Elitism and Returns to CPC Membership in China*

Yunzhi Hu
Graduate student
Department of Economics
University of Chicago
yunzhihu@uchicago.edu

&

Yang Yao
Professor
China Center for Economic Research,
National School of Development
Peking University
Beijing 100871, China
yyao@ccer.pku.edu.cn

Abstract:

The membership of the Communist Party of China (CPC) has been more than doubled in the last thirty years. This paper proposes and tests a set of hypotheses revolving around the idea that the CPC has kept its appeal by strategically shifting its organizational efforts to sectors with potential high rents. We show with national data that over the time the CPC has set up more grassroots organizations in high-rent sectors than in low-rent sectors and CPC members have become more elitist. Using individual data provided by two national surveys, we find that CPC members are more likely to find a job in high-rent sectors, and compared with those in low-rent sectors, people already working in high-rent sectors are more likely to submit applications to the party and the party is more likely to accept them. In addition, CPC members in high-rent sectors enjoy higher premiums of the party membership in promotion and earnings compared to their counterparts in low-rent sectors. To take care of the confounding factor of unobserved abilities determining party membership and sectoral choices, we run various specifications under different scenarios and find that our results are robust.

Keywords: CPC premiums, interest groups, rent seeking

JEL: D31, D71, J31, P20

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1. Introduction

Over the last thirty years, the membership of the Communist Party of China (CPC) has been more than doubled, increasing from 35 million in the early 1980s to 78 million in 2010; CPC members' share in the Chinese population was increased from 3.5% to 5.7% (Figure 1). This trend contradicts the prediction of the market transition theory (e.g., Nee, 1989) assessing that the transition from economic planning to market coordination would provide people an alternative path for socioeconomic mobility than joining the party so the party membership should fall.

[Figure 1 about here]

There are many studies in the literature trying to explain the discrepancy between the theory and the reality. They can be grouped into two categories, one studying the supply side of the CPC membership and looking at people's motivation to join the party, and the other studying the demand side and looking at the changes made by the CPC itself. This paper is aimed at providing an empirical study integrating the supply side and demand side stories. In particular, we propose and test a set of hypotheses revolving around the idea that the CPC has kept its appeal by strategically shifting its organizational efforts to sectors with potential high rents.

The CPC had a strong political inclination favoring the working class before 1978, so the prestige associated with the party membership was more political than economic in that time. Consistent with its decision of economic liberalization, the CPC has gradually opened up its membership to a wider range of the population. In particular, attracting talented people has become imperative for the party to maintain a capable bureaucracy and to run a successful economy. To do that, the CPC has to increase the economic premiums associated with its membership. Instead of stretching its organizational resources across the board, it is more efficient for the party to concentrate on a few sectors with potentially high rents that can be made complementary to the CPC's organizational efforts.

To see the mechanism behind, let us suppose that the economy is comprised of two types of sectors, those with high rents and those with low rents. Here rents refer to benefits that are not associated with individual merits, but instead associated with the characteristics of a sector such as its monopolistic power and its relations with the government. The CPC has two strategies to attract new members and maximize the sum of gains of all of its

members. One is to offer a high premium in every sector, and the other is to concentrate its organizational resources to the high-rent sectors. The second strategy is better than the first because it makes it easier for the CPC to raise the premium of its membership due to the potential complementarity between rents and the CPC's organizational efforts. The higher premium in high-rent sectors creates two effects to attract more people to join the party. The first is that people already working in high-rent sectors are more willing to join the party, and the second is that young people who are about to take their first jobs are more willing to join the party so they are more likely to find a job in a high-rent sector. In addition, the party attracts and admits more high-ability people. High-ability people prefer their own "production" of income more than low-ability people; the party can raise its premiums in high-rent sectors to attract high-ability people.

The above story is consistent with the standard political-economy theories of interest groups. A widely studied case is the labor union. Empirical studies on mature market economies have found that labor unions survive more easily and capture higher rents in more concentrated industries (e.g., Freeman, 1983; Karier, 1985; Voos and Mishel, 1986; Hirsch and Connolly, 1987 on the US, and Machin, 1991 on UK). In contrast, Karier (1985) finds small effects of labor unions in more competitive manufacturing industries.

We build a simple theoretical model for our story. The model is not meant to provide a theory for the CPC's political strategy; rather, it is heuristic and intended to provide a structure for our econometric analysis. Using this simple model, we deduce the following four propositions: (1) (a) The party spends more efforts in the high-rent sectors, and (b) people working in those sectors are more likely to join the party than people working in the low-rent sectors; (2) party members in the high-rent sectors are more elitist than party members in the low-rent sectors in the sense that they on average have higher abilities than party members in the low-rent sectors; (3) the party premium is higher in the high-rent sectors than in the low-rent sectors for every party member; and (4) party members are more likely than non-party members to work in the high-rent sectors.

These four propositions are tested with aggregate and/or individual data. The aggregate data come from an internal publication published by the CPC organizational department that provides quite detailed national and provincial data for the CPC membership for the period

1921-2000.[1] The individual data come from two sources: the 2002 Chinese Household Income Project Survey (CHIPs) and the 2005 Chinese General Social Survey (CGSS).[2] The high- and low-rent sectors are defined by the average wage of each sector in 2002. The high-rent sectors are those with an average wage higher than the national average, and the low-rent sectors are those with an average wage lower than the national average.

We first use the macro data to provide evidence that the CPC has concentrated more organizational efforts to the high-rent sectors and its members have become more elitist. This supports Proposition 2 and Propositions 1(a). In the subsequent tests, we start with Proposition 4 using the CHIPs data for the sake of a smoother flow of the econometric analysis. In particular, we show that people joining the party before their first jobs are more likely than their non-party member peers to find a job in high-rent sectors. To take care of the confounding factor of unobserved abilities affecting party membership, we add a large set of personal and family variables in the regressions. Then we move to test Proposition 1(b). Here we study people who join the party on their jobs and test the proposition in two steps. In the first step, we use the CHIPs data to show that people in high-rent sectors are more likely to join the party than their counterparts in low-rent sectors. To deal with the confounding factor of unobserved abilities affecting people's choice of sectors, we depend on the ownership of a person's employer to instrument the choice. In the second step, we use the CGSS data to show that people working in high-rent sectors are more likely to apply for the CPC membership and those having applied are more likely to be accepted by the party than people working in low-rent sectors.

We spend more efforts to test Proposition 3. We notice first that the difference-in-difference (DID) method can be applied to identify the gap between the party premiums in high- and low-rent sectors under the following two assumptions: (1) unobserved abilities deciding party membership are separable from the unobserved abilities deciding sectoral choice, and (2) party members in the two sectors have the same mean for their unobserved abilities determining their party status. The DID estimator then provides the benchmark result for our test. We further test our benchmark result by instrumenting the

[1] Unfortunately, no publication is provided for the CCP membership after 2000. In addition, no open access is allowed to this publication.

[2] The CHIPs is conducted every five years. Data of the 2007 survey have been released, but unfortunately it deleted the questions regarding party membership. The CGSS is conducted every other year but the 2005 data are the latest released.

sectoral choice and test the sample of workers whose current jobs were their first jobs. Lastly, the CHIPs data allow us to construct a panel dataset for the subsample of people who did not change their jobs between 1999 and 2002. With this panel dataset, we can effectively control unobserved abilities affecting both the sectoral choice and party membership and obtain clearer identification for the gap of party premiums between high- and low-rent sectors.

Our study makes two contributions to the literature. One of them is to provide evidence for how the CPC has changed its strategy to attract new members, and for that matter, we fill the gap between the market transition theory and the Chinese reality as well as provide more nuanced evidence for the debate on the CPC membership premiums. The other contribution is related to the literature concerning the strategy of interest groups. While most empirical works study the union, we add to the literature offering evidence of a political party.

The rest of the paper is organized as follows: In Section 2 we provide a review of the evolution of the CPC membership in the last three decades, focusing on changes it has made toward membership requirements. In addition, we review the relevant literature of the CPC premiums. Section 3 presents the theoretical model. Section 4 describes the datasets used in this paper and defines the high-rent and low-rent sectors. In Section 5, we provide macro evidence for the elitist trend in the CPC membership. Section 6 studies the relationship between the CPC membership and the high-rent sectors providing tests for Proposition 4 and the second part of Proposition 1. Section 7 studies the extra party premiums in high-rent sectors. Section 8 concludes the paper.

2. A Review of CPC Membership and Its Premiums

The CPC was established in 1921 as a Leninist revolutionary party. In the first thirty years since it seized power in 1949, its main thrust was still the revolutionary ideal although the party occasionally had internal disputes. However, the party has undergone a series of profound transformations since it started economic reform and opening in 1978. It is far beyond the scope of this paper to provide even a sketchy account of those transformations. [3] Instead, we only provide a brief review of the changes the CPC has made to its requirements for party membership. We emphasize that those changes have been made in line with the CPC's new search for legitimacy. In the first thirty years since 1949, the CPC could impose its revolutionary appeal to the public. However, the disasters brought by the Great

[3] An accessible source of reference is McGregor (2010).

Leap-forward and the Cultural Revolution had depleted its revolutionary dividends by the mid-1970s. The CPC had to search for new sources of legitimacy. What it had found was economic growth. To develop the economy, however, the CPC realized that the market was indispensable. That was why it started economic reform at the end of the 1970s. As the market developed, the society has become more and more diverse and people with talents and knowledge have easily emerged as the richest and the most prestigious in the population. As a result, it has become increasingly difficult for the CPC to hold on to its conviction of a working-class party. To continue drawing legitimacy from economic growth, it has to widen the scope of its membership. In this regard, the CPC charter of its 11th congress held in 1977 is a starting point to consider. In the charter, the prerequisite for a party member was listed in Article 1:

"To join the party, Chinese workers, poor farmers and lower-middle farmers, revolutionary soldiers and other revolutionary individuals older than 18 years-old have to recognize the party's charter, voluntarily participate in an organization of the party and enthusiastically work for it, implement the party's resolutions, abide by the party's disciplines, and pay the membership fee." (CPC Charter Commission, 2007)

That is, party membership was confined to the working class and those inclined toward the revolutionary ideal. This was changed in the 12th party congress held in 1982, four years after economic reform began. "Poor farmers and lower-middle farmers" was replaced by "farmers", and "revolutionary soldiers" was replaced by "intellectuals". In addition, "to join" was replaced by "to apply", and a new rule was made to accept members on individual basis.

In 1993, the party announced that the aim of the party was to build a socialist market economy. As a result, the 1990s witnessed breathtaking reforms in China. Economic planning was abandoned. The majority of the state-owned enterprises (SOEs) were privatized; together with that, people's job choice has been largely released to the market. Between 1995 and 2005, close to 50 million SOE workers lost their jobs and had to find new jobs on their own (Ganaut, Song, Tenev, and Yao, 2005). Finally, accession to the World Trade Organization in 2001 signaled China's full integration into the world market. These changes forced the party to change its outlook. In particular, it would look disingenuous if the party still claimed itself a working-class party against the fact workers disproportionally footed the costs of SOE privatization. This led to the final revision of the party membership requirement in the 16th party congress held in 2002. Now "other revolutionary individuals" was replaced by

"pioneers of other social classes". Eventually, this made the CPC membership open to everyone in the society. This move is consistent with the "Three Representations" announced in the same party congress. Instead of representing the working class alone, the CPC now represents "the most advanced productive forces, the most advanced cultures, and the fundamental interests of the vast majority of the Chinese people." This was a summary of the party's ideological shifts since the reform began in 1978; the CPC concluded its transformation from a revolutionary party to an "all-people's party". The transformation happened concurrently with China's broad transition from economic planning to the market. The market is an inclusive institution and contradicts with the party's exclusivity reserved for the lower classes. Economic growth is where the CPC obtains its legitimacy and the market has been proven to be more efficient than the plan, so the CPC has to change its ideological outlook if it wants to continue its rule in China.

Ideological shifts have opened the door for people from a wider range of the society to join the party. The existing literature has tried to explain the growth of the CPC membership from both the supply side and demand side of the membership. The premise of the supply side analysis is that the party has to provide tangible benefits attached to its membership in order to attract new members. Besides direct benefits offered by the party status, party membership also provides members some network benefits. Existing studies, though, tend not to distinguish between these two kinds of benefits, but instead lump them together to study the overall returns to the CPC membership. Using a longitudinal survey of 259 farm households in 16 villages in eastern China, Morduch and Sicular (2000) find that party membership increases one's chances of becoming a local official although it does not directly increase his income. In urban areas, Appleton, Song and Xia (2005) find that being a CPC member carries a 5% wage premium using data provided by CHIPs 1988, 1995 and 2002. They mainly consider the political membership in China as an investment in social capital. Utilizing the same dataset, Lam (2003) shows that male party members in state-owned enterprises and collective enterprises enjoy significant economic advantages compared to those in private units. By contrast, Pan (2010) finds a flat party premium in state-owned sectors with a decreasing but still significant party premium in non-state-owned sectors over the past decades.

However, some studies question whether the CPC income premium is caused by the selection on unobserved factors. Using unique twins data collected from urban China, Li, Liu,

Ma and Zhang (2007) find that the earning premium estimated by OLS disappears after using the within-twin-pair fixed-effects model, implying that the benefits are mostly due to the effects of omitted abilities or family background. Gerber (2000) and Geishecker and Haisken-DeNew (2004) also find similar patterns in post-Soviet Russia.

The selection issue aside, most of the existing supply-side studies have failed on two counts explaining the discrepancy between the theory and the reality. First, they do not answer the question why the market has failed to provide a stronger alternative to the benefits of the CPC membership. Second, the finding that the CPC membership carries a premium cannot explain the growth of the CPC membership. Every political party has to weigh between two goals, one to increase the value extended to its members in order to attract new members, and the other to appeal to a wider portion of the population in order to gain popular support. The CPC shared both goals even before economic liberalization and continues to do so today. The question is whether it has scaled up its pursuit of the first goal. On this count, the existing supply-side studies have failed to provide direct evidence.

On the demand side, studies have emphasized the changes the CPC has undergone since economic liberalization began. As it moves away from its initial revolutionary convictions and becomes more dependent on economic growth for its legitimacy, the CPC has increasingly appealed to the elites to manage the economy as well as to strengthen its rule. This has been confirmed by several empirical studies. Based on a 1986 survey in Tianjin, Walder (1995) finds that the CPC recruits highly educated individuals and places them in important and privileged positions as a key strategy to maintain its political power. In his paper with Li (Li and Walder, 2001), Walder again argues that the party has put greater emphasis on college education as a requirement for high administrative posts in the post-reform period. Using CHIPs 1988 data, Dickson and Rublee (2000) also verify that intellectuals have privileged access to the party, and that the importance of education relative to political reliability increases over time. Exploiting exogenous variations in college graduates' labor market options, Han (2007) considers the elitist trend in the CPC to be driven by the party's demand rather than stronger motivation of young people and those with high abilities. Bishop and Liu (2008) view the party in much the same way that colleges in Western countries screen for motivation and talents that are positively correlated with productivity.

The supply-side studies have the implicit assumption that the CPC is becoming more like an interest group or a big club. The demand-side studies have emphasized the CPC's

motivation to select elites to enhance its rule. Our paper contributes to the literature by integrating both the demand side and supply side analysis to provide clear evidence revealing the CPC's strategy to enhance the premium attached to its membership, which is to concentrate its organizational efforts to the high-rent sectors.

3. The Theoretical Model and Testable Propositions

3.1 The Setup

In this section we provide a heuristic model for the CPC's allocation of organizational efforts and its membership. Before proceeding to the model, it is useful to say a few words about the benefits and costs of joining the CPC. Appendix A presents a table listing the benefits and costs of a larger membership for new and existing members of the CPC. For new members, the benefits can be material gains, easier promotion in the government hierarchy, better and larger networks and possible spiritual satisfaction due to ideological conformation, and the costs include the membership fee, time spent in party activities, party disciplines and, for some, spiritual costs because of the imposition of an ideology one does not fully agree with. For existing members, the benefits are mainly associated with a better and larger network, and the costs mostly arise from more competition for resources and promotion inside the party. It is not our intention to capture all these benefits and costs. Rather, to fulfill our main purposes, we will work with the material gains of the new and existing members on the benefit side and only the ideological costs on the cost side; we will also leave out the internal competition of members. Some of the details will be provided when we set up the model below.

To start with, consider an economy consisted of two sectors, the *H* sector with high rents and the *L* sector with low rents. Let $\theta \in (\underline{\theta}, \overline{\theta})$ indicate a person's ability which is a random draw from a commonly known distribution with pdf $\phi(\theta)$ and cdf $\Phi(\theta)$. The labor market is competitive conditional on individuals' political status; a non-party member earns the same market wage commensurate with his ability regardless which sector he works in. Let this wage be $A\theta$, $A > 0$ for simplicity. The party is organized by sectors. The way party members obtain their income is different from non-party members in two ways. One is that their abilities are augmented by the party's sector-specific organizational efforts. These efforts are constrained by the organizational capacity of the party which we assume to be proportional to its size. Thereafter we denote the efforts the party allocates to the high-rent sector and

low-rent sector by x_i, $i = H, L$. The other difference is that party members have to spend time working for the party so their ability is undermined in generating their own income. With these two differences in mind, we assume that a party member's income in sector i is

(1) $w_i(\theta; x_i) = A_i\left[x_i^{\alpha} + b\theta^{\alpha}\right]^{\frac{1}{\alpha}}$, $A_i > 0$, $0 < \alpha < 1$, $b > 0$, $i = H, L$.

A_i describes the level of rents in each sector and distinguishes the H sector from the L sector. Naturally, we have $A_H > A_L$. We assume $A_i b^{\frac{1}{\alpha}} < A$ to capture party members' under-utilization of their own abilities. This is clear when the party does not exert any effort so a party member's income becomes $A_i b^{\frac{1}{\alpha}}\theta$, which is smaller than what he would get if he were not a party member.

Let us first consider the situation that the labor market is at equilibrium so no movement of workers happens between the two sectors. A person will like to join the party from the pure material gains' perspective if the following condition holds

(2) $w_i(\theta; x_i) \geq A\theta$, $i = H, L$.

Notice that the party can control the number of eligible people by controlling x_i. This means that it is willing to accept anyone who satisfies condition (2). Thereafter, we will regard people satisfying condition (2) as people qualified for the party. However, whether a person actually applies to join the party also depends on his political attitude toward the party. Some people may have distaste toward the party and would not want to join even if they were qualified. Let $p \in \{0,1\}$ indicate a person's political attitude where $p = 0$ means he does not want to join the party and $p = 1$ means that he wants to. We assume that people's political attitudes are independent of their abilities and p is distributed by a Bernouli distribution.

We assume further that the person with ability $\underline{\theta}$ satisfies condition (2) to capture the fact that the CPC started as a working-class party. Because $w_i(\theta)$ is concave in θ, under the condition $A_i b^{\frac{1}{\alpha}} < A$ there exists a critical value θ_i^* defined by

(3) $w_i(\theta_i^*; x_i) = A\theta_i^*$, $i = H, L$,

such that people with $\theta > \theta_i^*$ do not want to join the party and people with $\theta \leq \theta_i^*$ will join subject to their political attitudes. Equation (3) determines θ_i^* as a function of x_i, $\theta_i^*(x_i)$, say. It is easy to show that

$$(4)\quad \theta_i^*(x_i) = \left(\frac{A_i^\alpha}{A^\alpha - A_i^\alpha b} \right)^{\frac{1}{\alpha}} x_i,\ i = H,\ L.$$

That is, θ_i^* increases monotonically in x_i and A_i but decreases in A.

3.2 Party Premiums

From a modeling perspective, the party is to be best thought as a club of variable membership. It is thus sensible to set its objective to maximize the average payoff of its members (Sandler and Tschirhart, 1980). In our case, though, we are not interested in the size of the party *pe se*, but are more interested in its allocation of organizational efforts between the *H* and *L* sectors. Working with the average payoff would add a distortive effect to this tradeoff. For example, if in equilibrium θ_H^* is larger than θ_L^*, the average payoff in the *H* sector is higher than in the *L* sector, so the party may allocate more efforts to the *H* sector. To focus on the sectoral tradeoff, here we assume that the party maximizes the sum of income of its members under the constraint of its total organizational capacity. Since a person's political attitude *p* is independent of his ability, the mass of party members is equivalent to the mass of $[\underline{\theta}, \theta_i^*]$ under $\phi(\theta)$ up to the transformation of the mean of the Bernouli distribution of *p*. The party's maximization problem then can be expressed as the follows:

$$(5)\quad \underset{x_H, x_L}{Max}\ W = \int_{\underline{\theta}}^{\theta_H^*} A_H \left[x_H^\alpha + b\theta^\alpha \right]^{\frac{1}{\alpha}} d\Phi(\theta) + \int_{\underline{\theta}}^{\theta_L^*} A_L \left[x_L^\alpha + b\theta^\alpha \right]^{\frac{1}{\alpha}} d\Phi(\theta)$$

$$\text{s.t. } x_H + x_L \leq x\left[\Phi(\theta_H^*) + \Phi(\theta_L^*) \right]$$

In the problem, *x* is a scalar transforming the party size to its capacity. The first-order condition for x_i is

$$(6)\quad \int_{\underline{\theta}}^{\theta_i^*} A_i \left[x_i^\alpha + b\theta^\alpha \right]^{\frac{1}{\alpha}-1} x_i^{\alpha-1} d\Phi(\theta) + A_i \left[x_i^\alpha + b\left(\theta_i^*\right)^\alpha \right]^{\frac{1}{\alpha}} \phi(\theta_i^*)\Lambda_i + \lambda x \phi(\theta_i^*)\Lambda_i - \lambda = 0,$$

$$i = H,\ L,$$

where $\Lambda_i = \left(\frac{A_i^{\alpha}}{A^{\alpha} - A_i^{\alpha} b} \right)^{\frac{1}{\alpha}}$. Appendix B provides a discussion of the second-order condition. A necessary condition for the second-order condition to hold is that θ_i^* is larger than the mode of $\phi(\theta)$. To maximize the total income of its members, the party would like to recruit as many members as possible. However, the marginal contribution of its efforts to recruit the last member in a specific sector declines and the corresponding marginal cost increases because there are less and less potential members after θ_i^* passes the mode of $\phi(\theta)$. So an internal solution is possible.

Let Γ_i, $i = H, L$ denote the left-hand side of equation (6). It has exactly the same functional form for x_H and x_L. Other things equal, Γ_i declines in x_i when the second-order condition holds. On the other hand, ignoring A_i's second-order effect on the membership, Γ_H is larger than Γ_L for any specific values of the endogenous variables.[4] Therefore, x_H has to be larger than x_L. As a result, θ_H^* is larger than θ_L^*. That is, the party spends more efforts in the high-rent sector and there are more people in that sector who are qualified for the party than in the low-rent sector. Together with our assumption that people's political attitudes are independent of their abilities, this result establishes the following proposition:

Proposition 1. (a) The party spends more efforts in the high-rent sector, and (b) people working in that sector are more likely to join the party than people working in the low-rent sector.

The following proposition is a natural corollary to Proposition 1:

Proposition 2. Party members in the high-rent sector are more elitist than party members in the low-rent sector in the sense that they on average have higher abilities than party members in the low-rent sector.

Our next task is to compare the party premiums in the high-rent and low-rent sectors. For any qualified person, the premium associated with the party membership is

[4] The total effect of A_i on Γ_i is $\partial\Gamma_i/\partial A_i + \left(\partial\Gamma_i/\partial\theta_i^*\right)\left(\partial\theta_i^*/\partial A_i\right)$. $\partial\Gamma_i/\partial A_i$ is positive and includes A_i's effect on ith sector's total income as well as its effect on the last party member in that sector; $\left(\partial\Gamma_i/\partial\theta_i^*\right)\left(\partial\theta_i^*/\partial A_i\right)$ is negative by the second-order condition (Equation B2 in Appendix B) but it is only for the last party member in the sector.

(7) $P_i(\theta; x_i) = w(\theta; x_i) - A\theta$, $i = H, L$.

We are interested in $P_H(\theta; x_H) - P_L(\theta; x_L)$. People with abilities in the range of $(\theta_L^*, \theta_H^*]$ are qualified for party membership in the high-rent sector whereas they are not in the low-rent sector. That is, their gap of the party premiums in the two sectors is $P_H(\theta; x_H)$. For people in the range $[\underline{\theta}, \theta_L^*]$ who are qualified in both sectors, we have

(8) $P_H(\theta; x_H) - P_L(\theta; x_L) = A_H \left[x_H^\alpha + b\theta^\alpha \right]^{\frac{1}{\alpha}} - A_L \left[x_L^\alpha + b\theta^\alpha \right]^{\frac{1}{\alpha}} > 0$.

The inequality is obtained because x_H is greater than x_L. This establishes our next proposition:

Proposition 3. The party premium is higher in the high-rent sector than in the low-rent sector for every party member.

Up till now, we have considered the case when the labor market is in equilibrium. Next we consider the case when the labor market is not in equilibrium so there are people who would potentially move across sectors. However, those cannot be non-party members because their wages are the same in the two sectors. It is also straightforward to conclude that no party member wants to move from the high-rent sector to the low-rent sector. But party members in the low-rent sector are willing to move to the high-rent sector because the gain of the move is positive. They can eventually make the move if their abilities meet the requirements of both the high-rent sector and the party organization of that sector. This logic also applies to party members among university graduates who are about to take their first jobs. That is, student party members are more likely than non-party members to choose to work in the high-rent sector. The following proposition summarizes the results:

Proposition 4. Party members are more likely than non-party members to work in the high-rent sector.

4. Data and Definitions

4.1 Data

The data used for our empirical work come from three sources. One is *The Communist Party of China Statistics Collection (1921-2000)*, an internal publication issued by the CPC's Department of Organization in 2002. This publication provides useful macro data for the trends of CPC membership. The second source is the urban sample taken from the 2002

Chinese Household Income Project Survey (CHIPs). The CHIPs is a widely used source of income data in China. It has been organized by the Institute of Economics, Chinese Academy of Social Sciences (CASS) and collected data every five years since 1992. It is the most suitable survey for our purpose because it provides quite complete information on income, educational history, social and political status, and to a lesser extent, job history. Unfortunately, it stopped collecting data on party membership in its 2007 survey. So the 2002 survey is the latest we can use. The urban sample (from 12 provinces) of the CHIPs was chosen from the National Bureau of Statistics' urban household sample and consisted of 20,632 individuals in total. The third source is the urban sample of the 2005 CGSS survey. The CGSS is a representative sample survey of China's urban and rural households designed to monitor systematically the changing relationship between social structure and quality of life in urban and rural China. The survey has been administrated by Renmin University of China and Hong Kong University of Science and Technology every two years. The whole urban sample includes 10,151 individuals.

Our econometric exercises work primarily with the subsample of the working-age group in the CHIPs data.[5] To be exact, this subsample includes individuals who held a job and were between 18 and 65 years old in 2002. Its sample size is 10,146. Table 1 reports some descriptive statistics of this sample. On average, CPC members have a higher proportion of men, are older, and have both more education and longer work tenure. In addition, CPC members are more likely to work in the high-rent sectors and hold managerial positions. Accordingly, their income on average is higher. Lastly, the fathers of CPC members are more likely to be CPC members.

[Table 1 about here]

Table 2 presents the same descriptive statistics for the CGSS data. The comparison between CPC members and non-CPC members is quite similar to what obtained in Table 1. However, one difference is that the share of CPC members in the CHIPs sample is much higher than that in the CGSS sample. The latter is closer to the CPC members' share in the country's urban population above 18 years old, which was 8.18% in 2005. It seems that CHIPs have oversampled CPC members. After presenting our baseline empirical results, we

[5] We take the CHIPs as our main data source because CHIPs records better income and party membership data than CGSS. For example, only 28.5% of the respondents replied whether their fathers were CPC members in CGSS.

will weight the CPC members and non-CPC members in the sample by their respective shares in the urban population of 2002 and check the robustness of our main results.

[Table 2 about here]

4.2 The Definition of High-rent Sectors

Our four hypotheses distinguish between high-rent sectors and low-rent sectors. High-rent sectors are the sectors that may provide complementary benefits to CPC membership. They are likely to be either sectors that the CPC (or through the government) has direct control or sectors that are highly regulated at entry or have higher rates of industrial concentration. In the first type of sectors the party can create rents for its members; in the second type of sectors the party can capture the rents created by monopoly or higher concentration rates. We realize that any attempt to define the high-rent and low-rent sectors is subjected to the criticism of being arbitrary. Here we take a reductionist approach by defining those two kinds of sectors by their average wages. To be precise, a sector is a high-rent sector if its average wage is higher than the national average, and a sector is a low-rent sector if its average wage is lower than the national average. To be sure, this definition ignores the fact that some sectors demand for higher levels of human capital than other sectors. But it has the advantage that it relies on only one single indicator.

Both the CHIPs and CGSS contain questions regarding individuals' current jobs and their job history. In particular, information is gathered on the industry of the current job. We group the industries into 15 sectors according to the ISIC Rev. 4 (the 4th version of the International Standard Industrial Classification of All Economic Activities).[6] We obtain their average wages together with the national average (12,422 yuan) in 2002 and classify them into the high-rent and low-rent sectors. Table 3 presents the classification and the distribution of the respondents based on the CHIPs data. Nine sectors are categorized as high-rent sectors. Among them, sector (9) is under direct government control. The rest eight sectors are highly regulated at entry. The six low-rent sectors are farming, mining, manufacturing, construction, geological prospecting, and wholesale and retailing.

[Table 3 about here]

[6] http://unstats.un.org/unsd/cr/registry/regcst.asp?Cl=27.

One way to check the consistency of our categorization is to see whether our categorization matches government ownership/control in each sector. Supposedly, government ownership should be higher in the high-rent sectors. Using the national data, Table 4 shows the sectoral distribution of urban private employment and registered capital in 2002. Lower shares of private firms indicate that the CPC (or through the government) places less control over the sector; vice versa. Sector (9) is excluded because it is obviously 100% government owned. Three low-rent sectors, manufacturing, construction and wholesale and retailing, have the high shares of private employment and assets. Farming has a high private share of assets, but a low private share of employment. Notice that farm households are excluded and those included are all registered companies. Therefore, it seems that private companies in the farming sector are more capital intensive than government-owned companies. Regardless their ownership, though, all companies have to compete with numerous farm households. So it is reasonable to classify farming as a low-rent sector. The mining sector is just the opposite. It has a high share of private employment, but a low share of private assets. This sector has become very competitive after the government deregulated the control of minerals in the late 1990s. The sector of geological prospecting and irrigation administration has very low presence of private firms, but its jobs often demand travels to remote areas but in the meantime do not offer an attractive career path. Among the high-rent sectors, most have low presence of private firms except utilities, real estate and social services. Private presence in the utility sector is high in both employment and assets. But it is a highly regulated sector and government licensing is crucial. In the real estate sector, the private share of employment is high, but the private share of assets is very low. Success in the real estate sector crucially depends on the availability of capital. In this regard, it is a sector dominated by state-owned firms. The social services sector includes both government and private providers in urban services, community affairs, accounting, legal services, domestic services, and so on. While entry to some of these services (e.g., government sponsored services) is restricted, some others (such as domestic services) do not face high entry barriers and have to face high competition. We will conduct a robustness check of our results by classifying the social services sector as a low-rent sector. Lastly, the government/party sector may be quite different from other high-rent sectors because the CPC relies on it to implement its policies and has direct control on it throughout the time. We will conduct a robustness check by excluding people working in this sector.

[Table 4 about here]

4.3 Managerial Positions

In the CHIPs survey, individuals are asked about their current occupation, which could be used to identify whether one holds a managerial position. Table 5 reports the distribution of managerial jobs and non-managerial jobs based on the CHIPs 2002. Note that we have classified self-employment as a managerial job. CGSS directly asks whether a respondent holds a managerial position.

[Table 5 about here]

5. Evidence of Elitism from Macro Data

In this section, we present descriptive evidence for the CPC's becoming more elitist over time using the data provided by *The Communist Party of China Statistics Collection* (*1921-2000*) (henceforth abbreviated by *The Collection*). It is aimed at providing supporting evidence for Proposition 2 and Proposition 1(a), namely, the CPC spends more organizational efforts in the high-rent sectors as the economy is being liberalized.

The Collection gives detailed data on the composition of CPC membership in terms of age, occupation and education, in addition to other information. The occupations are recorded the same as those listed in Tables 3 and 4. We classify them into high-rent and low-rent occupations according to the definition introduced in the last section. A clear picture emerges showing that the CPC membership moved decisively to the high-rent sectors between 1980 and 2000. This is evident in Figure 2 presenting the share of CPC membership and grassroots organization in the high-rent sectors for the period 1955-2000. Before 1982, the membership share of the high-rent sectors fluctuated and dropped to the lowest point of barely 20% in that year. Since then, however, it increased steadily to reach 37% in 2000. This happened not just because more people working in the high-rent sectors were willing to join the party, but also because the party strengthened its organizations in those sectors. High-rent sectors' share of grassroots organizations increased before the mid-1970s, but then took a sharp drop till 1982. It had a steep increase in the following several years and continued to increase after. By 2000 it reached 45%.

[Figure 2 about here]

In the meantime, the education of CPC members increased. Figure 3 compares CPC members and the whole population by two educational indicators, percentage of people with

primary school or lower education and percentage of people with junior college or higher education, for the period 1978-2000. Clearly, the percentage of CPC members with primary school or lower education dropped faster than the national total, and the percentage of CPC members with junior college or higher education increased faster than the national total. Education is one of the fundamental factors separating the elites from ordinary people. The increasing educational achievement of the CPC members thus is a sign of the CPC's turn to elitism.

[Figure 3 about here]

Figure 4 shows the share of urban CPC membership between 1949 and 2000. In the early 1950s, urban membership increased, but then dropped sharply in the Great Leap-forward period. It resumed its growth after that, but drastic growth had to wait until the early 1980s. In 2000, 54% of the CPC members were urban citizens although only 37% of the Chinese population lived in the city. The CPC has taken an urban-biased policy ever since it began its industrialization drive in the early 1950s. The concentration of its members to the city was consistent with this policy and is a clear sign of its turn to elitism.

[Figure 4 about here]

6. Party Membership and the High-rent Sectors

6.1 Entry to the High-rent Sectors

In this section, we conduct the tests for Proposition 4 and Proposition 1(b). Tests for Proposition 3 will be deferred to the next section. This subsection tests Proposition 4. Recall that this proposition states that CPC members are more likely to find a job in the high-rent sectors. To conduct the tests, it would be useful to define three groups of people: those who had joined the party before they obtained their current jobs, denoted by G1; those who had joined the party after they got the current jobs, denoted by G2; and those who never joined the party, denoted by G3. This subsection primarily works on the comparison of G1 versus G2 and G3. Then for Proposition 4, the question we want to answer is whether people in G1 were more likely to get high-rent jobs than their peers in G2 and G3. For that, we estimate the following equation:

(9) $M_i = \alpha_0 + \alpha_1 PU_i + \alpha_2 X_i + u_i$,

where the subscript i is an index for individuals, M_i is a binary variable for a job in a high-rent sector, PU_i is the dummy variable indicating party membership whose exact definition will be given when we present the results of different specifications, X_i is a set of control variables, and u_i is an i.i.d. error term. The equation is estimated by the probit model using the CHIPs data.

It is noteworthy that the decision to join the party is likely to be correlated with personal abilities, so one potential problem with Equation (9) is that PU_i can be correlated with the error term because of omitted variables. To deal with this problem, we add as many control variables as possible to account for unobserved personal abilities. The baseline controls include age, age squared, gender, ethnicity, years of schooling, working experience, urban *hukou* status,[7] the status of employer's ownership, form of job assignment (whether the job was assigned by the government), father's political status (whether he was a CPC member), father's job position (whether he was a manager) and city dummies. In addition, we also add a set of dummies indicating marriage status, three sets dummies to further control the level of human capital, and a set of dummies for self-reported health. While other variables are mostly self-explaining, two variables are worth more discussions.

The status of employer' ownership is coded in the following way: it takes value 1 if the employer was a government agency or a state-owned enterprise (SOE) and value 0 otherwise. In the tables reporting regression results, we will simply label it by "public job". Later on we will use this variable as the instrumental variable for high-rent jobs. As revealed by Table 4, high-rent sectors have heavier presence of public-sector employment and assets. On the other hand, some public jobs can also be in low-rent sectors. The 1990s witnessed the hardest time for SOEs due to competition from the private sector and structural adjustment within the SOE sector. Between mid-1990s and early 2000s, China had a large wave of privatization that privatized 80% of the SOEs and laid off nearly 50 million SOE workers (Garnaut, Song, Tenev, and Yao, 2005). Public jobs were not as attractive as private jobs. People either kept their public jobs because they had worked at the same job for so long and had a hard time to make a change, or took their public jobs out of no choice. Therefore, we can treat having a public job as a predetermined event.

[7] Urban *hukou* refers to the urban residency status. Rural migrants working in the city do not automatically get this status.

The form of job assignment also needs some discussions. Normally it would be true that a person is more likely to work in a high-rent sector if his/her job is assigned by the government. However, in the 1990s and early 2000s things were different in China. The market advanced quickly to replace the government in labor allocation. More capable people tended to find jobs on their own instead of waiting for the government to assign them one. Those who did get government-assigned jobs therefore would be more likely to end up in a low-rent sector.

[Table 6 about here]

Table 6 presents the results of three specifications based on Equation (9). The dummy variable PU_i takes value 1 for people in G1 and value 0 for people in G2 and G3. All three specifications use the definition of high-rent sectors presented in Table 3. The baseline regression uses the full sample and the rest two specifications make adjustments to the social services and government sectors. In the baseline regression, party membership is significant at the 1% significance level. Being a party member increases a person's chances to get a job in a high-rent sector by 15.9%. Among the control variables, age has a negative effect for one to take a job in a high-rent sector, women are more likely than men to do so, education plays a positive role, and father's job position (being a manager) helps. Not surprisingly, a person with a public job is more likely to work in a high-rent sector. The marginal effect is very strong: the chances for such a person to work in a high-rent sector are 30% higher than people with a private job. Consistent with our expectation, a person is less likely to work in a high-rent sector if his job is assigned by the government.

In Regression (2), the social services sector is reclassified as a low-rent sector. Now the premium of party membership becomes smaller; being a party member increases one's chances to get a high-rent job by 11.1%. The results of some of the control variables also change. In particular, now a person with his/her job assigned by the government is more likely to enter a high-rent sector. It seems that many jobs in the social services sector are low-pay jobs. In Regression (3), the government sector is excluded from the sample. The effect of party membership is virtually the same as in Regression (2). However, government job assignment turns negative again.

Table 7 then presents several robustness checks on the baseline results. To save space, we do not report the results for the sets of dummies for marital status, education performance,

and self-reported health. This will also be followed in subsequent tables. Regression (1) excludes people in G2 (i.e., those who joined the party at their current jobs) and only compares G1 and G3 (i.e., those who have not joined the party). If party membership reflects unobserved personal abilities, then we should expect that the coefficient of the party membership becomes larger than found in the baseline specification. This is indeed the case. Now being a party member raises one's probability of getting a high-rent job by16.6%. Regression (2) then excludes people in G3 and only compares G1 and G2. Because people in G2 eventually joined the party, this comparison has controlled the average abilities of party members and we should expect that the effect of party membership becomes less pronounced. However, the result is just the opposite. Now being a party member before one's current job raises his chances of getting a high-rent current job by 17.2%, higher than both the number found in Regression (1) of Table 7 and the number found in the baseline specification reported in Table 6. It seems that people joining the party more early had higher unobserved abilities than people joining more lately.

[Table 7 about here]

The above regressions do not fully account for a person's job history because the CHIPs data do not have a good record on personal job history. This may create a problem because some people might have already worked in a high-rent sector before his current job. To deal with this issue, Regression (3) in Table 7 narrows the sample down to people whose current jobs were their first jobs and still compares G1 with G2 and G3. Party membership remains statistically significant and its effect is 10.9%. This effect is much smaller than what was found before, but it provides a more decisive result to support Proposition 4.

The remaining three regressions presented in Table 7 repeat the three regressions of Table 6 by weighting CPC members and non-CPC members by their respective shares in the urban population in 2002. For the record, the share of CPC members in the urban population in that year was 5.21%. The results of the three new regressions, though, are virtually the same as those of three regressions in Table 6. That is, the oversampling of CPC members in the CHIPs data does not cause any serious problem to our econometric exercises. Therefore, we will work with the original sample hereafter.

6.2 Party Membership in the High-rent Sectors

Now we turn to Proposition 1(b) that people working in high-rent sectors have an advantage over people working in low-rent sectors to join the party. For that purpose, we only compare G2 and G3 and exclude G1 from the sample. Then we estimate the following equation:

(10) $P_i = \alpha_0 + \alpha_1 M_i + \alpha_2 X_i + u_i$,

where P_i is a binary variable standing for party membership at one's current job (that is, the case $P_i = 1$ includes both G1 and G2), M_i is a binary variable for the high-rent sectors, X_i is a set of controls, and u_i is the error term. It is noteworthy that the sectoral dummy M_i itself is the result of personal choice that is possibly correlated with the party membership. To address this problem, we instrument M_i by the variable "public job" that we introduced in the last subsection. To simplify our estimation, we estimate Equation (10) by the linear probability model (LPM) and instrument M_i by the inverse Mill's ratio. The specification of the first-stage regression is exactly the same as the baseline specification reported in Table 6. In addition, all the control variables listed Table 6 except public job are added in the second-stage regressions.

[Table 8 about here]

We estimate Equation (10) with the full sample and the subsample of first jobs and report their results in Table 8. The two regressions return both positive and significant results for the high-rent sectors. In the full sample, working in a high-rent sector is shown to significantly increase a person's chances of joining the party by 23.5%; in the first-job subsample, the effect is 12.4%. The inverse Mill's ratio is negative and significant in both regressions meaning that unobserved personal characteristics have opposite effects on a person's chances of joining a high-rent sector and his/her chances of join the party. Other results include: men and people with rural *hukou* are respectively more likely than women and people with urban *hukou* to join the party, and education, working experience, government-assigned jobs and father's party membership all increase a person's chances of joining the party although some of the effects are not economically significant.

6.3 Self-selection versus Party-selection

To join the party, a person has to file a formal application to the party's grassroots organization in the jurisdiction. The grassroots organization then will observe the person's performance to decide whether he is qualified. There is no definitive timeline for this process; some applicants are never admitted to the party. The CGSS 2005 recorded information on whether and when a person submitted an application to the party and conditional on that whether he/she had been accepted by the party. This allows us to push our study further to look at how self-selection and party-selection have played out in boosting the party membership in the high-rent sectors. In addition, sectoral differences in the application for the party and the party's acceptance can be seen respectively as reflecting the supply-side and demand-side responses to the rents of the party membership.

[Table 9 about here]

The CGSS does not allow us to construct all the control variables that we constructed using the CHIPs data; nor does it allow us to find a similar instrument for sectoral choices. The reader can find out the variables we use from Table 9 where the regression results are reported. In the table, we present two sets of results. In Regressions (1) and (2), we study the applications to the party and the party's acceptance using the full sample. The LPM is applied. Working in a high-rent sector significantly increases a person's willingness to submit an application by 4.7% and, conditional on application, significantly increases an applicant's chances of acceptance by 9.6%. In Regressions (3) and (4), we study the subsample of people who submitted their applications on their first jobs. The sectoral effects become stronger, 13.9% for application and 10.8% for acceptance. These results confirm both the supply-side and demand-side sectoral differences. In particular, the demand-side differences are much larger than the supply-side differences suggesting that the CPC is eager to concentrate its membership to the high-rent sectors although this is not proportionally matched by individual responses.

7. Party Premiums

In this section we test Proposition 3 that CPC members in high-rent sectors enjoy higher premiums in terms of promotion and earnings than their counterparts in low-rent sectors. We do this with two approaches. One is still based on the cross-sectional data and the other relies on a panel dataset for a subsample.

7.1 Cross-sectional Regressions

Using cross-sectional data, we estimate the following equation:

$$(11)\ J_i = \alpha_0 + \alpha_1 P_i + \alpha_2 M_i + \alpha_3 P_i \times M_i + \alpha_4 X_i + u_i$$

where J_i is either a dummy variable indicating whether a person holds a managerial job or log earnings and P_i and M_i are defined the same as in Equation (10). The three α's are what we are interested in. Specifically, α_1 is the party premium in the low-rent sectors, α_2 is the sectoral premium of the high-rent sectors over the low-rent sectors, and α_3 is the extra premium of CPC members in the high-rent sector over their counterparts in the low-rent sectors. The parameter most interesting to us is α_3; Proposition 4 implies that this parameter should be significantly positive.

It is noteworthy that α_3 is a difference-in-difference (DID) estimator for the extra party premium of the high-rent sector under the following two assumptions: (1) unobserved abilities deciding party membership are separable from the unobserved abilities deciding sectoral choice, and (2) party members in the two sectors have the same mean for their unobserved abilities determining their party status. Appendix C provides a proof for this result. Obtaining a DID estimator allows us to avoid the confounding effects of unobserved personal abilities and to have a clear identification of the party premium. The question is whether the two assumptions are reasonable.

We notice that the first assumption can be defended on the ground that both kinds of unobserved abilities can each be represented by a linear combination of a set of personal attributes so they are separable. The two linear combinations can share the same attributes so they are correlated. But this does not affect the validity of the DID method. To deal with the possibility of non-separable attributes, we rely on instrumenting sectoral choices to obtain more robust results. The second assumption is more demanding than the first one. As before, we rely on adding all the control variables reported in Table 6 to account for personal abilities. We can also improve our estimation by comparing G1 and G3. Party members in G2 joined the party after they began to work so their membership might be correlated with the experiences they had got on their jobs. In contrast, party members in G1 would later work in both high- and low-rent sectors; it is reasonable to believe that their unobservable abilities

determining their party status should be draws from the same distribution no matter which sector they would later end up with. That is, their unobservable abilities should have the same mean.

[Table 10 about here]

We first study promotion. In this case, Equation (11) is estimated by the LPM. To account for the intensity of competition, we add a set of dummies indicating the size of the employer. Table 10 reports the results of five regressions. As before, we add all the control variables of Table 6 in the regressions when the equation is estimated by the OLS. Regression (1) is our baseline regression. Assuming that the two assumptions hold, we can interpret the coefficient of "party member with high-rent job" as the measure for the extra party premium of high-rent sectors. Party membership carries a strong premium: a party member is 12.2% more likely than a non-party member to get promoted in a low-rent sector. Working in a high-rent sector, however, decreases a person's chances of getting promoted by 3.6%. Perhaps the competition for promotion is more intense in high-rent sectors than in low-rent sectors. Finally, party membership carries a stronger premium in high-rent sectors than in low-rent sectors and the gap is 5.7 percentage points. Regression (2) then excludes the government sector. Now the first two results mentioned above still hold, but the third result disappear. It seems that the third result is primarily driven by the government sector's higher rewards to party membership. However, as we will see later, the wage premium still remains even when the government sector is excluded.

Regression (3) instruments sectoral choices to take care of the case that Assumption (1) does not hold. The first-stage regression is specified the same as before and in the second-stage regression, the instrument "public job" is excluded. The sectoral gap becomes much larger than in the baseline regression. The extra party premium of high-rent sectors remains significant and its magnitude increases slightly. Regression (4) then compares G1 and G3 to take care of the case that Assumption (2) does not hold. The extra party premium of high-rent sectors is still significant at the 1% significance level but its magnitude is smaller than obtained in the baseline regression. Regression (5) instruments sectoral choices on top of Regression (4). The negative premium of high-rent sectors increases, and this time the magnitude of the extra party premium also increases substantially. It is noteworthy that Regression (5) should have provided the strongest control to take care of the potential biases

in our baseline DID estimator. Its result thus provides us confidence that there is a significant gap between the party premiums in high- and low-rent sectors.

Table 11 repeats the five regressions of Table 10 for the income premium. The difference is that we get rid of the size dummies and instead add a dummy variable indicating whether one is a manager as an extra control for a person's income. It turns out that the results concerning the extra party premium are more stable than those for promotion. The baseline regression returns a figure of 5.7%. It is 5.1% when the government sector is excluded. Then it becomes 5.5% when sectoral choices are instrumented. When G1 is only compared with G3, the extra party premium increases to 7.1% when the sectoral choice is not instrumented and 6.9% when it is instrumented. There are two more different results that are worth noting. First, the party premium in low-rent sectors turns insignificant when G1 and G3 are compared, and second, the inverse Mill's ratio is positive in the IV regressions for promotion, but turns insignificant in both IV regressions for wages. So there is a positive correlation between one's sectoral choice and his/her chances of promotion, but the link between sectoral choice and wages is weak.

7.2 Panel Regressions

The CHIPs 2002 asked working persons to report their yearly incomes between 1999 and 2002. It is a pity, though, that it did not ask about one's job history without which we cannot correctly account for people's income history. Fortunately, there was a question asking whether one had changed his/her job within the last three years and only 497 (4.7%) people reported that they did. In addition, there were people who joined the party between 1999 and 2002. Deleting the people who changed their jobs, we can then construct a panel of four years to study the party premiums again. However, many of the control variables do not have time variations. Those that do change over time (such as age and working experience) do not have large variations either. We then simply delete all the control variables. One key variable that does not have any variation is the sectoral choice and we have to drop it as a stand-alone variable. As a result, the specification for our panel regression is:

$$(12)\quad \ln y_{it} = \alpha_0 + \alpha_1 P_{it} + \alpha_2 P_{it} \times M_i + \alpha_i + \alpha_t + e_{it}\,.$$

In the equation, α_i and α_t are the personal and year fixed effects. The key parameter now is α_2. Table 12 reports two sets of results for the FE estimation of Equation (12), one without the year fixed effects (one-way FE) and the other with them (two-way FE). Because many

time-invariant variables are eliminated in the panel regressions, we also report the results of the OLS regression that includes all the control variables. To fully utilize the data provided by the CHIPs, this regression uses the whole sample instead of only the people who did not change their jobs. Its sample size is smaller than the one for the FE regressions, though, due to missing data for some variables. Table 12 shows that the estimates of the extra party premium of high-rent sectors are quite close in the three sets of results although the party premium of low-rent sectors varies. The OLS regression returns a figure of 5.7%, and the two FE models arrive at 6.2% and 6.4%, respectively. They are also in the range of the various estimates that the regressions of Table 11 have found using cross-sectional data.

In summary, the analysis in this section strongly supports Proposition 3. High-rent sectors carry a more robust extra party premium for income than promotion, though. Our baseline regression with cross-sectional data shows that the extra income premium is 5.7%, 146% higher than the income premium offered by low-rent sectors. Our panel regressions find larger effects. In particular, by our two-way FE regression, the party premium is highly insignificant in low-rent sectors, but is 6.4% in high-rent sectors.

8. Conclusions

In this paper, we present evidence that the CPC has concentrated its organizational resources to sectors with high rents to explore. In accordance, CPC members have become more elitist. We show that the party premiums are higher in high-rent sectors than in low-rent sectors. As a result, non-party members in those sectors want to and are allowed to join the party more than their counterparts in low-rent sectors, and people outside high-rent sectors are more likely to find jobs in those sectors once they join the party.

Our results shed new lights on the question why the CPC has become more elitist and why its membership has been more than doubled since the early 1980s. The CPC and the market compete for talents. Its organizational resources will be stretched thin across the board if it competes with the market on all fronts. As a result, the premium it offers is uniform and low. This will certainly discourage people with better talents to join the party because they demand for higher premiums than average. By concentrating its organizational resources to a few sectors with potential high-rents to capture, the CPC can offer higher premiums in those sectors and thus makes it easier to attract people with better talents to join the party. This strategy is particularly successful to attract students in elitist universities because they have

better chances to join high-rent sectors (Walder, 2003; Han, 2007). They are the major source of growth of the CPC membership.

Our results also provide new empirical evidence for the literature of interest groups. The existing literature has shown that interest groups (such as labor unions and lobbying groups) tend to survive in sectors where stakes are high and organization is easier. Our finding that the CPC concentrates its sources to high-rent sectors is consistent with this result. Our paper, however, is the first to provide evidence for a political party. We owe this to the nature of the CPC. In a competitive democracy, political parties have to appeal to as many social groups as possible in order to get more votes. In China, the CPC has monopolized the politics so it does not need to worry about popular votes. Instead, it needs talents to work for it so it can deliver tangible benefits to the general public. This is why it can afford to make itself more elitist.

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Appendix A. Benefits and Costs associated with New and Existing CPC Members

	New members	Existing members
Benefits	• higher chances of promotion (Morduch and Sicular, 2000) • higher income level (Appleton, Song and Xia, 2005) • easier access to public goods such as medical service and public schools. (Dickson and Rublee, 2000) • better jobs, especially in the government sector (Guo, 2005) • an extension in social networks and an accumulation of social capital	• access to resources controlled by the new entrant • an extension in social networks and an accumulation of social capital • spiritual benefits with increasing numbers
Costs	• membership fee (0.5% to 2% of labor income) • time cost of attending weekly Party school and lectures for 1-2 years • time cost of attending monthly Party activities • spiritual cost. CPC members are not allowed to have religious beliefs.	• more competitors for higher positions • more members to share the benefits

Appendix B. The Second-Order Conditions

Problem (5) is a case of the general constrained maximization problem

$$\underset{x}{Max}\ f(x)$$
$$\text{s.t. } g(x) \le 0.$$

It suffices for this problem to have a local solution if $f(x)$ is quasi-concave and $g(x)$ is convex for x satisfying the first-order conditions. In Problem (5), $g(.) = x_H + x_L - x\left[\Phi(\theta_H^*) + \Phi(\theta_L^*)\right]$, so $\frac{\partial^2 g}{\partial x_i^2} = -\phi'(\theta_i^*)\frac{d\theta_i^*}{dx_i}$, $i = H, L$. It is positive as long as θ_i^* is larger than the mode of $\phi(\theta)$. On the other hand, $f(.) = W(x_i, x_j)$. Note that $W_{ij} = \partial^2 W / \partial x_i x_j = 0$ for $i \neq j$. Then it suffices to show that $W_{ii} < 0$, for $i = H, L$. Redefine $W_i(x_i, \theta_i^*) = \partial W / \partial x_i$, then

(B1) $$W_{ii} = \frac{\partial^2 W}{\partial x_i^2} + \frac{\partial^2 W}{\partial x_i \partial \theta_i^*}\frac{d\theta_i^*}{dx_i},$$

where on the right-hand side the first term is negative and $\frac{d\theta_i^*}{dx_i}$ is positive. So W_{ii} is negative if $\frac{\partial^2 W}{\partial x_i \partial \theta_i^*}$ is negative, that is, if the marginal contribution of the party's efforts declines with θ_i^*. But

(B2) $$\frac{\partial^2 W}{\partial x_i \partial \theta_i^*} = A_i\left[x_i^\alpha + b\theta^\alpha\right]^{\frac{1}{\alpha}-1}\left\{\left[x_i^{\alpha-1} + b\Lambda_i\left(\theta_i^*\right)^{\alpha-1}\right]\phi(\theta_i^*) + \left[x_i^\alpha + b\left(\theta_i^*\right)^\alpha\right]\Lambda_i\phi'(\theta_i^*)\right\}.$$

Its sign depends on the sign of the terms in the wiggled bracket, which can only be negative if θ_i^* is larger than the mode of $\phi(\theta)$. But because $\left[x_i^{\alpha-1} + b\Lambda_i\left(\theta_i^*\right)^{\alpha-1}\right]$ decreases and $\left[x_i^\alpha + b\left(\theta_i^*\right)^\alpha\right]\Lambda_i$ increases in x_i^* and θ_i^*, $\phi'(\theta_i^*)$ will dominate $\phi(\theta_i^*)$ for reasonable values of θ_i^* larger than the mode of $\phi(\theta)$.

Appendix C. The DID Estimator

Let y_{Hi}^{p} and y_{Hi}^{n} be the income of a party member and a non-party member in the high-rent sectors, and y_{Li}^{p} and y_{Li}^{n} be the income of a party member and a non-party member in the low-rent sectors, all with observed personal attributes accounted for. Let μ_{Hi} and μ_{Li} be the income gap attributable to observed party membership in the high-rent and low-rent sectors, respectively. Suppose that a person is selected to either the high-rent sectors or low-rent sectors by an unobserved ability in addition to the observed attributes. Let δ_{Hi} denote the ability of a person selected to the high-rent sectors and δ_{Li} denote the ability of a person selected to the low-rent sectors. Suppose again that a person is selected to be a party member by an unobserved ability in addition to observed traits. Normalizing the ability of non-party members' ability to zero, let ω_{Hi} and ω_{Li} be a party member's ability advantage in the high-rent and low-rent sectors, respectively. Then after controlling the observed variables, the four types of income can be expressed as

(C1) $y_{Li}^{n} = \delta_{Li} + \varepsilon_i$,

(C2) $y_{Li}^{p} = \mu_{Li} + \omega_{Li} + \delta_{Li} + \varepsilon_i$,

(C3) $y_{Hi}^{n} = \delta_{Hi} + \varepsilon_i$,

(C4) $y_{Hi}^{p} = \mu_{Hi} + \omega_{Hi} + \delta_{Hi} + \varepsilon_i$,

where ε_i is a residual term with zero mean. Apparently, we have assumed that the unobserved personal traits determining party membership and sectoral choices are separable. The extra party premium of party members in the high-rent sectors over party members in the low-rent sectors then is

(C5) DE = $(\bar{y}_H^p - \bar{y}_H^n) - (\bar{y}_L^p - \bar{y}_L^n)$

= $(\bar{y}_H^p - \bar{y}_L^p) - (\bar{y}_H^n - \bar{y}_L^n)$

$= (\bar{\mu}_H - \bar{\mu}_L) + (\bar{\omega}_H - \bar{\omega}_L)$.

If ω_{Hi} and ω_{Li} have the same mean, then

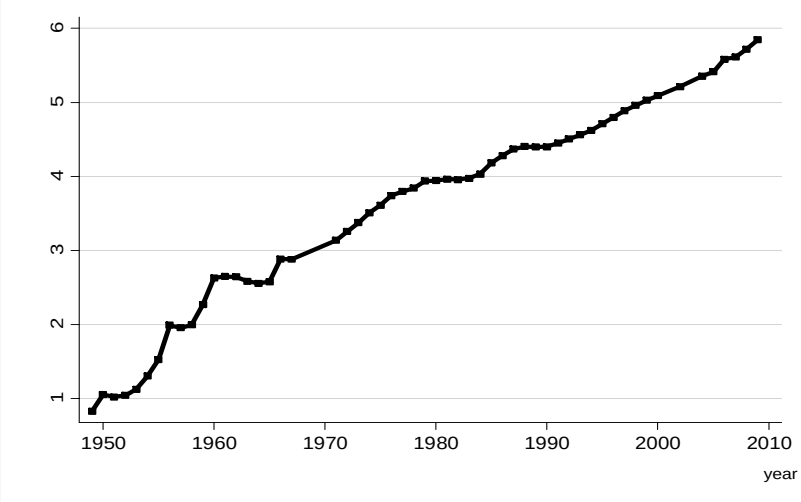
(C6) DE = $\bar{\mu}_H - \bar{\mu}_L$.

That is, it is the gap between the party premium in the high-rent sectors and the party premium in the low-rent sectors attributable to the observed party membership. This suggests that we estimate the following equation:

(C7) $y_i = \alpha_0 + \alpha_1 H_i + \alpha_2 P_i + \beta H_i \times P_i + \gamma X_i + \varepsilon_i$.

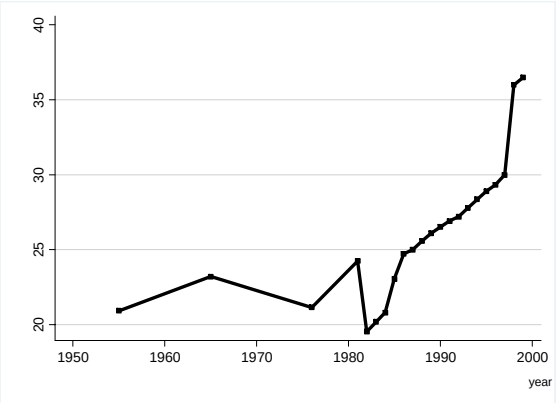
Then β is an unbiased estimator for DE under the assumptions (1) the unobserved personal traits determining party membership and sectoral choices are separable, and (2) unobserved personal traits determining party membership have the same mean for every person.

Figure 1. Share of CPC Members in the Chinese Population: 1949-2010 (%)

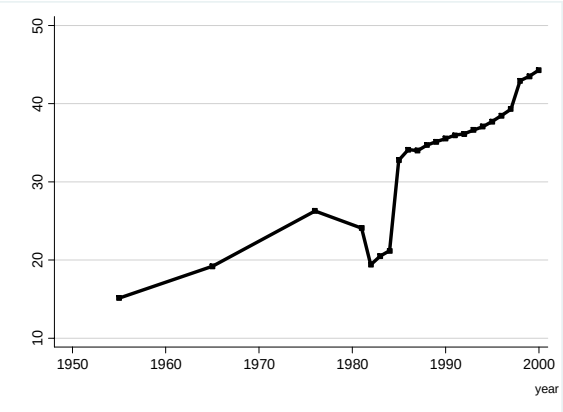


Data Sources: *The Communist Party of China Statistics Collection* (1921-2000); *2010 China Statistical Yearbook*.

Figure 2. The CPC in High-rent Sectors: 1955-2000 (%)



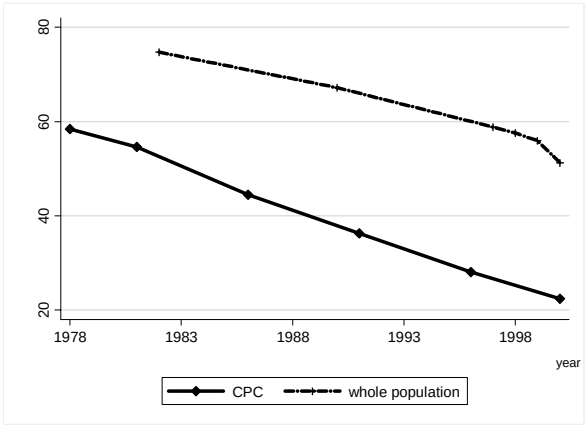
Share of membership



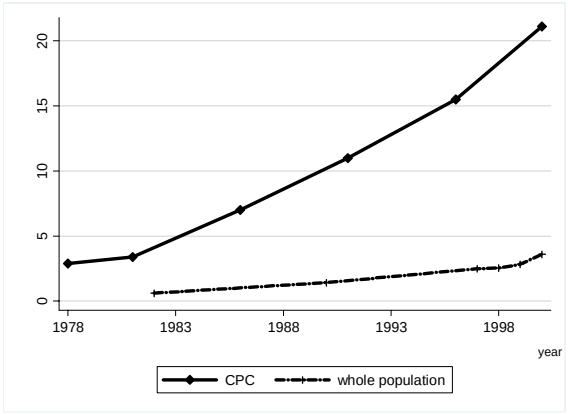
Share of organizations

Data Sources: *The Communist Party of China Statistics Collection* (1921-2000).

Figure 3. CPC Members' Educational Achievements Compared with the Whole Population: 1978-2000 (%)



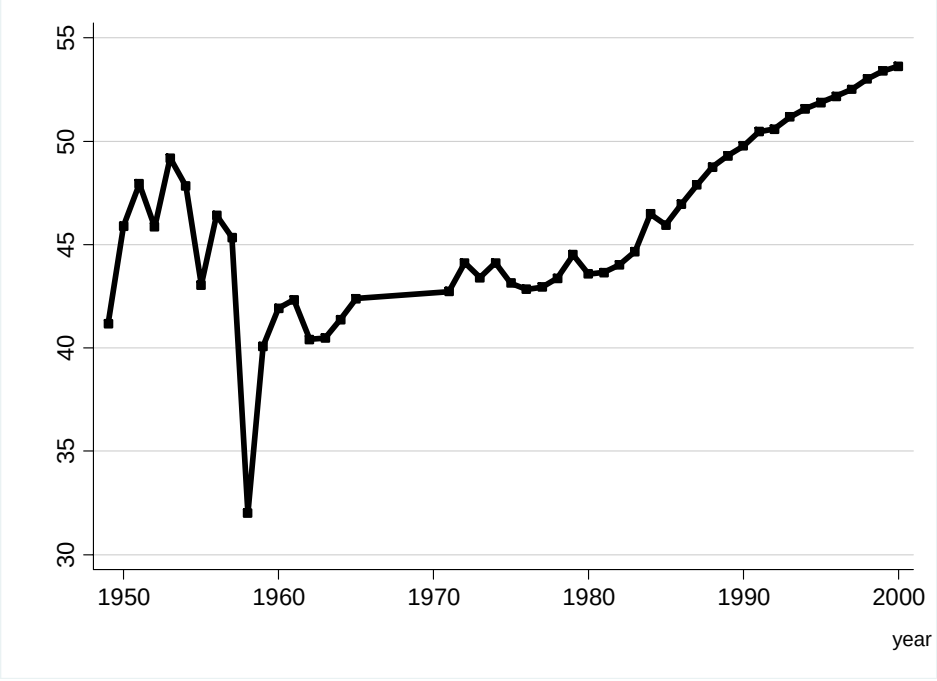
Share of people with elementary or lower education



Share of people with junior college or higher education

Data Sources: *The Communist Party of China Statistics Collection* (1921-2000) ; *2010 China Statistical Yearbook*.

Figure 4. Share of Urban Members in CPC: 1949-2000 (%)



Data Source: *The Communist Party of China Statistics Collection* (1921-2000).

Table 1: Descriptive Statistics of Employed Individuals between 18 and 65, CHIPS 2002

	Full sample		CPC members		Non-CPC members	
	# obs.	Mean	# obs.	Mean	# obs.	Mean
Total	10146		2940		7206	
Men	5675	55.37%	1997	67.93%	3647	50.61%
Age		40.45		44.06		39.05
Working Experience (years)		20.15		24.23		18.56
Education (years)		11.42		12.50		10.99
Working in High-rent Sectors	5629	55.63%	1924	66.19%	3642	51.24%
Holding a Managerial Position	1540	15.58%	855	29.97%	675	9.74%
Annual Income (yuan)		12110		14950		10977
Annual Income in High-rent Sectors (yuan)		13476		15937		12206
Father being a CPC	3296	32.39%	1142	39.15%	2126	29.71%

Source: CHIPs 2002.

Table 2: Descriptive Statistics of Employed Individuals between 18 and 65, CGSS 2005

	Full sample		CPC members		Non-CPC members	
	# obs.	Mean	# obs.	Mean	# obs.	Mean
Total	6464		529	8.18%	5935	91.82%
Men	3367	52.09%	425	80.34%	2942	49.57%
Age		39.00		42.82		38.66
Working Experience (years)		15.97		19.68		15.55
Education (years)		4.80		6.81		4.62
Working in High-rent Sectors	1998	49.03%	298	72.86%	1700	46.37%
Holding a Managerial Position	1152	17.07%	379	50.40%	773	12.89%
Annual Income (yuan)		11004		14867		10652
Annual Income in High-rent Sectors (yuan)		15524		17297		15212

Notes: There is not enough information on father's party membership in CGSS 2005.
Source: CGSS 2005.

Table 3: High-rent versus Low-rent Sectors

High-rent Sectors	obs.	Share	Wage (yuan)	Low-rent Sectors	obs.	Share	Wage (yuan)
(1) Utilities	331	3.25%	16440	(10) Farming	125	1.23%	5398
(2) Transportation, storage, post office and communication	797	7.83%	16044	(11) Mining	158	1.55%	11017
(3) Finance and insurance	274	2.69%	19135	(12) Manufacturing	2539	24.96%	11001
(4) Real estate	122	1.20%	15501	(13) Construction	333	3.27%	10279
(5) Social services	1048	10.30%	13499				
(6) Health, sports and social welfare	520	5.11%	14795	(14) Geological prospecting and irrigation	83	0.82%	12303
(7) Education, culture and arts, mass media and entertainment	917	9.01%	13290	(15) Wholesale, retailing and food services	1251	12.30%	9398
(8) Scientific research and professional services	177	1.74%	19113				
(9) Government agencies, party organizations and social organizations	1217	11.96%	13975				

Source: CHIPs 2002.

Table 4: Sectoral Distribution of Private Employment and Assets, 2002

High-rent Sectors	Employ-ment	Assets	Low-rent Sectors	Employ-ment	Assets
(1) Utilities	20.39%	20.39%	(10) Farming	2.61%	32.59%
(2) Transportation, storage, post office and communication	12.44%	6.88%	(11) Mining	29.74%	2.23%
(3) Finance and insurance	13.36%	2.04%	(12) Manufacturing	54.42%	25.17%
(4) Real estate	39.40%	0.49%	(13) Construction	31.21%	27.89%
(5) Social services	25.44%	23.77%	(14) Geological prospecting and irrigation administration	0.73%	0.08%
(6) Health, sports and social welfare	0.56%	0.22%	(15) Wholesale, retail and food service	27.44%	50.89%
(7) Education, culture and arts, mass media and entertainment	0.52%	0.14%			
(8) Scientific research and professional services	10.31%	0.29%			
(9) Government agencies, party organizations and social organizations	0%	0%			

Source: *2003 China Statistical Yearbook and 2003 Alamanac of China's Economy.*

Table 5: Managerial and Non-Managerial Positions, CHIPs

Managerial Positions	Obs.	Share	Non-Managerial Positions	Obs.	Share
Owner (manager) of a private firm	45	0.44%	Professional	2147	21.11%
Self-employed	430	4.23%	Clerical/office staff	2056	20.21%
Director of a government agency or enterprise	258	2.54%	Skilled worker	1902	18.70%
Director general of a government agency or enterprise	807	7.93%	Unskilled worker	984	9.67%
			Salesclerk	1257	12.36%
			Farmer	1	0.01%

Source: CHIPs 2002.

Table 6: Party Membership and Entry to High-rent Sectors: Baseline Results

	Variables	(1) Baseline	(2) Social services sector adjusted	(3) Government sector excluded
	Party member before current job	0.159***	0.111***	0.110***
	(yes = 1, no = 0)	(0.020)	(0.020)	(0.023)
	Age	-0.015**	-0.021***	-0.014**
		(0.006)	(0.006)	(0.007)
	Age-squared	0.000***	0.000***	0.000***
		(0.000)	(0.000)	(0.000)
	Female	0.032***	-0.023**	0.048***
	(yes = 1, no = 0)	(0.011)	(0.012)	(0.012)
	Minorities	0.021	0.015	0.012
	(yes = 1, no = 0)	(0.031)	(0.032)	(0.033)
	Urban *hukou*	-0.062	0.008	-0.050
	(yes = 1, no = 0)	(0.046)	(0.053)	(0.048)
	Years of schooling	0.018***	0.024***	0.014***
		(0.003)	(0.003)	(0.003)
	Working experience (years)	-0.002	0.002	-0.002
		(0.001)	(0.001)	(0.001)
	Public job	0.298***	0.323***	0.242***
	(yes = 1, no = 0)	(0.014)	(0.014)	(0.015)
	Job assigned by the gov'n	-0.089***	0.025*	-0.091***
	(yes = 1, no = 0)	(0.013)	(0.013)	(0.014)
	Father being a CPC member	-0.008	0.011	-0.014
	(yes = 1, no = 0)	(0.014)	(0.014)	(0.014)
	Father being a manager	0.031**	0.031**	0.027*
	(yes = 1, no = 0)	(0.015)	(0.015)	(0.016)
Dummies for marriage status (base group: Never married)	With spouse	-0.027	-0.035	-0.038
		(0.028)	(0.029)	(0.029)
	Divorced	-0.013	-0.014	-0.042
		(0.062)	(0.063)	(0.067)
	Widowed	-0.070	-0.096	-0.080
		(0.078)	(0.078)	(0.080)
	Other	-0.115	-0.124	-0.092
		(0.220)	(0.217)	(0.216)
Dummies for middle School Ranking (base group: National or provincial key	City level key school	0.013	0.022	0.015
		(0.032)	(0.033)	(0.035)
	County (district) level key school	0.049	0.040	0.055
		(0.034)	(0.035)	(0.037)
	Ordinary school	-0.035	-0.034	-0.034
		(0.030)	(0.030)	(0.033)

middle school)	Technical secondary school or	-0.009	-0.005	0.000
	professional middle school	(0.034)	(0.034)	(0.036)
	Other kinds	-0.074	-0.117***	-0.084*
		(0.045)	(0.044)	(0.048)
	Never attend	-0.059	-0.069	-0.039
		(0.058)	(0.058)	(0.062)
Dummies for performance in high school (base group: never attend)	Top 20%	0.054	0.074	0.065
		(0.053)	(0.055)	(0.058)
	Next 20%	0.025	0.036	0.035
		(0.051)	(0.053)	(0.055)
	Middle 20%	0.007	-0.000	0.018
		(0.051)	(0.052)	(0.055)
	Next 20%	-0.041	-0.029	-0.025
		(0.061)	(0.062)	(0.065)
	Lowest 20%	0.149	-0.051	0.178
		(0.184)	(0.198)	(0.199)
Dummies for college ranking (base group: very good)	Good	0.057	0.030	0.053
		(0.049)	(0.049)	(0.054)
	Fair	-0.005	-0.037	-0.019
		(0.048)	(0.047)	(0.052)
	Lower-middle	-0.050	-0.078	-0.062
		(0.056)	(0.054)	(0.060)
	Lower	0.032	0.049	-0.032
		(0.066)	(0.066)	(0.074)
	Never attend	-0.130***	-0.173***	-0.142***
		(0.045)	(0.046)	(0.050)
Dummies for self-reported health (base group: very good)	Good	-0.005	-0.004	-0.004
		(0.014)	(0.015)	(0.015)
	Fair	-0.018	-0.026	-0.022
		(0.016)	(0.016)	(0.017)
	Bad	0.036	-0.004	0.035
		(0.032)	(0.033)	(0.034)
	Worst	0.029	0.004	0.056
		(0.133)	(0.132)	(0.139)
	City dummies	yes	yes	yes
	Observations	9,497	9,497	8,340

Notes: Estimations use the CHIPs 2002 data. All reported coefficients are marginal effects. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 7: Party Membership and Entry to High-rent Sectors: Some Robustness Checks

Variables	(1) G1 v.s. G3	(2) G1 v.s. G2	(3) First jobs	(4) Resampling Baseline	(5) Resampling Social services sector adjusted	(6) Resampling Government sector excluded
Party member	0.166***	0.172***	0.109*	0.160***	0.104***	0.096***
before current job	(0.021)	(0.022)	(0.062)	(0.021)	(0.021)	(0.024)
Age	-0.018***	-0.016	-0.026***	-0.021***	-0.027***	-0.020***
	(0.007)	(0.013)	(0.006)	(0.007)	(0.007)	(0.007)
Age-squared	0.000***	0.000	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Female	0.034***	0.047**	-0.001	0.039***	-0.021*	0.048***
	(0.013)	(0.022)	(0.015)	(0.013)	(0.013)	(0.013)
Minorities	0.029	0.055	-0.004	0.016	0.007	0.011
	(0.035)	(0.056)	(0.041)	(0.036)	(0.034)	(0.037)
Urban *hukou*	-0.068	0.074	-0.036	-0.059	0.015	-0.045
	(0.048)	(0.145)	(0.067)	(0.051)	(0.055)	(0.053)
Years of	0.016***	0.021***	0.043***	0.016***	0.022***	0.012***
schooling	(0.004)	(0.005)	(0.003)	(0.004)	(0.004)	(0.004)
Working experience	-0.002	0.003	-0.007***	-0.003*	0.002	-0.003**
(years)	(0.001)	(0.003)	(0.002)	(0.001)	(0.001)	(0.001)
Public job	0.289***	0.437***	0.275***	0.271***	0.292***	0.224***
	(0.015)	(0.036)	(0.020)	(0.016)	(0.015)	(0.016)
Job assigned by	0.289***	0.437***	0.011	-0.095***	0.016	-0.090***
the gov'n	(0.015)	(0.036)	(0.018)	(0.015)	(0.015)	(0.015)
Father being a	-0.098***	-0.064**	-0.009	-0.011	0.005	-0.019
CPC member	(0.015)	(0.026)	(0.018)	(0.015)	(0.015)	(0.016)
Father being a	-0.004	0.005	0.015	0.034**	0.043**	0.029*
manager	(0.015)	(0.024)	(0.019)	(0.017)	(0.017)	(0.017)
City dummies	yes	yes	yes	yes	yes	yes
Observations	7,695	2,700	5,572	9,403	9,399	8,251

Notes: Estimations use the CHIPs 2002 data. All the reported coefficients are marginal effects. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 8: High-rent Sectors and Party Membership

Variables	Full sample	First jobs
High-rent job	0.235***	0.124**
	(0.040)	(0.056)
Age	0.002	-0.004
	(0.005)	(0.006)
Age-squared	-0.000	0.000
	(0.000)	(0.000)
Female	-0.071***	-0.067***
	(0.009)	(0.011)
Minorities	-0.034	-0.014
	(0.023)	(0.031)
Urban *hukou*	-0.065*	-0.038
	(0.034)	(0.050)
Years of schooling	0.014***	0.019***
	(0.002)	(0.003)
Working Experience (years)	0.009***	0.012***
	(0.001)	(0.001)
Job assigned by the gov'n	0.097***	0.031**
	(0.009)	(0.013)
Father being a CCP member	0.036***	0.034***
	(0.010)	(0.013)
Father being a manager	-0.012	-0.004
	(0.011)	(0.015)
Inverse mills ratio	-0.135***	-0.059*
	(0.025)	(0.034)
Constant	-0.381***	-0.309*
	(0.123)	(0.161)
City dummies	yes	yes
Observations	8,463	5,271
R-squared	0.182	0.211

Notes: Estimations use the CHIPs 2002 data. All the reported coefficients are marginal effects. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 9: Self-Selection versus Party Selection

	Variables	(1) Application for party	(2) Party acceptance	(3) Application on first job	(4) Acceptance on first job
	High-rent job	0.047***	0.096*	0.139***	0.108**
		(0.010)	(0.051)	(0.045)	(0.053)
	Female	-0.042***	-0.005	-0.056	-0.025
		(0.010)	(0.051)	(0.046)	(0.065)
	Minorities	0.022	0.115	-0.136	0.228
		(0.027)	(0.109)	(0.108)	(0.144)
	Age	-0.003	0.082***	-0.026	0.081***
		(0.004)	(0.018)	(0.016)	(0.025)
	Age-squared	0.000*	-0.001***	0.000	-0.001***
		(0.000)	(0.000)	(0.000)	(0.000)
	Urban hukou	0.015	0.077	0.223***	0.061
		(0.013)	(0.062)	(0.063)	(0.117)
	Years of Schooling	0.039***	0.010	0.021**	0.002
		(0.002)	(0.010)	(0.009)	(0.013)
Marriage Status (base group: Never married)	With Spouse	0.018	0.030	-0.037	0.096
		(0.017)	(0.084)	(0.081)	(0.110)
	Divorced	-0.009	0.209	0.220	0.341
		(0.037)	(0.243)	(0.204)	(0.229)
	Widowed	-0.020	-0.247	-0.095	0.535
		(0.043)	(0.278)	(0.228)	(0.476)
	Constant	-0.150**	-1.559***	1.003***	-1.484***
		(0.067)	(0.329)	(0.314)	(0.458)
	City dummies	yes	yes	yes	yes
	Observations	3,854	407	495	302
	R-squared	0.159	0.213	0.499	0.497

Notes: Estimations use the CGSS 2005 data. All the reported coefficients are marginal effects. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 10: Promotion Premium of CPC in High-rent Sectors

	(1)	(2)	(3)	(4)	(5)
		Government	IV		IV
	Baseline	sector excluded	full sample	G1 v.s. G3	G1 v.s. G3
Party Member	0.122***	0.136***	0.134***	0.140***	0.130***
	(0.013)	(0.012)	(0.013)	(0.014)	(0.021)
High-rent job	-0.036***	-0.034***	-0.358***	-0.031***	-0.391***
	(0.009)	(0.008)	(0.030)	(0.008)	(0.029)
Party Member with high-rent job	0.057***	0.018	0.057***	0.050***	0.085***
	(0.016)	(0.016)	(0.016)	(0.018)	(0.024)
Age	-0.004	-0.003	-0.010**	-0.003	-0.014***
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Age-squared	0.000**	0.000**	0.000***	0.000**	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Female	-0.083***	-0.075***	-0.076***	-0.070***	-0.063***
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Minorities	0.028	0.034*	0.009	0.027	0.016
	(0.020)	(0.020)	(0.020)	(0.020)	(0.020)
Urban hukou	-0.164***	-0.165***	-0.147***	-0.165***	-0.143***
	(0.030)	(0.029)	(0.031)	(0.029)	(0.030)
Years of schooling	0.003	0.001	0.009***	0.001	0.011***
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Working Experience	0.000	-0.001	0.000	-0.001	-0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Job assigned by the gov'n	-0.070***		-0.055***	-0.085***	-0.046***
	(0.008)		(0.008)	(0.008)	(0.008)
Father being a CCP	-0.002	-0.001	-0.003	0.001	-0.006
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)
Father being a Manager	0.029***	0.035***	0.039***	0.035***	0.039***
	(0.009)	(0.010)	(0.009)	(0.009)	(0.010)
Size: 101-500 employees	-0.079***	-0.079***	-0.108***	-0.071***	-0.118***
	(0.009)	(0.009)	(0.010)	(0.009)	(0.010)
Size: 501-1000 employees	-0.090***	-0.083***	-0.158***	-0.082***	-0.185***
	(0.012)	(0.012)	(0.014)	(0.012)	(0.014)
Size: >1000 employees	-0.103***	-0.092***	-0.191***	-0.093***	-0.210***
	(0.010)	(0.010)	(0.013)	(0.010)	(0.013)
Inverse Mill's ratio			0.207***		0.229***
			(0.018)		(0.018)
Constant	0.242**	0.269***	0.496***	0.257**	0.564***
	(0.101)	(0.103)	(0.105)	(0.102)	(0.105)
City dummies	yes	yes	yes	yes	yes
Observations	9,639	8,462	9,257	8,662	7,470
R-squared	0.150	0.141	0.166	0.136	0.182

Notes: Estimations use the CHIPs 2002 data. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 11: Income Premium of CPC in High-rent Sectors: Cross-sectional Analysis

	(1)	(2)	(3)	(4)	(5)
		Government	IV		IV
Variables	Baseline	sector excluded	full sample	G1 vs. G3	G1 vs. G3
Party member	0.039**	0.038*	0.041**	0.024	0.025
	(0.020)	(0.021)	(0.020)	(0.023)	(0.023)
High-rent job	0.199***	0.183***	0.255***	0.198***	0.248***
	(0.013)	(0.014)	(0.046)	(0.013)	(0.049)
Party member with	0.057**	0.051**	0.055**	0.071**	0.069**
high-rent job	(0.024)	(0.026)	(0.025)	(0.028)	(0.029)
Age	0.030***	0.033***	0.032***	0.033***	0.034***
	(0.006)	(0.007)	(0.006)	(0.006)	(0.007)
Age-squared	-0.000***	-0.000***	-0.000***	-0.000***	-0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Female	-0.141***	-0.145***	-0.138***	-0.138***	-0.137***
	(0.011)	(0.012)	(0.011)	(0.012)	(0.012)
Minorities	0.041	0.050	0.043	0.041	0.041
	(0.030)	(0.033)	(0.031)	(0.032)	(0.033)
Urban *hukou*	0.012	0.002	0.007	0.016	0.010
	(0.046)	(0.048)	(0.048)	(0.047)	(0.049)
Years of schooling	0.025***	0.025***	0.025***	0.027***	0.027***
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Working experience	0.009***	0.009***	0.010***	0.010***	0.010***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Manager	0.129***	0.136***	0.129***	0.140***	0.137***
	(0.016)	(0.018)	(0.016)	(0.018)	(0.018)
Job assigned by the	0.140***	0.124***	0.127***	0.135***	0.123***
gov'n	(0.013)	(0.014)	(0.013)	(0.013)	(0.014)
Father being a CCP	0.064***	0.065***	0.066***	0.063***	0.066***
Member	(0.013)	(0.014)	(0.013)	(0.014)	(0.014)
Father being a manager	-0.007	-0.010	-0.007	-0.003	-0.004
	(0.014)	(0.016)	(0.015)	(0.015)	(0.016)
Inverse Mill's ratio			-0.032		-0.028
			(0.028)		(0.030)
Constant	8.284***	8.288***	8.197***	8.225***	8.152***
	(0.154)	(0.169)	(0.162)	(0.166)	(0.174)
City dummies	yes	yes	yes	yes	yes
Observations	9,583	8,410	9,205	8,608	8,281
R-squared	0.414	0.403	0.414	0.402	0.401

Notes: Estimations use the CHIPs 2002 data. All the reported coefficients are marginal effects. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.

Table 12: Income Premium of CPC in High-rent Sectors: Panel Analysis

Variables	(2) Sub-sample OLS	One-way FE	Two-way FE
Party member	0.055***	0.175***	-0.007
	(0.010)	(0.028)	(0.026)
High-rent job	0.188***		
	(0.007)		
Party member with	0.057***	0.062**	0.064**
high-rent job	(0.013)	(0.030)	(0.030)
Age (year)	0.033***		
	(0.003)		
Age-squared	-0.000***		
	(0.000)		
Female	-0.161***		
	(0.006)		
Minorities	0.044***		
	(0.015)		
Urban *hukou*	0.050**		
	(0.024)		
Years of schooling	0.024***		
	(0.002)		
Working	0.005***		
Experience	(0.001)		
Job assigned by the	0.080***		
gov'n	(0.006)		
Father being a CCP	0.046***		
	(0.007)		
Father being a	0.004		
manager	(0.007)		
Constant	8.244***	9.038***	8.959***
	(0.080)	(0.005)	(0.007)
City dummies	yes	no	no
Year dummies	no	no	yes
Observations	35,388	35,863	35,863
R-squared	0.380	0.844	0.868

Notes: Estimations use the CHIPs 2002 data. Robust standard errors are reported in parentheses. *, **, and *** stand for significance level of 10%, 5%, and 1%, respectively.