

A Study of the Ethical Issues of Private Entrepreneurs Participating in Politics in China

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ABSTRACT. Since the 16th National Congress of Communist Party of China (16th NCCPC) in 2002, more and more private entrepreneurs have appeared on the political arena in China. The article first describes the state of the phenomenon, and analyzes the reasons and the related ethical issues of private entrepreneurs participating in politics. For this purpose, the article begins by suggesting a framework of analyzing the ethical analysis of corporate political actions, then applies it to a case study of the phenomenon, and finally, makes some policy suggestions to the government for regulating the practice of private entrepreneurs' involvement in politics.

KEY WORDS: private entrepreneurs' involvement in politics, corporate political action, ethics, the People's Congress, political contestability

Abbreviations: PC: the People's Congress; CPPCC: the Chinese People's Political Consultative Conference; CPC: the Communist Party of China; CPA: corporate political action; 16th NCCPC: 16th National Congress of Communist Party of China

China has been in a transition process from a command economy to a market economy since the early 1980s and some reform in political area has also taken place over the ensuing period. A typical example is that more and more private entrepreneurs¹ have appeared on the political arena in China, since the 16th National Congress of Communist Party of China (16th NCCPC) in 2002, such private entrepreneurs who participate in politics have been titled as "new red-hat merchants."² The implication of this phenomenon for society in general and the business world in particular now becomes an important topic worth study. This article argues that the involvement of private entrepreneurs in politics is a natural consequence of the development of a

market economy that is transforming the political and economic environment in China. While the authors argue that this involvement is positive at present, but that there are ethical issues resulting from the phenomenon. The article discusses these ethical issues and defines a reasonable scope for the involvement of private entrepreneurs in politics.

The article is structured as follows: First, we describe the current situation of private entrepreneurs' involvement in politics in China, and analyze the reasons and related ethical issues of the phenomenon. Second, an analytical framework on the ethical issues of private entrepreneurs' involvement in politics is proposed. Third, with this framework, the ethical issues of the phenomenon are analyzed, and a proper boundary of political involvement behavior is identified. In conclusion, the article discusses the theoretical contributions and implications for the regulation of corporate political actions in China.

The private entrepreneurs' involvement in politics: status quo and analysis

The political involvement of private entrepreneurs in politics

The non-state-owned sectors in China's economy have been gradually gaining importance during China's economic transition process. The most important event was that the 16th National Congress of Communist Party of China, which was convened in 2002, formally stated that the non-public sector of private and other forms of ownership was important component parts of the socialist market economy and that private entrepreneurs are builders of socialism with Chinese characteristics. As a result,

the enthusiasm of businessmen for politics has increased rapidly and more and more businessmen are now participating in politics. At present, the domain of political activities open for private entrepreneurs' participation in China is as follows:

Firstly, joining the Communist Party of China (CPC). According to the traditional ideology of Marxist, private entrepreneurs belong to "the exploiting class," while the CPC is the pioneering organization of the Chinese working classes. Therefore, private owners could not join the CPC.³ Things changed, however, after the 16th National Congress of Communist Party of China. As indicated in the report of Jiang Zemin, the General Secretary of CPC, at 16th Party Congress in 2002, other social strata, including private owners, could now join the Communist Party of China (CPC), if they accept the Party's program and Constitution, work for the realization of the Party's goals and program and meet the qualification requirements of Party membership. Since then, more and more private entrepreneurs have become Party members of CPC. A survey conducted by All-China Federation of Industry and Commerce (ACFIC) on the membership of private entrepreneurs in CPC in China in 2002, indicated that the proportion of the CPC Party members who were private entrepreneurs in the private sector was 29.9%, while this number was 13.1% in 1993, 17.1 % in 1995, 16.6% in 1997, and 19.8% in 1999, respectively (The Chinese Private Enterprises Research Group, 2003).

Secondly, serving as the deputies to the People's Congress (PC) or members of the Chinese People's Political Consultative Conference (CPPCC) at

national, provincial, city or prefecture, and county levels. The deputies to the PC and members of the CPPCC at county level are elected by the direct voting of constituencies, while the indirect voting of lower-level members elects those at other three higher levels. All political parties and mass organizations may either jointly or separately recommend candidates to be deputies. A minimum of 10 voters in a direct election and 10 deputies in an indirect election may also recommend candidates. All those elected serve a five-year term, which is a part-time position. After the 16th NCCPC, more and more private entrepreneurs have been elected or recommended as deputies to the PC or the members of the CPPCC. For example, there were only 50 deputies from the private sector in the 9th National People's Congress in 1998, but this number increased to more than 200 in the 10th National People's Congress in 2003, accounting for 10% of all members of the Peoples Congress. Another significant fact is that the numbers of private entrepreneurs' member of the PC and CPPCC in the delegates from the coastal provinces were significantly larger than those of other provinces.

The growth of successful private entrepreneurs' enthusiasm for politics is shown in Table I⁴ According to "the list of top 500 rich persons in China," which was issued by *New Fortune*, 236 of the 500 rich people hold posts in the PC or the CPPCC at or above city level, accounting for nearly 50% (Yan, 2005).

Thirdly, establishing the CPC Party branches at the firm level in the non-public sectors. As prescribed by related provisions, private enterprises, which have

TABLE I

Involvement of private entrepreneurs in politics as deputies to NPC and members of national committee of CPPCC^a

Year	Rich list	NPC	CPPCC	Total
2001	China Rich List of Forbes Global	6	16	22
2002	China Rich List of Forbes Global	9	12	21
2003	China Rich List by Rupert Hoogewerf	23	11	34
2004	China Rich List by Rupert Hoogewerf	14	24	38
2004	500 Rich list of New Fortune	43	42	85
2005	500 Rich list of New Fortune	51	38	89

^a We can see from Table I that the involvement of private entrepreneurs in politics increases steadily since the 16th NCCPC in 2002 from the numbers of private entrepreneurs elected as deputies to the National People's Congress (NPC) and members of National Committee of CPPCC.

more than three CPC Party members and have a party branch secretary, can establish CPC party branches; those firms, which does not meet these conditions, are encouraged to build united CPC party branches with other enterprises within the same industry or the same area. The establishment of the CPC branches in private enterprise provides the firm a formal means of establishing a relationship with the political wing of Chinese government at all levels, and brings the firm opportunities to let government officials know about the firm. (The Chinese Private Enterprises Research Group, 2003)

Fourthly, building regular connections with the CPC Party and the government bureaus by joining such organizations as the All-China Federation of Industry & Commerce (ACFIC) or China National Democratic Construction Association (CNDCA). ACFIC is a non-government chamber of commerce composed of Chinese industrialists and business people under the leadership of the Chinese Communist Party, and an organization assisting the government in the management of China's non-public economy. CNDCA is a political party composed mainly of people from economic circles, and has characteristics of a political alliance. CNDCA mainly represents the interests of individual managers in industry and commerce and entrepreneurs in the private sector. Statistics show that there are 183 private entrepreneurs are executive commissaries in ACFIC, including 3 vice presidents and 46 standing commissaries (Lu, 2002). Besides, private entrepreneurs can also join such groups as the All-China Youth Federation (ACYF), All-China Women's Federation (ACWF) and related industrial associations. By holding positions in such organizations, they have better opportunities to make contact with the related government departments, to know the related policies, and to make their opinions known.

Fifthly, supporting the cause of commonweal to increase their influence in public affairs. For example, many private entrepreneurs actively responded to the government's call for funding for social activities by organizing to establish the "China Guangcai Program". This program has been initiated and implemented by the Chinese private entrepreneurs to work towards alleviating poverty in response to "the Eighth Seven-Year Anti-Poverty Plan." The entrepreneurs make investments in the poorer areas and make donations to educational and

medical areas, setting up welfare work programs. By so doing, these private entrepreneurs successfully increase their influence in the society. For example, Zhengtai Group, a top industrial product firm in Zhejiang province, donated US \$11 million (90,000,000RMB) from 1999 to 2002, and set up the first Poverty-Alleviating organization in China.

Sixthly, taking part in the meetings organized by the CPC and government departments to reflect their opinions. In such occasions Government bureaus at all levels routinely will hold symposia and seminars to collect the opinions from managers in the state-owned sector and business people in non-public sectors. For example, the government of the city of Changsha, Capital of Hunan province, held symposia to discuss the optimization of resources and the impact on the environment in order to understand the opinions and needs of private business owners.

Although there are many channels through which private entrepreneurs can participate in politics, as mentioned above, serving as the deputies to PC or members of CPPCC is the most direct and prominent way to take part in politics. Therefore, the rest of this article focuses on private entrepreneurs entering the PC and the CPPCC at national, provincial municipal or county level.

The phenomenon of private entrepreneurs participating in politics is a new phenomenon in China's transitional economy. Through not all elected officials in the US (or the west in general) are required to give up their private practices, the problems of conflict between public and private interests is an issue around the world. Following Getz (1997) we seek to understand the private sectors attempts to influence the formulation and implementation of government policy and regulation, in order to shape a favorable environment as corporate political action (CPA). It is natural that private enterprise everywhere has in interest in influencing public sector policy when that policy impinges on private sector interest. In most of what is called the developed world (usually defined by a grouping such as the OECD) there are regulations designed to manage the conflicts of interest that inevitably occur when private interests meets public interest. Within these regulatory frameworks in the developed market economies, it is normal practice for enterprises to attempt to influence government decision-making process by lobbying MPs and government officials in the west.

In an effort to provide a means for private sector interests to have a voice in policy formation and implementation in China (see earlier discussion) increasing numbers of Chinese private entrepreneurs are now being elected deputies to the PC or members with the aim of directly influencing the formulation and implementation of government policy and regulation by directly entering departments, which can influence government decision-making.

Ethical considerations when integrating public and private sector interests

The literature on the ethics of public/private sector influence is large. What follows is a discussion that sketches the most relevant aspects as they relate to the Chinese situation. In much of this literature corporate political activities are often discussed in terms of firms' "rights" to be involved politically. Hence, the notion of a pluralist understanding of legitimate rights needs to be understood as it relates to the Chinese situation.

The pluralist perspectives that have contributed to and are considered hallmarks of a liberal market economy draw their inspiration and justification from political ethics and particularly a branch of ethics called value pluralism. Value pluralism posits that there are often several values (hence perspectives) that are equally correct and yet are in conflict with one another (Berlin, 2002; Blattberg, 2000; Crowder, 2002; Dworkin, 2000; Raz, 2004). Given that the pragmatic perspective has a wide currency in China; it should come as no surprise that as the need to reconcile the different interests of different parties in China's transition economy that a pluralist perspective is seen to provide a working solution. Pluralism of political thinking maintains that the process of politics is a process in which all kinds of interest groups engage in bargaining in the political arena.

Reasons for political participation by private entrepreneurs

Businesses are involved in the political process, because the decisions made in the political arena have significant consequences for business enterprises and for the economy. Government decision

makers have the ability to alter the size of markets through government purchases and regulations thereby affecting substitute and complementary products; to affect the structure of markets through entry and exit barriers and antitrust legislation; to alter the cost structure of firms through various types of legislation pertaining to multiple factors, such as employment practices and pollution standards (Gale and Buchholz, 1987); and to affect the demand for products and services by charging excise taxes and imposing regulations that affect consumption patterns. Therefore, there is substantial interdependence between a firm's economic or competitive environment and government policy (Baron, 1995; Lenway and Murtha, 1994).

Unless businesses express their interests clearly and forcefully, it is argued that, public policy that affects business may be too much influenced by other groups, such as labor unions, consumer groups, and environmentalists (Frederick et al., 1992). Thus, businesses have legitimate rights to participate in a political process, just as consumers, labor unions, environmentalists, and others do. Therefore, businesses must make sure that their interests are not unknown to policy makers. Two types of interests, economic and ideological, have been highlighted to explain business involvement in the pluralist arena.

Many different groups have interests inconsistent with those of business (Plotke, 1992). Whereas some conceptual work in corporate political action (CPA) that is based on other theories assumes a plurality of interests (e.g., Keim and Baysinger, 1993; Oberman, 1993; Spiller, 1990), other work has specifically addressed the importance of specific interest groups, such as labor unions (Mundo, 1992; Santana-Melgoza et al., 1991). Empirical work has focused in particular on the role of labor unions and other interest groups as political opponents of business firms. For example in the USA, as compared to non-unionized firms, firms with highly unionized workforces are more likely to have a political action committee (PAC) or a Washington office (Masters and Keim, 1985). These unionized firms also tend to collect more in PAC receipts or give more in PAC contributions (Masters and Baysinger, 1985; Masters and Keim, 1986) than non-unionized firms. An example of this private sector influence is, Hoberg (1990) who noted the importance of environmental interest groups in his

analysis of the development of U.S. and Canadian policies regarding the pesticide.

An alternative explanation of business involvement as an interest in the pluralist arena is based on ideology. The business ideology is different from other (anti-business, Keynesian, pro-labor, and pro-socialist) ideologies; business must be politically active to assure that its ideology remains strong. Plotke (1992) asserts that virtually all CPA since the 1970s has been ideologically driven. In empirical analyses, it has been shown that at least some of the variance in PAC contributions can be attributed to ideology (Clawson et al., 1986; Eismeier and Pollock, 1987).

In China, the reasons for private entrepreneurs' participation in politics could also be attributed to the above two aspects, but there are obvious differences compared with the West. The reasons why private entrepreneurs wish to engage in political activities are similar to those of previously marginalized groups in the west. First, economic interest drives private enterprises to participate in politics. The Chinese market is different from the western market in that the government dominates the former. Thus the behavior of Chinese businessmen is government-oriented rather than market-oriented as in the Western situation (Zhang, 2001). In the transition period of China, the government still controls many scarce resources, such as access to capital, the authority to examine and approve projects, government purchasing, the authority to examine and to approve the qualification of firms' listing in the stock market, the authority to use the land, etc. Statistics show that there are around 2000 authorities to examine and approve economic activities only at the central government level. For example, to produce a boiler, the enterprise must get 40 "permits" (Zhang, 2001). Under such a circumstance, private enterprises must gain the government's support in order to get these resources. One feasible way is to attain membership of the PC or the CPPCC. The People's Congress (PC) is China's legislature, which, as stipulated by the Chinese Constitution, is the highest organ of state power in China.⁵ The Chinese People's Political Consultative Conference (CPPCC) is an advisory body to the party/government in China, somewhat analogous to an advisory legislative upper house.⁶ The main functions of the CPPCC are to hold political consultations and to exercise democratic

supervision of the party and governments. Being deputies to the PC and members of the CPPCC can bring private enterprises a lot of benefits, such as some measure of political power, formal and informal ties with important government bureaucrats who are also members of the two organizations, access to resources, which are not available through markets, preferential government policies, securing tax deductions and obtaining legal or non-legal protection for their businesses.

Ideology is also an important reason that drives private enterprises to participate in politics. According to traditional Marxist ideology, private entrepreneurs belong to "the exploiting class", and the development of private enterprises will lead to the polarization of rich and poor. Therefore, the private economy has long been suppressed and the private property has not been protected effectively in China. Thus, private entrepreneurs lie in a vulnerable position and they feel unsafe. The title of deputies to the PC or members of the CPPCC gives private entrepreneurs some measure of political status. As deputies to the PC or members of the CPPCC, they can legally promote their ideology. For example, in recent years, with the continuous efforts of the deputies who are private entrepreneurs, "the protection of private assets" has been successfully written into China's constitution. The reasons why private entrepreneurs wish to engage in political activities are similar to those of previously marginalized groups in the west.

Ethical issues of private entrepreneur's involvement in politics

This involvement of private entrepreneurs in politics is the natural result of the development of market economy in China. Since the reform and opening-up policies in 1978, private economy has been growing very fast. According to statistics, the rate of growth in private economy per year is above 20% from 1979 to 2002 (Hu, 2005). The proportion of the private economy in national GDP has increased from 1% in 1978 to about 1/3 at present (The Development and Reform Committee of the State Council, The Research Office of the State Council, 2005). With the growth of private economy, the political consciousness of the private entrepreneurs

has awakened and is growing; they demand more and more political influence.

While earlier discussion indicated that defacto strategies are in place (private business interests being elected to public office). Under the present political system, the way that the enterprises participate in politics is still obscure, and actions that the enterprises influence the process of government decision-making and legislation have not been formally acknowledged or the consequences adequately thought through. Since the deputies to the PC and members of the CPPCC are part-time, many private entrepreneurs are elected or recommended as deputies to the PC or members of the CPPCC,⁷ as the statistics have shown above. The fact that many private entrepreneurs are appointed or recommended deputies to the PC or members of the CPPCC changes the traditional abstract prolocutor decision-making mechanism. Particularly as it benefits the development of democratic politics in China, and in this aspect, the phenomenon is positive at present. But private entrepreneurs face role conflict after they are elected or recommended as deputies to the PC or members of the CPPCC. The deputies to the PC and members of the CPPCC participate in politics on behalf of their constituencies, but these private entrepreneurs still hold positions in the business after they are elected. As the key decision makers in their business, they have more information, resources, and voice than other people and they have the ability to influence the process of government decision-making and legislation (Zhang, 2001). From the proposals these deputies put forward before the PC and the CPPCC Sessions, we find that they have considerable economic power. Most of the proposals concentrate on the finance and economy, or are concerned with the prospects for enterprises and relevant industries, or discuss the external environment and its impact on the private sector economy. However, only a small number of private entrepreneurs proposed some feasible suggestions about social development and the improvement of living standard of local residents (Zhang, 2004). It has also been reported that some private entrepreneurs utilize their political status to commit crimes after they are elected. Some collude with the organized crime syndicates who are already involved in politics (Wang and Xi, 2003). As well as these abuses of power, the increasing influence of

private sector interests in government bodies effectively deprive disadvantaged interest groups of their rights to participate in politics, as more and more private entrepreneurs have entered the PC or the CPPCC at all levels. However, legislation or rules of conduct that can provide a set of guidelines for the participation of businessmen in politics does not exist. A survey of, legal documents, such as *Organic Law of the National People's Congress of the People's Republic of China*, *Deputation Law of the People's Republic of China for the National People's Congress and the Local People's Congresses at Various Levels*, the *Election Law for the National People's Congress of the People's Republic of China* tells us that not one of these sources of regulation, provide special regulations that establish reasonable boundaries on private sector influence. In the US there are several organizations promoting ethical business practices and promulgating standards of ethical conduct. In China, although there are analogous organizations, such as China Guangcai Program (CGP) and China Corporate Social Responsibility Alliance (CCSRA),⁸ there are no corresponding criteria about the political ethics of the business.

These issues will produce serious consequences for the economic system reform in China if no effective measures are taken. History suggests that private entrepreneurs' involvements in politics are good for the development of democracy. However the experiences of western countries tell us that the money will dominate within a market economy and achieve a dominant position in a democracy unless there are significant institutional restrictions on capital's role. Wu Jinglian, a leading economist in China, warns that Chinese market economy should "avoid falling into the mud pit of crony capitalism" (Wu, 2002, 2003, 2004). Under such a circumstance, it is very important for private enterprises to consciously restrain their action. As the political participation of private entrepreneurs in politics is a kind of corporate political action, the biggest danger of corporate politic action is to exert too much power. If the enterprises are in conflict with the interests of the whole society in the pursuit of their own interests, both the enterprises and the society will lose (Frederick et al., 1992). Therefore, we will discuss the ethical criteria that private entrepreneurs should follow when they participate in politics.

An analytical framework on the ethical issues of private entrepreneurs involvement in politics

Political involvement of the enterprise and democracy

The power and privilege of business, especially of big business firms, has long been viewed by many as a threat to democracy. The reconciliation of the concentration of wealth and resources in business organizations with democratic political ideals and theory has always been problematic. This led Charles Lindblom to conclude in his well-known work, *Politics and Markets*, with the statement that “The large private corporation fits oddly into democratic theory and vision. Indeed, it does not fit.” The enormous resources of the large corporation were seen by Lindblom as placing it in such a dominant position relative to other political actors that it became “the major specific institutional barrier to fuller democracy.” (Lindblom, 1977, p.356) Other significant commentators have identified business’s power to control the policy agenda or the public consciousness as the major threats to democracy (Bachrach and Baratz, 1962; Lukes, 1974). The theme of big business as a threat to democracy continues to be echoed and amplified. As a result, Western Countries have passed many laws to regulate the political activity of the enterprises, but big business still exerts too much influence on the formulation of public policy in many instances. In recent years, Western scholars begin to discussing the criterion of corporate political activity from the point of business ethics (Markowitz, 1984; Weber, 1996, 1997; Keffer and Hill, 1997; Hamilton and Hoch, 1997; Oberman, 2004). For example, Weber (1996) contends that enterprises should follow the ethic of citizens, not the ethic of customers when they participate in politics. Keffer and Hill (1997) analyze the ethic of American enterprise’s lobbying from the perspective of Communitarianism. Weber (1997) consider that a more fully developed understanding of the ethic of corporate political activity should include (at least) three general issues: the appropriate goals, the appropriate means, and voluntary restraints on self-interested behavior.

The research of Western scholars on the ethics of corporate political action provides many alternative

approaches. However, due to the difference between China and the West in terms of political systems, these theories have their limitations when employed to analyze the ethic of corporate political action of Chinese enterprises. Western countries generally adopt a political system of “separation of powers,” but China has a political system described by Xu (1995) as “combination of legislative and executive powers.” In the Western countries, legislation, administration, and judicature are separated from each other in order to keep a power balance between them. For example, Parliament or Congress is the organ of legislative control and has absolute authority. Members of Congress are selected by election via a democratic process. Anyone who is elected must give up their former position, or at least disclose their private business interests while participating in politics. In China, the People’s Congress (PC) is the China’s legislature, which is the highest organ of state power in China. The government, the court and the procuratorate are all responsible to the PC.⁹ The Chinese People’s Political Consultative Conference (CPPCC) is an important organ of multi-party cooperation and political consultation under the leadership of Communist Party. The main functions of the CPPCC are political consultation, democratic supervision and participation in and deliberation of state affairs. The deputies to the PC and members of the CPPCC of China are part-time and they still engage in their own work during adjournment. So we can see that by comparison, there are smooth channels for the enterprises to participate in politics in the west, while the way by which Chinese enterprises participate in politics is obscure. So we must fully consider China’s national conditions when analyzing the ethics of corporate political action.

Political reform lags behind economic reform in China. Under the planned economy, the state-owned part of the economy occupies a dominant position, while the private economy is marginalized. The dominance of state-owned economy fits well with the highly centralized political system. As noted earlier, with the growth of private economy, the political consciousness of the private entrepreneurs has awakened, so there are consequent demands for more and more political rights. Under the present political system, the ways that the enterprises participate in politics is still obscure and the actions and

methods private enterprise uses to influence the process of government decision-making and legislation have not been formally acknowledged or sufficiently understood.

An additional pressure is to be seen in the competition for selection/election to public office by private sector interests. Since, the deputies to the PC and members of National Committee of the CPPCC are part-time, many private entrepreneurs vie with each other to obtain these titles often using dubious strategies to gain advantage. Private entrepreneurs' participating in politics has positive effects at present, but China should be on guard. The experiences of Western countries indicate that the money is sure to control democracy without rigid institutional restriction. Therefore, China must define a proper boundary for private entrepreneurs participating in politics, and make sure that it will not damage the development of democratic politics of China.

Ethical criteria for corporate political action

When considering the rationality of an action, some people are primarily concerned with the end of an action, while some others generally put more emphasis on the intention behind it or on one or more characteristics of the means itself. In fact, any moral decision involves three elements: what we intend, how we carry out the intention, and what happens. It is insufficient to judge the rationality of an action primarily by the intention or the end. Due to this, Garrett proposed a Principle of Proportionality, bringing together intention, means, and end to form a synthesis. Garrett's principle of proportionality states:

I am responsible for whatever I will as a means or an end. If both the means and the end I am willing are good in and of themselves, I may ethically permit of risk the foreseen but unwilled side effects if, and only if, I have a proportionate reason for doing so (Garrett, 1966, p.8).

Therefore, we will analyze the rationality of private entrepreneurs' participating in politics from their intention, means, and end separately.

Political competition and democracy are imperfect. If we apply an absolute standard of representative fairness, we would be hard-pressed to approve of any competition among actors with unequal

resource endowments. Therefore, we must live with the current system; we should find ways to improve the functioning of democracy within it. We must look for the best standard of representative democracy we can reasonably hope for in an unfair and imperfect world. This standard may exist in the notion of "political contestability." Since large corporate interests lie in an advantaged position relative to others in the political process, the problem is how to maintain a reasonable, level playing field, on which both big business and others can compete. In this analysis, Mitnick introduced the concept of "political contestability" as an analog to market contestability in the economics literature. A contestable political system may not mirror classic democracy, but would "still permit a contest for influence and control" (Mitnick, 1993, p. 22). The "test of democracy" is "not if its rules seem fair, but that its system is contestable." (Mitnick, 1993, p.21) Reasoning from the Rawlsian theory of distributive justice and the notion of the generalized good argued by Rawls as a position of setting aside personal knowledge in favor of a position of informed moral acceptance of common knowledge defined as the "veil of ignorance," Mitnick delineated the requirements of a contestable political system as respecting the popular will (i.e., being representational), possessing a neutral bias, and incorporating shared democratic values. In terms of process, such a system would allow mobilization of support for various positions; permit broad access; incorporate due process, openness, and timely consideration of issues; provide for the possibility of change; and be widely viewed as legitimate. Although Mitnick sees contestability as a property of the structure of a political system, the concept can serve as a basis for laying out a framework of rules for ethical corporate political involvement (Oberman, 2004). Under these rules, the prime standard for judging the ethics of a given action would be its effect on system contestability. How can the assumptions of contestability be converted into a set of ethical obligations for corporate political actors? A logical place to begin is with the three commonly identified approaches to ethics in Western thought: consequentialist (teleological), non-consequentialist (deontological, including Kantian and rights-based), and justice-oriented. These are well known and employed in standard business ethics texts and models and were

combined by Cavanaugh et al. and Oberman in ethical decision-making framework (Cavanaugh et al., 1981; Oberman, 2004). They also align well with the requirements of contestable systems delineated by Mitnick. It is proposed here that political activity be evaluated in light of these three approaches, with the limiting standard being maintenance of contestability.

Since, the reform and opening-up, the social structure of Chinese society has changed a lot; many new social strata have emerged with their interests in conflict and competition with each other. As an advantaged actor, private enterprises should be placed under an obligation to pay attention to the effects of their action on contestability and to refrain from those actions that may damage it. Therefore, we present a framework for evaluating the ethic of political action in a contestable political system, as shown in Table II which is built around the Garrett's Principle of Proportionality and the three traditional approaches to ethics. Any political action must be evaluated according to the three criteria before it can be judged to be ethical.

From the teleology point of view, the contestable political system must represent the interests of the most people, and can bring the most benefits for the most people. Thus consequentialist analysis is concerned with the direct effects of the action on the quality and degree of representation in the system. From the deontology point of view, a contestable political system must respect the rights of all the people and interest groups. Thus, the rights analysis concentrates on adherence to fundamental democratic values that undergird the system and are necessary to its proper functioning. Political rights are seen as among the most fundamental of these values. From a justice point of view, a contestable theory must be a legitimacy system; it must follow the principle of justice. Thus, justice-oriented analysis looks at longer-term patterns and whether they effectively disenfranchise disadvantaged segments of the population.

The ethic of private entrepreneurs participating in politics

Based on the framework proposed above, we will analyze the phenomenon of private entrepreneurs

participating in politics by the intention, the means and the end.

Intention of private entrepreneurs participating in politics

The intention refers to the motive and purpose behind an action. Intention behind the action determines the nature of action directly. Whether the intention is pure or not, it should be regarded as an important factor when judging the rationality of an action.

The types of intentions of private entrepreneurs participating in politics are as follows (Wang and Xi, 2003): The first type is compensatory participation. The private entrepreneurial stratum has been oppressed by all kinds of forces from the political environment for a long time now. As their economic power has become stronger and stronger and the political environment become reasonable and favorable for them, they wish to achieve a corresponding political status. The second type is utilitarian participation. As they have not received equal rights in economic, political and other aspects, private entrepreneurs now want the government to pay attention to their interests in order to create a fair competitive environment in which they can participate without discrimination. The third type is democratic participation. The development of private enterprises promotes their political consciousness, and participating in politics becomes their conscious social responsibility. Besides, the reason why some private entrepreneurs want to enter the PC or the CPPCC is that they want to utilize the privileges of the deputy to the PC. According to *Deputation Law of the People's Republic of China for the National People's Congress and the Local People's Congresses at Various Levels*, deputies above country level cannot be arrested or be on trial, and are not subject to other provisions which limit personal freedom without the permission of presidium or committee of coordination for the PC.

In terms of the consequence, it will do good to promote the representation of the political system when private entrepreneurs want to gain their corresponding political status and strive for their legitimacy interests and fulfill their social responsibility by running for deputies of the PC or members of the CPPCC. However, if they want to strive for their

TABLE II
An analytical framework on the ethical issues of private entrepreneurs involvement in politics^a

Influence to the contestability of the political system			
	Consequences (maintenance of effective and efficient representation)	Rights and duties (maintenance of shared democratic values)	Justice (maintenance of system legitimacy and possibility of change)
Intention of political action	Does the intention attempt to exclude the participation of other interests, reducing the level of universality of representation? Does the action favor increasing representation in and rationality of the political decision-making process?	Does the intention attempt to violate shared democratic values?	Does the intention attempt to infringe upon the interests of other groups?
Means of political action	Does the action tend to increase entry barriers to other participants, thereby reducing the level of contestability	Does the action attempt to deny the rights of participation to others?	Is the action in accord with justice of procedure? Does the action contribute to the perennial exclusion of some groups from the political decision-making process? Does the action contribute to a perennially unfair public policy with an unfair distribution of benefits and burdens?
End of political action		Does the action ignore the rights of public and other interest groups?	

^a The framework built on the Garrett's Principle of Proportionality and the three traditional approaches to ethics. Consequentialist analysis is concerned with the direct effects of the action on the quality and degree of representation in the system. The rights analysis concentrates on adherence to fundamental democratic values that undergird the system and are necessary to its proper functioning. Justice-oriented analysis looks at longer-term patterns and whether they effectively disenfranchise and disadvantage segments of the population.

political position and legitimate interests by supplanting the rights of other strata, it will supplant the participation of other interest groups, and their intention is then unreasonable.

As far as rights and obligations are concerned, as lawful citizens, private entrepreneurs have the right to participate in politics. Being deputies to the PC or members of the CPPCC, they participate in politics on behalf of their constituency and their stratum. If they abuse their privileges and pursue personal interests, their intentions do not accord with the shared democratic values. Therefore, it is unreasonable.

As for the justice, private entrepreneurs participating in politics should respect the legal rights of other groups, especially the disadvantaged groups. If their intention is to push personal interests and engage in unlawful activity with their privileges, they are sure to infringe upon the interests of other groups. For example, it is unreasonable for some private enterprises attempting to run for the deputies to PC in order to utilize the privileges.

Therefore, if private entrepreneurs work for their constituents and lobby on behalf of their stratum's requests, or pursue their legitimate interests, their intentions are reasonable. And if they attempt to misuse public power, their intention is unreasonable.

Means of private entrepreneurs' participating in politics

The means refers to the ways or methods, which are used in the process, that the purpose is realized. The means is an intermediate link that connects the purpose to the end. If the purpose is reasonable, should any mean be utilized regardless of its goodness or badness? Martin Luther King, a famous social activist of U.S.A., did not believe that a good purpose could justify destructive means. According to him, the means represents an ideal that is taking shape towards a particular purpose; people cannot achieve a noble goal through evil means just as a faulted seed cannot give rise to a healthy tree (King, 1958).

From the point of view of consequence, it is advantageous to the development of democratic politics of China that the private entrepreneurs enter the PC or the CPPCC. Other strata, such as workers, peasants, and intellectuals have their

representatives in the PC or the CPPCC. The fact that private entrepreneurs enter the PC or the CPPCC changes the situation that government officers hold dominant seats in the two state organs. There are different voices in the representative institution, which is a sign of progress in democracy. However, we see that the business persons who are appointed as deputies to the PC or members of the CPPCC all come from big enterprises; they cannot represent the interests of numerous small and medium-sized enterprises, and therefore, their representation of commercial interests are at best partial.

As to the rights and obligations, the election of private entrepreneurs is the acknowledgment of the lawful rights of a citizen; the participation of private entrepreneurs should respect the political rights of other strata. The election law of China does not clearly state the proportional representation of elected deputies. In practice, the deputies in the PC are allocated among workers, peasants, intellectuals, the People's Liberation Army (PLA), and other so-called democratic parties and non-party personages from different social sectors. There is as yet no classification of the business sector. Thus the business people are elected by merging with the status of other groups and using their quota for deputies. The participation of businesspersons breaks the internal interest balance of the state institutions, and makes some disadvantaged groups more vulnerable than before. A close look at the composition of deputies to the PC or members of the CPPCC shows clearly that representatives of the two institutions at all levels, except for the deputies from government and the party, are now monopolized by business people to some degree. If the participation of business people reject the political rights of other interest groups, it is obviously unreasonable. Even if the action is unintentional, the outcome will result inevitably in the rejection of political rights of other interest groups. This means that there will be some suspicion of their motives and morality.

In terms of justice, private entrepreneurs should maintain the justice of the political system when they participate in politics. At present, the deputies to the PC above county level are indirectly elected. Zhang (2004) in his investigation of strategies business people use to gain access to the political process found that a standard approach has been developed. First the business person is recommended by the

democratic parties and examined by the government, followed by a formal voting process procedure and then enter the government's policy-making level. As a result, the participation of business people in politics is seldom a result of an adequate democratic election process. As the deputies above country level are recommended by the Democratic Party and appointed by the government after examination, some businessmen bribe the government officials in order to be "elected" (See Dong, 2005), which obviously goes against the fairness of an election. Moreover, more and more businessmen participating in politics will reduce the chances of other interest groups participating in politics. When the political rights of other groups are not proportionally represented, it will not only damage these interest groups directly, but also endanger the shared democratic values. These groups will lose their confidence in the regime, regarding the present regime as unreasonable and unfair.

Therefore, private entrepreneurs participating in politics increase the representation and rationality of the PC and the CPPCC, but they should not decrease the representation and rationality of political decision-making process, should not deny the right of participation to others, and should not contribute to the exclusion of other groups from the political decision-making process.

End of private entrepreneurs participating in politics

The end refers to the consequence that the action causes, including the result the actor intends to attain, and the result that the actor does not intend to achieve but can be predicted. The end is an important indicator by which to assess the rationality of an action.

From the point of view of consequence, the participation of private enterprises should not limit the participation of other interest groups. Initially as a new stratum, the businessperson hopes to enter the PC or the CPPCC as a means of self-protection. However, when this elected or appointed political stratum expands rapidly, they seek more favors and political influence. As business people have rich resources and strong social influence, they have become the largest interest group in the PC and members of the CPPCC next to government and

the Party officials. This will inevitably increase the barrier of other interest groups participating in politics. In terms of rights and obligations, private entrepreneurs participate in politics on behalf of their constituencies; they should represent the requirements of their constituencies, as they are representatives. What is more, they should promote public interests together with other interest groups (Weber, 1996). It would be fair to say that at present, the business people who are elected to be deputies to the PC or members of the CPPCC give more consideration to the development of their own enterprises than local constituencies and employees.

In regard to justice, private enterprise should maintain the justice of the regime. The National People's Congress is the supreme organ of state power of China, with the responsibility of supervising the Government, the Court and the Procuratorate, therefore, people grant many rights to the PC deputies. If the private entrepreneurs use these privileges in economic activity, it will cause unfair competition between enterprises leading to an unreasonable result. Political decision-making is a process in which various interest groups express their own interests, and public policy is just a kind of social mechanism of maintaining a balance among interest groups (Fan, 1996). The consequence as noted earlier is that when the business people monopolize the access to the PC or the CPPCC, they will exert too much influence in the formulation of the public policy, causing the unfair distribution of the advantages and the burdens of the public policy.

Therefore, if the results of private entrepreneurs participating in politics misuse their public rights in pursuit of their interests, it will increase the obstacles for other interest groups participating in politics, and also cause the unfair distribution of advantage and burden of the public policy.

Conclusion and suggestions

The participation of business firms in the political process has grown in size, complexity, and strategic importance (Hillman and Keim, 1995; Mitnick, 1993). Although the main stream of research into corporate political action has described and conceptualized business political activity as a strategic

response to the environment, more and more scholars have focused on the ethical issues of corporate political action (Markowitz, 1984; Weber, 1996; 1997; Keffer and Hill, 1997; Grimaldi, 1998; Brooke Hamilton and Hoch, 1997; Oberman, 2004). Our article joins this discussion. Although our framework aims at analyzing private entrepreneurs' involvement in politics in China, it can be used to analyze the ethics of all corporate political actions. Thus, this new, integrative framework contributes to this field by providing a theoretical basis for judging the ethics of corporate political action.

Our framework builds on Garrett's Principle of Proportionality and the three traditional approaches to ethics. Although the three main ethical traditions in Western thought were drawn upon, the prime standard for judging the ethic of a given corporate political action would be its effect on system contestability. It was recognized that even when political resources are distributed unequally, a representative democracy could still function if the system remains contestable.

Unfortunately, the framework presented here can only draw attention to the ethical questions involved in private entrepreneurs participating in politics in the representative democracy; it can not provide definitive guidelines for the enterprises. However it helps to explain how the government should regulate corporate political actions by enforcing stricter policies. The regulation of private business' involvement in politics should mainly depend on the institutional structures. The participation of private enterprises in political decision-making is inevitable and necessary in a market economy, but any corporate political action should be regulated with the regime and the law. Based on our framework, we suggest that corporate political action in China should be regulated on their intention, means and end. Any corporate political action should be judged by its intention, means and end separately before the action can be considered as ethical.

Firstly, in the aspect of regulating the intention of corporate political action, it is suggested that China should make up the limitations of the law and regime as soon as possible, and prevent private entrepreneurs from abusing the privileges of deputies to the PC. For the time being, as some private entrepreneurs gain favor from their access to the

"privileges" of deputies to the PC, government should prescribe that the special habeas corpus of deputy statuses are inapplicable in economic activities, in order to prevent the rights of deputies of the PC from being abused (Zhang, 2004). In the long run, China should advance the full-time occupation of deputies to the PC step by step (He, 2001, 2003; Xie, 2003). The plurality of values and perspectives of deputies to the People's Congress may lead to role conflict, and it is unfavorable for the deputies to fulfill their own duty. It maybe that everyone who is elected should resign his job, and participate in politics as a full time profession

Secondly, in the aspect of regulating means of corporate political action, China should set up a separate category of political representation for the private entrepreneurs' stratum in the People's Congress, to facilitate the construction of a smooth channel for private enterprises to participating in politics. With the deepening of Reform and Opening-up policies and the consequent transformation of the existing social structures as new social strata emerge, means that circumstances have changed a great deal. The structure of social strata of China no longer consists of the stratum of workers, peasants and intellectuals, other strata, such as the stratum of middle class, the stratum of entrepreneurs and the stratum of private entrepreneurs have appeared and exerted ever-increasing influences (Lu, 2002). However, political systems in China have not left enough space for private enterprises to participate in politics at present; therefore China should configure the proportion of the deputies to the PC, and set up separate political category for the private entrepreneurs, enabling them to participate in politics as equally as other strata.

Finally, in the aspect of regulating the end of corporate political action, China should perfect its election law to prevent money from distorting elections, since businessmen involvement in politics has become a reality (Qiao, 2003). Promulgating the Election Campaign system, expanding the scope of direct election, making rigid regulation on the source and usage of campaign funds, etc., will help to stop bribery in the election and maintain the openness, justice and fairness of the election.

In conclusion, with growth of the private economy and the political consciousness of business people grows, they will have more and more political

demands. Participating in politics is a way of meeting their demands which is of help to the development of democratic politics. Some political reform should be carried out to build a smooth channel for private entrepreneurs' participation in politics.

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Notes

¹ "Entrepreneurs" are different from "corporate officials" in the west. But things are different in China. As most of the private enterprises lie in a primary stage, the capital of Chinese private enterprises highly concentrates on the private owners, the entrepreneurs and the executives are same in most case.

² There was a very famous businessperson, Hu Xueyan (1823–1885), in the later period of the Qing Dynasty (1644–1911), whose success in business was based on collusion between business and government. During the peak period of his business, Hu's fortune accounted for half of the government's annual revenue. Mr. Hu experienced the rules of four emperors in his business lifetime, and received many privileges from the government, and Emperors even wrote inscriptions in praise of his achievements and his contributions to the court. Hu Xueyan was regarded as a "red-hat merchant" and the most representative one among all the "red-hat merchants" in China's business history.

³ In fact, there are a small number of private entrepreneurs in the Communist Party of China, as the data showed below.

⁴ The China Rich List of Forbes Global was made by Rupert Hoogewerf in 2001 and 2002. Rupert Hoogewerf began to make China Rich List independently of his own from 2003.

⁵ For the detail of the People's Congress (PC) of China, see <http://www.npc.gov.cn/zgrdw/english/aboutCongress/aboutCongressLink.jsp>

⁶ For the detail of the Chinese People's Political Consultative Conference (CPPCC), see http://www.cppcc.gov.cn/English/brf_intro/

⁷ As to the deputies to the PC, all the deputies to the people's congresses are produced by democratic election as stipulated by the law. But in the practice, the lists of deputies' candidates were decided under the table by the organization department of Party Committee at various levels. In order to be nominated, the private entrepreneurs should have a good relationship with the officials of organization department of the local level. Members of National and Local Committee of CPPCC are produced by recommendation through negotiation. As there are many retired and on-the-job government officials in the CPPCC, and these officials control the leaderships the CPPCC, private entrepreneurs also should have good relationship with the government and party officials of these departments in order to be appointed.

⁸ The China Guangcai Program (CGP) was initiated in 1994 and implemented by the Chinese private entrepreneurs for alleviating poverty in response to "the Eighth Seven-Year Anti-Poverty Plan" of Chinese government. China Corporate Social Responsibility Alliance (CCSRA) was initiated in 2005 by China Enterprise Reform and Development Society (CERDS), which is under State-owned Assets Supervision and Administration Commission of the State Council (SASAC). Its members are mainly state-owned enterprises.

⁹ In fact, the government has tremendous power and the will of government officials often determines public policy.

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