be initially financially viable. Afterward, funds are raised in the international capital markets against the credit ratings of the nations that represent it.

There are currently around 20 MDBs in operation across the world. Although the AIIB is comparable to these institutions in many respects, it is unlike them in a number of others (Kawai, 2015: 8). Firstly, non-concessional loans are the sole mechanism for project financing. This is because the AIIB is solely focused on infrastructure investment and connectivity as opposed to poverty reduction and sustainable and social development. Secondly, the membership of the AIIB is relatively large by comparison with other MDBs. It has over 50 member countries. Third, the AIIB's membership represented by its Board of Governors is composed 75%/25% of the finance ministers of Asian and non-Asian states respectively. Crucially, its membership excludes

[122] Made using Google Maps.

the U.S. and Japan. For various reasons, both chose not to participate – something widely seen as a bad move on their part (Harris, 2015). Furthermore, whereas the U.S., Japan and the strongest economies in Western Europe tend to dominate the power structure of other MDBs, the AIIB's power structure has been built in favour of China as its largest shareholder, which grants it effective veto power (around 27-29% of the vote). Fourth, China's power relative to the rest of the membership is also reflected in the personnel structure of its Board of Directors, where it stands alone as the entity whose size of capital contribution permits it to represent itself (as opposed to being represented as part of a group of member-nations). That said, by comparison with other MDBs the Board of Directors of the AIIB is non-resident as opposed to resident, which is likely to invest more power in the bank's senior management team. Lastly, the share of capital required to actually be paid in by each member nation is substantially higher than in most MDBs (20%). This is because: a) the AIIB loans to the private sector as opposed to sovereign borrowers (governments); b) the AIIB is held by many developing Asian economies, which are relatively weak financially speaking. Both of these mean that the AIIB requires a higher share of paid-in capital to maintain a credit rating that would allow it to function as an international bank.

Similar to the NEEQ, the AIIB is an artifice of Chinese design. However, unlike the NEEQ, this design has received input from the international community. The inauguration of the AIIB was preceded by Xi Jinping's trip to South East Asia on October 13th, when it was first proposed as a way to integrate Asia (Wang, 2015).There then began an economic charm offensive, with Xi and Li Keqiang promising the leaders of various emerging economies in Asia visions of not just infrastructure investment, but loans and funding through 'friendship treaties' and agreements as well (Sun, 2015: 28; Wu & Zhang, 2013; Webb & Paul, 2014). This was followed by a period of rallying for regional support, which led to the expansion of the vision of the bank's membership from a 'bloc' to a 'region' defined as 'Asia' and 'Oceania' (Harris, 2015: 47). China's politicians then almost immediately encountered resistance in the form of questions about the way in which the bank would position China within this region, leading to a second economic charm offensive and further clarification of the bank's *raison d'etre*. It was shortly thereafter, in 2014, that the Party then setup the 'Working Group of the Establishment of the AIIB' (WGEA), which was staffed of high-ranking *nomenklatura* from the NDRC, the MOF, and the Import-Export Bank of China, as well as Jin Liqun, current Chairman of the AIIB and ex-Chairman of the China International Capital Corporation (CICC) (a massive state-controlled investment bank headquartered in the Financial Street)(Sun, 2015: 34). From 2014 on, the WGEA then became the primary architect of the AIIB. After a number of issues were ironed out, 21 countries then signed a Memorandum of Understanding on March 2015. This was followed by 57 countries' applications to become founders (Sun, 2015, 31). Quite unexpectedly, the UK joined in the application, with many other European countries then following suit (Ibid: 35). The architecture of the AIIB was then finalised through five rounds of negotiations over its Articles of Association, following which another 50 countries joined (Ibid).

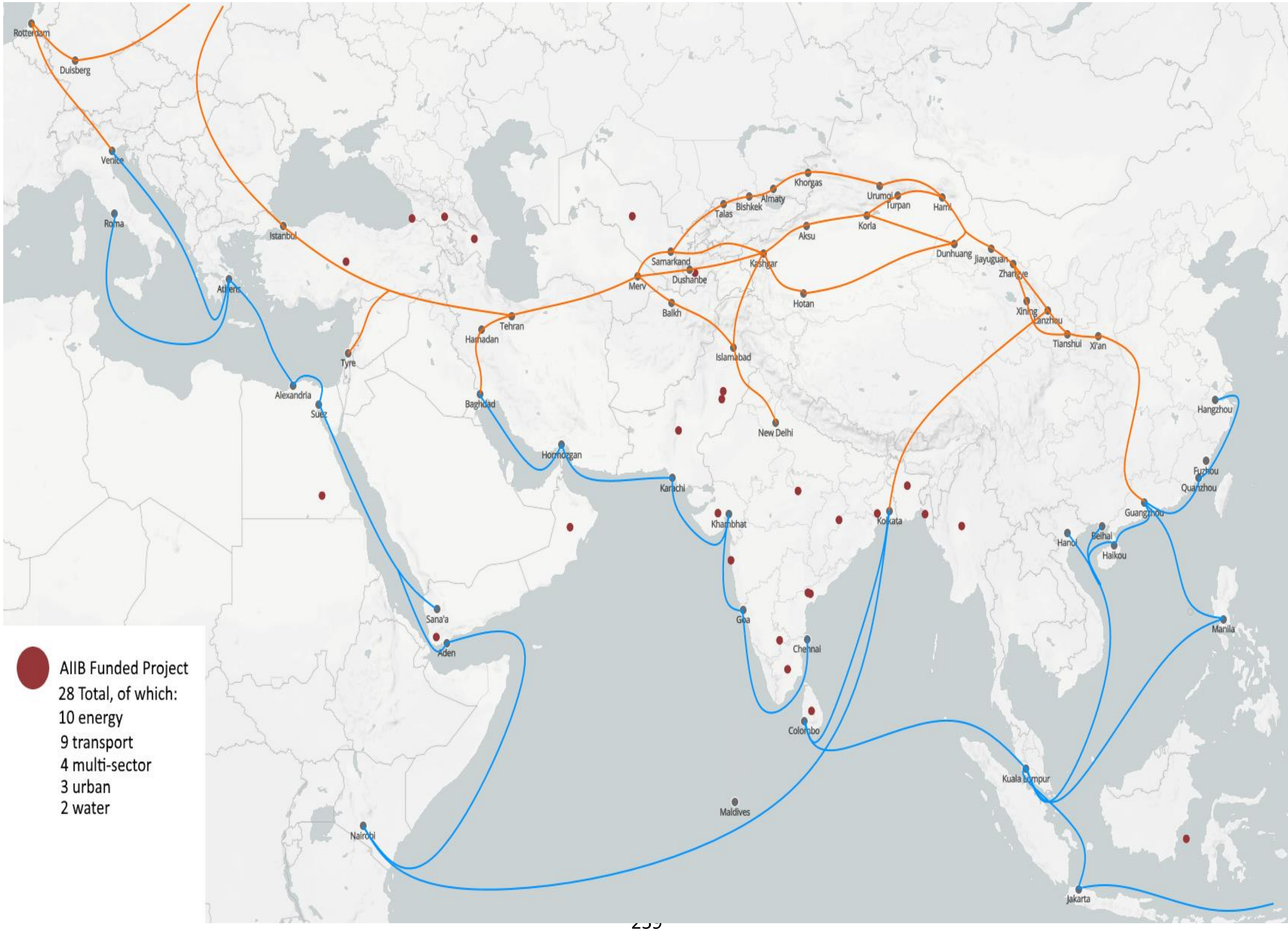
China's decision to establish the AIIB was motivated by four inter-connected key factors, some of which appear altruistic, some not so much (Kawai, 2015). Firstly, there is the issue of the Infrastructure investment gap in Asia, estimated to amount to around $1 trillion a year, $8 trillion between 2010-2020, and $20 trillion to the year 2030 (WB , 2015; ADB, 2009; Xinhua, 2017b; 2017c). China has a history of increasing public spending to promote growth (Sun, 2015: 29). Insofar as infrastructure is seen as key to the growth of the region, closing this gap has been cited by officials as the primary motivation for the bank's foundation. Secondly, there is a dissatisfaction with the existing setup of international financial institutions, which has not only failed to close the infrastructure gap in Asia, but which reflects a global economic situation from another time – a time when China had yet to become the world's second largest economy. Alongside the recently formed BRICs New Development Bank (NDB) and the Contingent Reserve Arrangement (CRA), the creation of the AIIB can therefore be contextualised as part of a wider institution-building initiative aimed at reshaping the world economic order according to the new *status quo*, which as we've seen in Chapter One is characterised by the elevated political-economic status of various countries in Asia and the Pacific, especially China. Third, excess capacity in the country's strategic materials-producing industries, particular in the national champions, has become a huge problem plaguing China's domestic economy. Through the international infrastructure investment activities of the AIIB, China hopes to stimulate and expand external demand for its excess capacity in AIIB member countries. Lastly, the AIIB is not only an instrument for solving problems at home, but for realising its foreign policy objectives. China's foreign policy is derived, it says, from 'Five Principles of Peaceful Co-existence': mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in the internal affairs of other countries, equality and cooperation for mutual benefit, and peaceful co-existence. However, whereas before in the era of Deng Xiaoping these objectives were to be achieved through keeping a low profile (*taoguang yanghui*), they now mean proactively going out (*zouchuqu zhanlve*) to reshape the international environment in favour of its reform and market-oriented economy. As a vehicle for outward investment directed overseas, the AIIB is a platform for this political venture.

Although the two are not completely equivalent, the AIIB's *raison d'etre,* including all of the reasons just mentioned, is encapsulated by its role as pillar of financial support for the 'One Belt, One Road' project (*yi dai yi lu,* 一带一路), which is considered inside China to be an upgraded version of the country's opening up policy.[123] In the immediate term, the One Belt, One Road project can be understood as a response to the 'new normal' , which is just a pseudonym for three inter-related problems in the Chinese domestic economy: 1) slowing total factor productivity (as a measure of technological advance); 2) the dropping marginal product of capital (indicators of which are ghost real estate and excess capacity issues in important industries), and; 3) low household consumption, which stood at 37% of GDP in 2015 (WB, 2015; Dollar, 2015). This is compounded by the financial vulnerabilities produced as a result of China's rising debt crisis, which has been created by local government borrowing, bubbles in the country's housing markets, and problems associated with the rise of the shadow banking sector. The plan to rebuild parts of the old silk and maritime trade routes is a long-term strategy aimed at countering the country's slowing economic growth and supporting continued restructuring of China's economy going into the future. It envisages large-scale capital investment in infrastructure in the countries along a 'Silk Road Belt' and a '21st Century Maritime Silk Road', which as a geographical region encompasses most if not all of the AIIB's Asian membership (see figure below). Building infrastructure is seen a way to build and expand access to markets, which China then plans to use to alleviate the problems of over-investment, excess capacity, excess credit, and energy and resource insecurity in its own economy. The One Belt, One Road project is also envisaged as a form of soft power meant to fulfil the country's foreign policy objectives of improving diplomatic relations abroad, especially diplomatic relations with the emerging economies of Asia. The Party sees it as key to its becoming a full-fledged superpower.

The AIIB is not the only pillar supporting the One Belt, One Road initiative. It is joined by the China Investment Corporation, the Import-Export Bank of China, the State Administration of Foreign Exchange, and the China Development Bank. Each of them is also a founder of the Silk Road Fund – another funding platform for the One Belt One Road. Insofar as all of these institutions are based and located in the Beijing Financial Street, they characterise it as an infrastructure of means now progressively becoming oriented toward the realisation of a new system of cross-border trade, investment and financial flow. In this sense, the financial centre and politics in China can be seen to be dynamically synchronised: the financial centre moves and changes with the other. Moreover, insofar as the One Belt, One Road project may be construed as a vision to construct a China-centric economic order, the financial centre can be understood as an instrument for China constructing capitalism on the world stage. Lastly, the Financial Street can itself be seen to be involved in something far more lasting and historical. The One Belt, One Road project is more than just a response to current economic conditions in China. From the

[123] This is not an informal connection that I have made; it is official. Shortly after the AIIB was founded, Xi Jinping released an official statement: 'China's inception and joint establishment of the AIIB with some countries is aimed at providing financial support for infrastructure development in countries along the "One Belt, One Road" and promoting economic cooperation' (Xinhua, 2014; see also Sun, 2015).

perspective of the *longue duree*, the revival of the old Silk Road and maritime trade routes is not just an economic strategy; it signals a momentous occasion for both China and the World. It signals that China is coming back to Asia.


AIIB Funded Project
28 Total, of which:
10 energy
9 transport
4 multi-sector
3 urban
2 water
Rotterdam
Duisberg
Venice
Roma
Athens
Istanbul
Tyre
Alexandria
Suez
Hamadan
Tehran
Baghdad
Hormozgan
Karachi
Sana'a
Aden
Nairobi
Khambhat
Goa
Chennai
Colombo
Maldives
Kolkata
New Delhi
Islamabad
Balkh
Merv
Samarkand
Dushanbe
Talas
Bishkek
Almaty
Khorgas
Kashgar
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Hotan
Urumqi
Turpan
Hami
Korla
Dunhuang
Jiayuguan
Zhangye
Xining
Lanzhou
Tianshui
Xi'an
Hangzhou
Fuzhou
Quanzhou
Guangzhou
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Haikou
Manila
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Jakarta

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Appendix A: Questionnaire Part 1

Interview Number:

Time of Interview:

Date of Interview:

Length of Interview:

Location of Interview:

Name (英文):

Name (中文):

Phone:

WeChat (威信):

E-mail:

CV: Yes/No

Inviter:

<u>Disclaimer Note</u>

This is a qualitative study looking at the way in which the culture of professionals working in 金融街 interfaces with the practice of finance in Beijing, in connection with the way in which China is constructing capitalism. It is understood that 金融街 – and especially the lives and events of the people working there - provides a powerful prism through which to understand China's ascendant political economy, its embeddedness in social networks of state-business-labour, and also a particular demographic of Beijing and its impact on financial flows. As a qualitative study researching the lives of particular individuals, this project is being undertaken with the aim of developing a more in-depth understanding of 金融街 status as a significant financial centre, which has historically been eclipsed by studies of Shanghai, Hong Kong, and the rapidly developing south (e.g., Shenzhen). Once the study has been completed, it is envisaged that it will be used as a descriptive resource for other researchers to draw on and to undertake further research on China’s inter-city network of finance.

(此项研究致力于探索金融街工作的专业人才和北京金融领域发展的相互影响对中国*资本市场*构建的作用。以往的研究大多集中在上海、深圳及香港等发展较快的南部沿海地区。然而，北京金融街作为北京金融领域的核心地区，这里涉及的社会关系、劳动力市场、以及各类商业交易都反映着中国主流的政治经济思想。因此，此项研究旨在通过定性分析金融街中个体的工作形态来深入理解金融街这一具有重要影响力的金融中心，从而为今后关于中国城市金融网络的研究奠定一定基础)

Subject

Age (年龄 nianling):

Gender (性别 xingbie):

Marital Status (婚姻状况 hunyinzhuangkuang):

- Now married (已婚 yihun)
- Engaged (订婚 dinghun)
- Widowed (丧偶 sangou)
- Divorced (离婚 lihun)
- Separated (分居 fenju)
- Never married (未婚 weihun)

Children (孩子):

Hometown (家乡):

Party Membership (你的政治面貌 zhengzhimianmao 是什么？是党员吗):

Educational Attainment

What is the highest level of education you have completed? (你最高的学历 xueli 是什么？)

- University (大学):
- Degree (学位):
- Subject (专业 zhuanye):

How many years in total have you spent at school or in full time study? (从你上学开始到你毕业，你一共花了多长时间？)

Have you ever attended a private school? (你在私立学校 silixuexiao 学习过吗？)

Think of this ladder as representing your standing relative to the rest of those in educated in China. Where would you position yourself on this ladder? （和其他中国人相比，你认为你的教育水平怎么样）

Occupational Status

Employment Status (工作状况 zhuangkuang):

- Full-time employment (全职 quanzhi)
- Part-time employment (兼职 jianzhi)
- Temporary employment (兼职 jianzhi)
- Retired (退休 tuixiu)

- Other (please specify) (其他，请详细描述 qingxiangximiaoshu)

Name of Employer (公司名称 gongsimingcheng, 英文):

Name of Employer (公司名称 gongsimingcheng,中文):

Type of Employer (公司类型 gongsileixing):

- non-private marketised firm (e.g., CCB)
- marketised private firm (e.g., Goldman Sachs)
- state-led institution (e.g., CSRC)

Job title/position (职位 zhiwei，英文):

Job title/position (职位 zhiwei,中文):

Department (部门 bumen, 英文):

Department (部门 bumen, 中文):

What year did you first start working for your current employer? (你哪年开始在这家公司工作？)

How long have you worked for your current employer? (到现在为止 weizhi，你在这家公司工作了多长时间?)

- Under 3 months (少于三个月)
- 3 – 6 months (三至六个月)
- 6 – 12 months (半年至一年)
- 1 – 3 years (一年至三年)
- 3 – 5 years (三年至五年)
- 5+ years (大于 dayu 五年)
- 10+ years (大于 dayu 十年)

Is this your first job? If not, where else have you worked? (Note: name of employer, position, post duration) (这是你的第一个工作吗？如果不是的话，你在什么其他公司工作过吗? 提示：公司名称，职位，你在那个职位工作多长时间)

How did you find out about your job? (你怎么知道这家公司？)

- Careers service on university campus （学校里的职业指导机构 zhiye zhidao jigou）
- Through employer’s website (公司网站)
- Newspaper/magazine/website advertising (报纸，杂志，网站等媒体推广 meitituiguang)
- Personal network (family) (家庭关系)
- Personal network (friends)(朋友关系)
- Professional network (同事们介绍)
- Headhunted (猎头 lietou)
- Other (please specify) (其他，请详细描述, qingxiangximiaoshu)

What motivated you to take this job? (e.g., prestige)(你做这份工作的目的 mudi 是什么？是什么让你决定做这份工作？)

Did the location – 金融街 – influence your decision to take the job? Are there any advantages or disadvantages associated with working in 金融街?（是金融街吸引 xiyin 你在这里工作吗？ 在金融街工作有什么优势 youshi 和劣势 lieshi？)

How useful do you believe your educational background from university has been (or will be) in your career? （你认为你的高等教育 gaodeng jiaoyu 对你的现在的工作有帮助吗）

- Highly useful (非常有帮助)
- Moderately useful (一般有帮助)
- Somewhat useful (有一点帮助)
- Of little or no use (几乎没有帮助)
- Cannot judge (不知道/不清楚)

(please elaborate on the reason(s) for your choice below)

(你为什么选这个？)

Does the position you occupy within your company ascribe you any kind of political rank? （e.g., 科级 or 处级）(你在公司有没有行政职级 xingzheng zhiji)（e.g., 科级 or 处级）

How many days do you work on average per week? (一个星期，你平均 pingjun 工作多少天?)

- 4
- 5
- 6
- 7

How many hours do you work on average per day? (一天，你平均 pingjun 工作多少个小时？)

- 7
- 8
- 9
- 10
- 11
- 12+ (大于 12 个小时)

Of the number of hours you work on average per day, how much of this is constituted by overtime? (你平均 pingjun 每天加班几个小时？)

Organisation

Do you see yourself as having autonomy at work? How would you rank your independence/autonomy? (你认为你在你的公司有没有独立 duli 的自主权 zizhuquan?)

- Very high (非常高)
- High (高)
- Moderate (一般)
- Low (低)
- Very low (很低)

What kind of contract do you have with your employer? Do you consider your job to be short-term or long-term? （你和你公司签署 qianshu 的是什么样的合同？你觉得你的工作是短期 duanqi 的还是长期 changqi 的？）

a) If long-term) what are your career goals within your company? （如果你想长期 changqi 做这份工作的话，你在这家公司工作目标 mubiao 是什么？）

b) If short-term) what do you instead plan to do in the future? （如果短期 duanqi 做这份工作的话，你在未来 weilai 有什么打算？）

Income

What is your current salary per month, after taxes and other deductions? (你目前 muqian 每个月的收入是多少，税后 shuihou？)

- ¥5,000 - ¥10,000
- ¥10,000 - ¥20,000
- ¥20,000 - ¥30,000
- ¥30,000 - ¥40,000
- ¥50,000+
- Other (please specify) (其他，请详细描述 xiangximiaoshu)

What is your estimated monthly expenditure? (你估计 guji 你每个月的开销 kaixiao 是多少？)

- ¥5000 - ¥10000
- ¥10000 - ¥20000
- ¥20000 - ¥30000

- ¥30000 - ¥40000
- ¥50000+
- Other (please specify)（其他，请详细描述 xiangximiaoshu）

What do you usually spend the most money on each month? (你估计你每个月花大部分钱在什么上？（请从以下选项选择 xuanxiangxuanze)）

- Food (食品)
- Rent/Mortgage (房租/抵押贷款 diyadaikuan)
- Health (健康 jiankang)
- Transport (交通)
- Clothes (衣服)
- Family/friends/workmates networking (社交 shejiao)
- Other (please specify)(其他，请详细描述 xiangximiaoshu)

Wealth and Network

How many people do you live with? (你和几个人一起住？)

Beijing district (你在哪个区住？ e.g., 西城):

Is your apartment (你的房子是):

- Owned by you or someone in this household with a mortgage or loan? （
- Owned by you or someone in this household free and clear (without a mortgage or loan)?
- Rented for cash rent?
- Occupied without payment of cash rent?
- Other (please specify)

Size of apartment (房子大小):

- Below 40msq (小于 40 平米)
- 40-60msq+
- 60-80msq+
- 80-100msq+
- 100msq+ (大于 100 平米)

Do you own a car? (你有自己的车吗？)

Do you own or derive any income from any of the following? （你是否投资以下选项 xuanxiang）

- Stocks and shares (股票 gupiao)
- Bonds (债券 zhaiquan)
- Real estate (房产)
- Bank financial products (银行金融产品)
- Trusts (信托 xintuo)
- Royalties (版权 banquan)

- Businesses (生意)
- Other (please specify)(其他，请详细描述 xiangximiaoshu)

How frequently do you travel? (一年你旅行 luxing 几次？)

When you travel, do you usually travel within China or abroad? （当你旅行 luxing 的时候，你经常在中国还是去国外？）

When you travel, is it usually for the purpose of (你旅行的目的 mudi 是什么？):

- Business (出差)
- Tourism (旅游)
- Visiting friends and family (走亲访友 zouqin fangyou)
- Other (please specify) (其他，请详细描述 xiangxi miaoshu)

Family SES

Which of these categories do you think best describes yours and your parent's total combined family income for the past 12 months? (在过去的一年里，你的家庭总收入大概是多少？)

- Less than ¥100,000
- ¥200,000 - ¥500,000
- ¥500,000 - ¥1,000,000
- ¥1,000,000 - ¥2,000,000
- ¥2,000,000 - ¥3,000,000
- ¥3,000,000 - ¥4,000,000
- ¥5,000,000 - ¥10,000,000
- ¥10,000,000+

Family Composition									
No.	**Relationship**	**Age**	**Employment Status**	**Primary Occupation**	**Company Name**	**Type of Employer** 1- (e.g., SOE) 2- (e.g., Non-SOE) 3- (e.g., gov) 4- Other	**Highest level of education** 1- Primary 2- Middle 3- High 4- UG 5- PG	**Place of Residence**	**Hometown**
1									
2									
3									
4									

Appendix B: Questionnaire Part 2

Part 1: The Financial Street 第一部分：金融街

How would you differentiate the role that the Financial Street plays in Beijing from that of Chaoyangmen's CBD and the north-west financial corridor?

你觉得金融街和朝阳 CBD 在北京的功能和地位有什么区别？

How would you differentiate the role the Financial Street's plays in finance in China from that of financial centres like Shanghai, Shenzhen, and Hong Kong?

你觉得金融街在中国金融领域的地位和上海、深圳、香港的金融中心有什么区别？

How would you rate the importance of the sum of the Financial Street's financial institutions to the Chinese economy and finance as a whole?

你认为金融街所包括的所有金融机构对中国经济整体发展的重要程度是什么？

- Paramount importance 非常重要
- Very high 很重要
- High 重要
- Moderate 还可以
- Low 不重要
- Very low 很不重要
- Inconsequential 完全不重要

How would you describe the role of the Financial Street in the Chinese economy as a whole?

你认为金融街所包括的所有金融机构对中国经济整体发展起到了怎样的作用？

Part 2: Stock Market 第二部分：股市

Chinese stock markets got off to a good start in the first half of 2015, with a record number of individuals and institutions investing and listing their companies. Since mid-June, however, the value of the stock market has plummeted by around 40%. What the media is calling one of the worst stock market crashes in China's history has also had repercussions for world stocks, which slumped as panic spread from Shanghai to Shenzhen to London and New York.

Visibility, Perceptions and Understanding

How would you rate the severity of China's stock market crash since mid-June?

你认为 2015 年 6 月中旬中国股市大跌的严重性是?

- Very high 非常严重
- High 比较严重
- Moderate 中等
- Low 比较不严重
- Very low 很不严重

Do you perceive the recent chaos in the stock markets to be a risk to the real economy in China?

你认为最近这次股灾是否会对中国实体经济产生风险?

Do you have any theories as to what might have led to the events of the stock market crash since mid-June?

你对这次股灾行程的原因有什么自己的解读和看法?

What level of confidence do you have in the government's ability to effectively overcome the challenges associated with the Chinese stock market?

你对中国政府是否能够有效应对股灾所带来的挑战的信心是？

- Very high 非常高
- High 很高
- Moderate 还可以
- Low 较低
- Very low 很低
- None whatsoever 无所谓

Embeddedness

Individual 个人

Do you personally invest in the stock market?

你自己有投资股票吗？

a) How would you rate the level of impact that recent events in the stock market have had on you personally over the past year?

你会如何形容股灾在过去一年对你个人生活造成的影响？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低
- None whatsoever 没有

b) If yes) How has the crash impacted on you personally (+family?)? Have events in the stock market led you to change the way you invest in stocks and shares at all?

如有影响，请问此次股灾对你（和家人）产生了怎样的影响？这次股灾是够改变了你投资股市的风格和习惯？

Institution 机构

How would you rate the level of impact that recent events in the stock market have had on your company over the past year?

你会如何形容股灾在过去一年对你的公司造成的影响？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

What impact, if any, have the events of the stock market during the past 6 months had on your company?

如有影响，请问此次股灾对你的公司产生了怎样的影响？

How has your company reacted to the events of the stock market during the past 6 months?

在过去半年里，你的公司是如何应对股灾的？

Has your company been enlisted by the government to aid in the stabilisation of the stock market?

你的公司是否被政府要求救市？

What level of confidence do you have in your company's ability to cope with the shocks and trauma associated with events in Chinese stock market?

你对你的公司应对股灾带来的震荡信心如何？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低
- None whatsoever 没有

Financial Street 金融街

How would you rate the level of impact that recent events in the stock market have had on the Financial Street over the past year?

过去一年你认为股灾对金融街造成影响的程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低
- None whatsoever 没有

How would you describe the role of the Financial Street as a whole in the Chinese stock market?

你认为金融街在中国股市中起到什么样的作用？

Why doesn’t the Financial Street and Beijing have a stock market?

为什么金融街或者北京没有股票交易所？

Part 3: Anti-Corruption Campaign 第三部分：反腐运动

Some financial analysts have suggested that the events of the stock market since June may have occurred as a result of the incompatibility of Xi Jinping’s anti-corruption campaign with that of the wild entrepreneurial spirit of cities on the eastern seaboard that have been powering Chinese growth for decades. Last year, over 50,000 officials involving more than 37,000 cases were investigated for corruption and the anti-corruption campaign has become a central defining characteristic of Xi’s administration. Li Keqiang recently stated that: "Corruption is the natural enemy of a people's government."

Perceptions, Understanding, and Experience 观点、理解和体验

Do you agree with Xi Jinping’s administration that tackling corruption should be one of China’s top priorities?

你是否认同习主席关于反腐是中国目前发展首要任务的观点？

How would you rate the effectiveness and success so far of Xi Jinping’s anti-corruption campaign?

你如何评价习主席的反腐运动目前所取得的成效？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

How would you rate the level of corruption – if any – within your company?

你认为在你的公司腐败的程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

How would you rate the level of corruption – if any – within the Financial Street as a whole?

你认为金融街的腐败程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

How would you rate the level of corruption – if any - within the financial sector across the entire country?

你认为中国金融领域的腐败程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

Embeddedness

Individual 个人

How would you rate the level of impact of the anti-corruption campaign on your personal life?

你认为反腐运动对你的个人生活影响程度是怎样的？

- Very high 非常高

- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

How would you summarise the impact of the anti-corruption campaign on your personal life?

你认为反腐运动对你的个人生活产生了怎样的影响？

Organisational Culture 企业文化

In December 2013, the government issued a statement purporting to want to ‘strengthen ties with the people by cleaning up undesirable work styles (*fangsifeng 反四风)*- extravagance, formalism, bureaucracy and hedonism’. Do you see these problems as present within your workplace?

2013 年 12 月，政府出台了“反四风”-反对形式主义、官僚主义、享乐主义及奢靡之风。你现在的工作环境是否存在这些问题？

Has your company created any specific measures in an effort to remove these ‘undesirable work styles’?

你的公司是否针对四风问题出台了一些政策措施？

Organisational Structure 公司结构

Has your work made any changes to company policy or made any other kinds of changes as a result of the anti-corruption campaign?

在反腐运动中，你的公司是否对规章制度作出相应的调整？

Have you ever come into contact with the (*xunshizu* 巡视组) 'patrolling committees'?

你是否接触过巡视组？

How would you rate the level of impact of the anti-corruption campaign on your company?

你认为反腐运动对你公司的影响程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低
- Very low 非常低

How would you summarise the impact of the anti-corruption campaign on your company?

你认为反腐运动对你公司产生了怎样的影响？

Financial District 金融街

How would you rate the level of impact of the anti-corruption campaign across the institutions of the Financial Street as a whole?

你认为反腐运动对金融街内的机构的影响程度是怎样的？

- Very high 非常高
- High 比较高
- Moderate 中等
- Low 比较低

- Very low 非常低

How would you summarise the impact of the anti-corruption campaign across the institutions of the Financial Street as a whole?

你认为反腐运动对金融街内所有的机构产生了怎样的影响？