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Private Investment in Chinese Football Clubs: Political Capital and State–Business Exchanges

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Abstract

Business–government relations play a crucial role in China's economic development and policy implementation. Situated in an asymmetric dependency nexus, local officials court business investments to facilitate policy and boost their political careers, while under Xi Jinping private firms are increasingly incentivised to support party-state goals to gain access to political capital. In this study, we use the case of football development to show how private business actors and government officials enter reciprocal relationships based on the exchange of respective financial and political capital. Using insights from semistructured interviews with practitioners and macro-level data, such as investors' characteristics and financial data, we explore the role of political capital in state–business exchanges, specifying the mechanisms of this interaction (motivations, forms, and perceived benefits) and three distinct investment scenarios in the case of football. Besides insights into the sector, the article contributes to the understanding of the modus operandi of private business and local government in the Chinese political economy at large.

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Keywords

Business–state relations, political capital, political economy, Chinese football

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Introduction

Under President Xi Jinping, the Chinese state has made political and policy interventions to recalibrate the balance between state and private actors, primarily in favour of the former. These developments increase the need for private businesses to cultivate favourable relationships with the state. Contributing to state-priority projects has proven a viable route for firms to achieve this, since local government actors have their own incentives to promote such projects, and often need help from the private sector to achieve results. Consequently, business actors and government officials enter reciprocal relationships based on the exchange of respective financial and political capital. Despite a large body of related literature, the mechanisms by which business and local state actors interact, with the aim of advancing their own needs under policy frameworks set by the centralised national leadership, remain vaguely understood. Due to the sensitivities of researching state–business ties, elevated by Xi's anti-corruption campaign, empirical research on these exchanges is rare.

In this article, we contribute much-needed empirical evidence by asking the question: What is the role of political capital in state–business exchanges? We seek an answer by investigating the case of football development, a relatively accessible research area that provides insights into state–business exchanges that extend beyond this specific sector. Our research extends pioneering work by Xue et al. (2020) on reciprocal personal relationships (关系, *guanxi*) in Chinese football. We develop an understanding of guanxi networks as a form of social capital that links possessors of financial capital (entrepreneurs) with those possessing political capital (officials).

Based on in-depth practitioner interviews rarely featured in research on the football industry, we illuminate the experiences and attitudes of investors, club officials, and other actors in the industry. Mindful of asymmetric relations created by resource dependencies, we investigate the significance, characteristics, and mechanisms of private football investment for providing access to political capital. We first identify the incentive structure on the side of private capital and local government, which we understand as all local state administrations below the central state, including local state, sport, and party organs. Thematic analysis of more than sixty interviews with industry actors then helps us to analyse the operation and interaction of private investors and local officials. Based on these empirical findings, we specify three distinct private–government investment scenarios, providing empirical support for prior arguments in the broader literature, while challenging and complicating others. The article contributes to our understanding of the modus operandi of private business and local government operating in the Chinese political economy under Xi Jinping.

Private Capital in China's State-Orchestrated Political Economy

In the post-1978 reform era, private industry was gradually accepted as a necessary part of the economy and entrepreneurs integrated into the party (Dickson, 2007). However, economic growth as a vehicle for both social cohesion and performance legitimacy meant that the interests of private capital were subordinate to those of the state and kept on a tight leash through access to credit, contracts, and subsidies (Chen and Dickson, 2010). Under conditions of "asymmetric alliance" private firms enjoyed operational autonomy but were required to produce outcomes consistent with state objectives (Sun and Hai, 2020).

Under Xi Jinping the state has significantly tightened the political and regulatory environment. Xi's anti-corruption campaign has implicated hundreds of thousands of officials for taking bribes, siphoning state funds, stripping state assets, and benefiting personally from relationships with private businesses. This campaign has complicated business interests and political connections. Yet, as the share of private capital in China's economy has increased (accounting for as much as 60 per cent of the gross domestic product), the pursuit of state-ordained national policy objectives continues to require the cooperation of private businesses. Where interests diverge, the state retains formal policy levers and informal political levers to encourage or enforce modified behaviours. Pearson et al. (2021) characterise the political economy under Xi as a "party-state capitalist" model where private firms are required to operate in the public interest, demonstrate fealty to the regime and accept political direction. Under these conditions, private firms can face promotion or restriction depending on their reserves of what we will specify next as political capital. The practical consequence for firms is that the cost–benefit calculus for investment decisions requires consideration of both political and economic factors.

Political Capital and Resource Dependency

Most organisations are dependent to some extent on external actors who control essential resources (Pfeffer and Salancik, 1978). Dependence, and consequently an organisation's power relations, is determined by three factors: the importance of the resource; the extent of discretion over resource allocation and use by the external actor; and the extent to which there are alternatives for and access to the resource. The net power of an organisation results from its relationship with the actors in its environment. Among these actors, government—a provider, demander, and regulator of resources—is "one of the most difficult environmental dependencies to control" (Hillman et al., 2009: 1412). Political capital, in essence, "the ability to influence government policy" (Shaffer and Hillman, 2000: 176), helps firms manage their power imbalances with state actors. Founded on the concept of social capital (Bourdieu, 1986), in political contexts there is a broad agreement that political capital can be thought of as "the sum of actual and potential resources embedded within, available through and derived from the network of relationships" with government (Nahapiet and Ghoshal, 1998: 243).

In the Chinese context, political capital tends to be possessed by officials, and entrepreneurs and firms can access it by cultivating personal relationships with these power holders. In essence, entrepreneurs use their financial and social capital to acquire the political capital that is available to officials by virtue of their status and power at different levels of the state bureaucracy. Political capital can provide businesses with legitimacy (Chen and Cao, 2016), protection (Hou, 2019), access to resources (Zhou, 2009), and various forms of preferential treatment (Lei, 2021). Reciprocity in political capital cultivation is largely informal and opaque. It is also inherently personal, in the sense that benefits are bound to the dyad or network (Luo, 2007). Nee and Opper (2010: 2107) suggest that political capital's fungibility is limited to specified conditions and that it accumulates only in relational ties. Once a tie is disrupted, entrepreneurs lose access to the political capital derived from the relationship.

Measuring political capital is difficult, but there is empirical support for its existence, utility, and positive and negative impacts on firm development, including in the football sector (Xue et al., 2020: 15). One study shows that private firms with access to political capital through chief executive officer (CEO) or board-member participation in governmental or political organisations secured more vertical merger and acquisition deals and more external financing than their competitors (Liu et al., 2019).

Corruption, by which we mean the illegal or unethical soliciting of an advantage from a person in control of it, is closely linked with political capital. Due to the asymmetric relationship between businesses dependent on governments for resources, officials can leverage their position for personal gain (Sun et al., 2014). Corrupt actions can also be used by entrepreneurs to gain access to political capital; an option for actors denied such access through a lack of kinship, place, education, or work-based ties (Lui, 1996). Recent work suggests that Xi's anti-corruption campaign has re-defined the connotations of political capital-yielding connections for firms (Chen et al., 2021). It has reduced the positive correlation between the political capital and the value of listed non-state firms (Liu and Ying, 2019). Only private firms with close political connections to the Politburo have continued to reap economic benefits through subsidies or cheaper loans (Alonso et al., 2022). Given the negligible number of firms that can cultivate connections at this reified level, more readily available venues to raise political capital have become attractive. With its political and public appeal, and relatively low entry barriers, football is one such venue.

Since China's newly founded professional league shifted from ownership and management by local governments to an investor-based model in 1994, clubs have often resembled corporate welfare projects driven by dependencies on the state (Dong and Mangan, 2001). This phenomenon intensified following the launch of the Medium–Long Term Football Development Plan (中国足球中长期发展规划 2016–2050年, *Zhongguo Zuqiu Zhongchangqi Fazhan Guihua 2016–2050 nian*) in 2016 (National Development and Reform Commission, 2016; Sullivan et al., 2019: 501). One indication is the extensive involvement of real estate developers, which are reliant on local governments for land, permits, and bank loans. To date, however, few scholars have focused on the role of political capital in football. Among them, Wang and Jin (2016) were the first to point out the significance of the high concentration of real estate firms. Xue et al. (2020: 9) show how Chinese business actors in sectors vulnerable to government policy or regulation strategically invest in local football clubs to gain political capital from their relationship with the government. Using insights from macro-level data and practitioners, we will demonstrate that football is an arena where businesses and local officials can exploit the salience accorded to the sector by the central leadership to engage in transactions of financial and political capital. Although football development has lost momentum due to the pandemic, subsequent economic headwinds, and the failed 2022 FIFA World Cup qualification campaign, it retains political significance through direct associations with Xi.

Methods and Data

To identify individuals with practitioner knowledge of private investment in football clubs in China's top three professional divisions over the past five years, we compiled a list of clubs bought by private companies during that timeframe. These data enable us to survey ownership and investment sector patterns. We then compiled a list of publicly available information on current employees and solicited their participation as interview subjects. This approach yielded further contacts in the form of colleagues recommended to us as possessing experience and knowledge about investment decisions. Finally, to supplement the sample of practitioners, we interviewed industry insiders with contextual knowledge but not first-hand experience. We included interviews with two amateur clubs aiming for promotion into China League 2 since they shared similar incentive structures to their professional peers. Table 1 shows a summary of interviewees. A total of sixty-one semistructured interviews were conducted between April and November 2021 in Chinese (forty-six), English (fourteen), and German (one). Due to COVID-19 restrictions, interviews were conducted via Weixin video (twelve) and audio call (forty-nine). Institutional ethics approval was sought and obtained.

Table 1. Summary of Interview Subjects.

Organisation	Level	Interviews*
Club officials	CSL	20
	CL1	13
	CL2	7
	Amateur clubs	2
Club investors	CSL	2
	CL1	2
	CL2	3
	Amateur clubs	0
Governing body, state administration	Chinese Football Association	2
	Local Football Associations	4
	General Administration of Sport	1
	Local Sport Bureaus	1
	Consultants	2
Media	Football and business journalists	10
Sport agencies	Public relations, sport media rights, and player agency	5

Note. CSL = Chinese Super League; CL1 & 2 = China League 1 & 2.
*Some interviewees represent more than one organisation.

Interviewees requested anonymity and all identifying proper nouns such as club and city names have been redacted. Interviews focused solely on private capital investment. Given their embeddedness in the political system, the motivation and mechanics of state-owned enterprise investment in football require separate inquiry.

The corpus of interview data was subject to thematic analysis, an approach used to identify recurring topics, ideas, and patterns. This method is appropriate to our objective of determining common characteristics of football investment as a tool for accessing political capital. The analysis followed the six-step process recommended in the literature (e.g. Guest et al., 2011; Kiger and Varpio, 2020), namely familiarisation with the data, coding, generating themes, reviewing themes, defining and naming themes, and presenting and discussing results. We first transcribed the interviews and took notes on the securely stored recordings. We then highlighted sections of the transcribed interview data, labelling them with preliminary codes to describe their content. We started with a non-prescriptive and deliberately open approach to allow codes to emerge inductively, which we then discussed and organised into groups. The coding and recoding process allowed us to get a better overview of common issues recurring throughout the data. Each piece of coded text was assigned a participant reference, which facilitated tracking the characteristics of the business (business field, company form, size, club, league, etc.). The process was supported by the coding software NVivo.

The next step was to categorise codes into higher-level themes representative of characteristics, attitudes, or behaviours articulated by interviewees regarding state–business exchanges. To check the validity and reliability of the thematic categories, the authors compared themes and their underlying codes through an iterative process and reviewed individual coding decisions, giving us confidence on the accuracy and completeness of the specified themes. Having agreed on the themes, we defined each theme in detail, mapping out their contribution to understanding the corpus in its entirety. These structured data allowed us to address our research questions, in part through the emergence of three discrete investment scenarios. While the analysis was based on the entire corpus of sixty-one interviews, for space considerations, the findings section provides illustrative comments from select interviewees.

Football as a New Arena for Political Capital: The Analytical Case

With the launch of the Medium–Long Term Football Development Plan reforms, the aim of transforming China into a "leading football nation" by 2050 was placed on the national political agenda. The Medium–Long Term Football Development Plan envisions football as a vehicle for constructing a strong sports industry and adjacent economic sectors, as an international "soft power" tool, addressing public health concerns and promoting national pride (Sullivan et al., 2019). Seen as incubators for the national talent pool and a driver of football culture and business, professional clubs occupy a pivotal role in the reforms. Firms rushed into the market, establishing or acquiring domestic clubs. Some also invested in clubs in Europe, but this is not the focus nor within the scope of this article.

We argue that Xi's anti-corruption drive and a flurry of initiatives to further state intervention in the economy have elevated the significance of functional sectors such as football for private entrepreneurs seeking to cultivate political capital. There is suggestive evidence for this observation in the prominence of private investors in first- to third-tier football clubs and in the concentration of sectors that rely on the government at various levels for access to resources critical to their operation. Previously, from 2009 to 2011, at the behest of then Vice-President Xi Jinping, the Ministry of Public Security implemented a nationwide crackdown on corruption and match-fixing, implicating more than fifty high-level football officials, players, referees, and coaches. However, while the campaign strongly impacted relations within the sport system, it left business–government relations largely untouched (Fan and Lu, 2013).

Due to Xi's current anti-corruption drive, the business imperative to obtain political capital has gained additional importance. Although it has rendered bribery, a corrosive form of political capital accumulation, more risky and costly for both business and officials, Xi's propensity to intrude into economic activity has increased uncertainties for business operations. Several major policy interventions have generated unforeseen changes, for instance, severely tightening operations in the real estate and digital economy sectors. These policies underscored to private businesses the risks of unexpected policy changes and/or contentious relations with the state, reinforcing the imperative of cultivating political connections.

The state's control of economic resources and the opaque and non-institutionalised processes of government administration of economic activities create uncertainties and risk for all businesses, especially in the private sector. As prior studies in football have noted, "industries most likely to be subjected to government oversight or unstable policy environments" invest in local football clubs to strategically insert themselves into political capital-yielding social networks (Xue et al., 2020: 9). Wang and Jin (2016) invoked similar strategic needs and solutions to explain the high concentration of real estate firms in football. For private real estate firms, local authorities possess critical leverage in the form of land, subsidies, and cheap credits. Investment in a football club might therefore facilitate urban residential and commercial projects.

There are also incentives for local authorities to attract investment into a local football club, but analysis of this "demand side" has been largely neglected. Despite a general recentralisation of political power under Xi Jinping, in football local government officials enjoy relative leeway to determine what they do and how enthusiastically, as demonstrated by the uneven geographical distribution of specialised football schools across the country (Sullivan et al., 2019). Depending on local circumstances, officials may choose to prioritise building football schools or facilities to support community participation over establishing a professional club. A further issue is an official's own career trajectory. Delivery on central policy goals is important for evaluation and promotion processes, but variation in different roles can alter a cadre's incentive structure (Schubert and Ahlers, 2010). Studies on cadre promotion suggest a positive correlation between overseeing economic growth and professional advancement (Landry, 2008), but also compensation for lacklustre growth through establishing a reputation for "personal competence" (Chen et al., 2017). Several of our interview subjects stated that local officials regarded a successful football club as a "political achievement" (政绩, *zhengji*) and a demonstration of competence. Finally, Xi's anti-corruption drive has tarnished the careers of millions of cadres, causing fear and increasing the need to demonstrate political loyalty (Brown, 2018). By servicing Xi's "football dream," local officials could signal loyalty.

One finding that our study highlights is that football club investment does not invariably produce political capital-enhancing engagements between firms and local governments. Motivations and incentive structures vary and an exchange that yields political capital for business is contingent on officials' own strategic assessments. This is influenced by officials' individual characteristics and work evaluation, which are largely determined by quantified targets, but do not necessarily include football-related indicators. Furthermore, endeavours by private businesses to access political capital can mitigate but not eliminate political risk. As our interviews show, informal agreements and non-binding obligations are the common transactions, and these personalistic arrangements often fail to survive the rotation, replacement, or retirement of local principals, rendering the political capital-yielding tie fragile. Finally, the benefits realised by a business are often incommensurate with the substantial recurring investment required for the operation of a football club and the withdrawal of private investors is thus common.

National Data on Private Investment in Football

Since 2014 more than forty private companies established or took over existing clubs across the top three divisions of Chinese professional football. In most cases, companies had no prior experience of owning or running a sports business. Table 2 shows the ownership pattern in 2021, where fifty of fifty-eight clubs (86 per cent) were privately owned. Real estate is especially prominent in the top league, where half of all clubs are owned by private developers. State-owned clubs differ from their private counterparts as they are embedded in the state apparatus, which is reflected in their incentive structure, finance, and management setup. Many state investors in football directly follow political imperatives, such as funding financially struggling clubs important to the local government.

Guangzhou FC, owned by the developer Evergrande and e-commerce firm Taobao, exemplifies the costs and benefits of sustaining a tier 1 club. From 2013 to 2019, the club posted losses of RMB 7.58 billion. Yet, Liu et al. (2022: 421) argue that despite these losses "Evergrande FC has captured unparalleled value for the whole group […] way beyond the football industry and sports context." Data from the Chinese Football Association (CFA) financial reports show that in 2016, on average a club in China's first and second tiers accumulated losses of RMB 155 million and RMB 18 million, respectively (Zuser, 2020). While top clubs such as Beijing Guoan FC, Shanghai Port FC, or Guangzhou FC, pre-COVID, were earning a maximum of around EUR 20–40 million from traditional income sources, their average spend was EUR 200–250 million per season. When such losses become unsustainable, divestment follows. Since 2014, more than thirty clubs across the top three divisions have ceased operations. The highest-profile casualty was Jiangsu Suning FC, which folded in 2021 months after

Table 2. Ownership Patterns in China's Top 3 Professional Divisions (2021 Season).

Club	Majority Owner	Form	Main Business Fields
CSL			
Beijing Guoan FC	Sinobo (中赫)	Private	Real estate
Cangzhou Mighty Lions	Yongchang (永昌)	Private	Real estate
Changchun Yatai FC	Changchun Jiarun Investment Mgmt (长春嘉润投资管理)	State	Investment and asset management
Chongqing Liangjiang	Desports (双刃剑体育发展)	Private	Sports marketing
Dalian Pro FC	Dalian Yifang (大连一方)	Private	Real estate
Guangzhou FC	Evergrande (恒大)	Private	Real estate
Guangzhou City FC	R&F Properties (富力地产)	Private	Real estate
Hebei FC	China Fortune (华夏幸福)	Private	Real estate
Henan Songshan Longmen	Zhengzhou Development & Investment Group (郑州发展投资集团)	State	Investment
Qingdao FC	Shenzhen Hengye Investment Group (深圳市衡业投资集团)	Private	Investment and pharma
Shandong Taishan FC	Jinan Culture Tourism Group (济南文旅集团旅游开发)	State	Tourism, culture, and sport
Shanghai Port FC	Shanghai International Port Group (上海国际港务)	State	Ports and logistics
Shanghai Shenhua FC	Greenland (绿地)	Private	Real estate
Shenzhen FC	Kaisa (佳兆业)	Private	Real estate and tourism
Tianjin Jinmen Tigers FC	Guohong Enterprise Management (国宏企业管理)	State	Consulting
Wuhan FC	Zall Holding (卓尔)	Private	Logistics and finance
CL1			
Beijing BIT FC	Jingjiajing Sports Culture Media (竞佳境体育文化传媒)	Private	Sports
Beijing BSU FC	Beijing Sport University Training Center (北京北体大体育培训中心)	State	Sports and education
Chengdu Rongcheng FC	Chengdu Better City (成都兴城)	State	Real estate
Guizhou FC	Hengfeng Weiye (恒丰伟业)	Private	Real estate
Heilongjiang Ice City FC	Volcanic Spring Water (火山鸣泉绿色天然矿泉水)	Private	Drinking water
Jiangxi Beidamen FC	Jiujiang Liansheng (九江联盛实业)	Private	Mining
Kunshan FC	Changao Sports Development (常奥体育发展)	Private	Sports

(Continued)

Table 2. (continued)

Club	Majority Owner	Form	Main Business Fields
Liaoning Shenyang Urban	Shenyang Urban Construction College (沈阳城市建设学院)	Private	Education and sports
Meizhou Hakka FC	Liao Zhigao (廖志高) (private investor)	Private	Food and agriculture
Nanjing City FC	Dingzhu Power Equipment Engineering (鼎竹电力设备工程)	Private	Energy
Nantong Zhiyun FC	Runtian Fuel (润天燃料)	Private	Coal and machinery
Shaanxi Chang'an Athletic	Liu Libo (刘立波) (private investor)	Private	Construction
Sichuan Jiuniu FC	City Football Group (城市足球集团)	Private	Sports
Suzhou Dongwu FC	Shanghai Ruiying Mgmt Consulting (上海睿颖管理咨询)	Private	Consulting
Wuhan Three Towns FC	Benhui Jituan (本汇高科技产业)	Private	Real estate
Xinjiang Tianshan Leopard FC	Juntai Real Estate (君泰房地产)	Private	Real estate
Zhejiang Pro FC	Greentown Real Estate (绿城房地产)	Private	Real estate
Zibo Cuju FC	Sanyao Electronic Technology (三耀电子科技)	Private	IT
CL2			
China under-20 national team	CFA (中国足球协会)	State	Football Association
Dandong Tengyue FC	Xie Wenqiang (解文强) (private investor)	Private	Construction
Dongguan Guanlian FC	Lianghetang Real Estate Development (良和堂控股)	Private	Real estate
Guangxi Pingguo Haliao	Luo Xuan (骆璇) (private investor)	Private	Construction and real estate
Hebei Kungfu FC	Elite Sports Development (精英体育发展)	Private	Sports
Hebei Zhuoao FC	United Vansen Sport (合力万盛)	Private	Sports
Hubei Istar FC	Xinghui Hesheng International Sports Culture (星辉合盛国际体育文化)	Private	Sports
Hunan Billows FC	Zhong Faping (钟发平) (private investor)	Private	Energy
Inner Mongolia Caoshangfei FC	Caoshengfei Trading (草上飞贸易)	Private	E-commerce
Kunming Zheng He Shipman FC	Yunnan Kunlu Sports Culture Communication (云南昆陆体育文化传播)	Private	Sports
Qingdao Manatee FC	China Zhongneng Group (青岛中能集团)	Private	Electronics and real estate
		Private	Sports

(Continued)

Table 2. (continued)

Club	Majority Owner	Form	Main Business Fields
Qingdao Red Lions FC	Ou Liya Football Promotion (欧力亚足球推广)		
Qingdao Youth Island FC	Zhongchuang Hengtai Construction Engineering (中创恒泰建筑工程)	Private	Construction
Quanzhou Yaxin FC	Adma Sports Beverage (爱德马运动饮料)	Private	Beverages
Shaanxi Warriors Beyond	Zhenyong Sports Culture Communication (振勇体育文化传播)	Private	Sports
Shanghai Jiading Huilong	Lu Jianjun (陆建军) (private investor)	Private	Construction
Shanxi Longjin FC	Chen Jie (陈杰) (private investor)	Private	n/a
Shaoxing Keqiao Yuejia	Harbin Yiteng Construction Engineering (哈尔滨毅腾建筑工程)	Private	Construction and real estate
Sichuan Minzu FC	Shengcheng Huixin Enterprise Management Consulting (圣诚汇鑫企业管理咨询	Private	Consulting
Wuxi Wugou FC	Su Weifeng (苏卫峰) (private investor)	Private	n/a
Xi'an Wolves FC	Jingutang Pharmaceutical (筋骨堂药业)	Private	Pharma
Xiamen Ludao FC	Fun Plus Technology (趣加加科技发展)	Private	IT and online education
Yanbian Longding FC	Longjing Hailanjiang Football Culture Industry Investment (龙井海兰江足球文化产业投资)	Private	Sports
Yichun Weihu FC	Yichun Tantalum Niobium Mine (宜春钽铌矿)	Private	Mining

Note. CSL = Chinese Super League; CL1 & 2: China League 1 & 2; IT = information technology.
Source: Authors.

becoming the Chinese Super League (CSL) champion. The situation is particularly volatile in lower divisions, where clubs generate almost zero income and operating costs for smaller investors represent a proportionately greater strain on the parent company.

Business–State Transactions in Football: Incentives and Risks

In this section, we provide an overview of insights from the entire dataset into the rationale for football investment, especially the need, form, and perceived benefits of political capital, and summarise the typical form of state–business transaction.

Political Capital: Imperatives, Forms, Benefits, and Transactions

On the issue of incentive and motivation for investment in a club, respondents acknowledged, often without prompting, that political capital was a factor. However, the picture they portrayed is more complex than simple quid pro quo. They reported many gradations and potential uses of political capital. For some, investment in a club was characterised as an opportunity to establish initial connections with local state bodies, or for more established companies to climb the "guanxi-ladder" and interact with officials at a higher level (Anonymous 13, 2021; Anonymous 18, 2021; Anonymous 26, 2021; Anonymous 41, 2021). Investment was a means to diversifying and consolidating guanxi networks as a future-oriented asset rather than an immediate benefit (Anonymous 34, 2021). Several interviewees mentioned potential favourable treatment by law enforcement (Anonymous 14, 2021; Anonymous 32, 2021; Anonymous 42, 2021; Anonymous 53, 2021) and improved prospects for joining the Communist Party or institutional organs (Anonymous 52, 2021; Anonymous 58, 2021). Aside from the direct benefits of political capital, respondents noted indirect benefits of increasing a firm's legitimacy through demonstrating fealty and support for the central Party leadership (Anonymous 10, 2021; Anonymous 16, 2021; Anonymous 34, 2021; Anonymous 56, 2021). Paradoxically, since professional football clubs provide such a poor return on investment, their utility as a loyalty-signalling device increases. Private companies, especially nationally or locally prominent ones, can come under pressure to make such gestures and do so without any expected benefits (Anonymous 32, 2021).

Respondents frequently raised the issue of rewards, direct and indirect, immediate, and deferred. They noted potential benefits for the club, the parent company or individual entrepreneur, and benefits for the company's core business or tangential activities. In terms of direct rewards for clubs, respondents enumerated a range of benefits: free or discounted supply of services or facilities by the local government (e.g. use of stadiums, training facilities, public infrastructure, public security, and youth teams under the helm of the local Sports Bureau), discounted or free land for building new facilities related to the club, tax discounts, or exemptions, as well as direct subsidies by the Sports Bureau. Furthermore, local governments are increasingly minded to attracting sponsors or supplementary investors on behalf of a club to ease the financial burden (Anonymous 13, 2021; Anonymous 14, 2021; Anonymous 16, 2021; Anonymous 58, 2021). Where a club faces bankruptcy, they have even acted as trustee for a limited period (e.g. Tianjin Jinmen Tigers FC and Tianjin Tianhai FC) or initiated an equity transfer to a state or private company. The question of benefits for the parent company and individual entrepreneurs is sensitive given that it involves preferential treatment from the local government, which can be prosecuted under the anti-corruption campaign. Respondents did, however, suggest that undefined and unstandardised benefits include tax benefits (Anonymous 30, 2021; Anonymous 32, 2021), preferential land deals and bank loans (Anonymous 3, 2021; Anonymous 21, 2021; Anonymous 34, 2021), policies related to the company and its businesses (Anonymous 6, 2021; Anonymous 58, 2021), access to public projects (Anonymous 9, 2021), conferral of inside knowledge on government-controlled assets and policies (Anonymous 42, 2021), and favourable treatment in enforcement of laws and regulations (Anonymous 42, 2021; Anonymous 53, 2021). For many investors obtaining such benefits was a key business strategy to gain a competitive advantage over rivals or to save a firm from financial peril.

Respondents depicted the exchange relationship as informal and personal rather than institutional. This personalisation of negotiations and investment decisions is manifest in many ways and often has a determinative impact on political capital transactions. Due to the routinised rotation of cadres and the geographic and institutional mobility in officials' career trajectories; there is frequent turnover in decision-making personnel in local government. Once an official changes office or location, the impact on a club can be severe if incoming officials perceive less utility in or are unaware of the informal arrangements agreed by their predecessors, hence disrupting the political capital-yielding tie. Many of the potential benefits for the club and parent company are overseen by different administrative bodies within the local government, and only a top-level official such as the mayor or provincial governor has the power or sufficient political capital to influence diverse state agencies. An investor's link to a local leader is often the decisive factor in the cultivation of political capital and the accompanying flow of benefits, hence when power holders move on government support cannot be taken for granted (Anonymous 16, 2021; Anonymous 26, 2021; Anonymous 38, 2021; Anonymous 40, 2021; Anonymous 52, 2021).

While transactional aspects were the dominant theme, respondents noted that some investors were inspired by the growing sports industry and sought to benefit from future growth (Anonymous 6, 2021; Anonymous 17, 2021; Anonymous 21, 2021). Some companies were also reported to be genuinely attracted to football, hoping to harness public interest to advertise their core business, cultivate their brand or enjoy the reflected glory of success (Anonymous 13, 2021; Anonymous 34, 2021; Anonymous 42, 2021). A major theme for respondents was that investors often don't know precisely how they might benefit, but the chance to benefit somehow at some point in time was worth a gamble.

Although we are unable to report directly on local government officials' perspectives, our respondents shared their own perception of officials' incentives. Since much football development planning is outsourced to municipal governments, officials in Chinese cities perceive benefits in using football as a "name card" (名片, *mingpian*) to boost their career profiles. Demonstrating commitment to a central government project helps officials meet the requirements of the annual cadre evaluation system by which their job performance and career prospects are managed (Anonymous 25, 2021; Anonymous 32, 2021; Anonymous 34, 2021; Anonymous 35, 2021). While football is a "soft factor" for performance evaluation, positive outcomes such as a local club earning promotion to the CSL can put local leaders on the radar of superiors in state and party bureaucracies. A successful football club can also increase local branding and prestige vis-a-vis competitor cities, helping attract investment from provincial or central government (Anonymous 14, 2021; Anonymous 32, 2021; Anonymous 38, 2021; Anonymous 53, 2021; Anonymous 58, 2021).

Three Scenarios of Business–State Interaction in Football

Investment in football represents a viable route for firms to cultivate ties with the state to access political capital, which in turn can lead to benefits for the club, parent company, or individual entrepreneur. Officials can also leverage football investments for their careers, leading to reciprocal relationships between business and state actors. However, due to the informal character of most exchanges and variable incentive structures among officials, success and longevity of such political capital-yielding exchanges differ from case to case. To illustrate these differences, we depict three distinct exchange scenarios.

Scenario 1. *A private firm negotiates benefits with local government for their football investment, and a political capital-yielding exchange is established, but the bond remains volatile.*

This scenario involves a private company with money to invest in a club searching for a locality with the best prospects for yielding political capital in the form of direct support and potential benefits for the core business. The investor consciously exploits the knowledge that there is a political incentive for local government to show commitment to the reforms initiated by the centre. As one CL1 club official put it:

> A businessman comes here and says "I have money and I can help your city government do football projects. Your city government will give me other things in exchange, some benefits." This is a very common transaction. (Anonymous 14, 2021)

The situation described here suggests a negotiation to set the parameters of potential exchange. This process of scouring municipalities for the most effective or generous governmental partners was invoked by many respondents. Some described an informal process of behind-closed-doors introductions and conversations, often brokered by intermediaries with shared guanxi connections. Negotiations sometimes involved literal back-of-a-napkin proposals in smoky back-rooms and often hinge on the scale of investment and local government support, modulated by how urgently either side perceives its need for the exchange. Since localities differ in their capacity and enthusiasm to provide support, investors do market research, tap into different guanxi networks, and shop around to find the best offer (Anonymous 28, 2021; Anonymous 30, 2021; Anonymous 38, 2021; Anonymous 60, 2021). The negotiation process is described by a CL2 club official:

> We have not decided yet which city will be the [new] home city of our club […] In fact, it mainly depends on whether the local government is interested in the football industry. For example, City A has always wanted a club […] it has always been a wish of their government, they *want* to have a club. We knew this before and then decided to talk to City A. (Anonymous 30, 2021)

Although potential investors will usually collect multiple sources of information on the incentives of different localities it is not necessarily "insider knowledge." For instance, as the same respondent describes, it was commonly known that City A had constructed a new (and untenanted) sports facility. The "build-it-and-they-will-come" approach to infrastructure is common in China, and in this instance, the investor leveraged it in negotiations:

> Now City A has a newly built sports centre […] If your new stadium does not have a steady use […] it is definitely not good if there is no use plan, so a club can solve these problems. […] these are actually the conditions that we are going to negotiate with the government. […] Free use of the stadium is definitely one of the conditions that can be negotiated. (Anonymous 30, 2021)

This respondent, such as others, framed the negotiation in terms of a mutually beneficial exchange of reduced taxes in return for increasing local employment and "bringing sports culture to the city." Arguably the most famous case of "shopping around" was Beijing Chengfeng FC, which dissolved in 2021. Having changed locations multiple times in its history (Shanghai, Xi'an, Guiyang, and Beijing), especially during the ownership of Renhe Commercial Holdings (2012–2021), the club was notorious for chasing government incentives for the club and parent company (Qiu, 2015). Since 2016, CFA regulations only allow intra-provincial relocation, constraining but not eradicating the strategy. For instance, respondents indicated cases in which investors would stop operating a club at one location in order to start a new club in another province, thus circumventing the rule (Anonymous 2, 2021; Anonymous 28, 2021). In 2023, this regulation was lifted for CL1 and CL2.

While respondents indicated cases where investors could cultivate political capital from their ties to the government, not all agreements materialise or persist. Interviewee Anonymous 38 (2021) working with a CSL club, explained in depth the decision to relocate from a prefecture-level city to a considerably smaller city of the same administrative level after almost a decade. The decision was taken because the flow of benefits at the first location dried up, and the government at the new location made substantial promises. The decision was strategic, with long-term development in mind based on state investment in the club and the promise of joint projects in the investor's core business. The trade-off was that the club culture and relationships with fans and local authorities would have to start again from scratch. A growing personal relationship between the club owner and the highest-level official in the new city seemed the clincher, only for that official's unexpected transfer to another locality scuppering the arrangement. Since the tacit exchange relationship is often agreed personally between entrepreneur and official without any contractual agreement, many clubs and their investors find themselves in a volatile situation that can develop in unexpected ways. This is captured by a CL1 club employee:

> I think afterwards the most ridiculous part happened: The mayor was gone. Was not there anymore. And I think during or maybe in the whole year or the whole half year, there's no mayor in City F. So now the mayor was not there anymore, so they just cannot decide. [The vice-Mayor said] "I didn't say anything, I didn't promise you anything." So that's the first moment that Company F wants to quit. (Anonymous 52, 2021)

A similar situation occurred with real estate conglomerate Wanda and their support for CSL club Dalian Pro FC. According to CEO Wang Jianlin, the company was approached by the Dalian municipal government seeking financial support for the struggling club in 2018. Despite the promise of substantial benefits from the local government, such as solving the club's debt issues, Wanda said the benefits were not forthcoming and withdrew involvement in 2022, after having settled the club's debts themselves (Liu, 2020). Some government support mechanisms are relatively standardised, such as financial support for clubs channelled through the local Sports Bureau, which follows a process of application and binding agreements. But personalised decision-making is common. The absence of formal agreements and succession planning to accommodate personnel moves creates a volatile environment manifest in disinvestment, relocation, or disbandment after a few seasons.

> Scenario 2. *A private firm invests in a club as an initial goodwill gesture to local leaders, but can't cultivate political capital to extract desired benefits.*

From an investor's perspective, a situation in which benefits are negotiated and agreed upon in advance of investing is preferable to a speculative bet. However, for many companies, especially lower down the food chain, this is not possible. Instead, they take a gamble, aware of the broad environment in which football development has been encouraged by the central government, but in the dark about whether an investment in a particular locality will lead to an exchange relationship with the local government that would give them access to political capital. This situation is depicted by an official at a fourth-division amateur club aiming for promotion to CL2 and concomitant opportunities to access political capital:

> It is a process of negotiation to some extent. It does not mean that if I invest in football I will definitely get the support of the government, but I *may* get the support of the government once I've invested in football. This is a tacit understanding. Many things in China are not written on paper, but you are looking for such an intermediate relationship through a tacit understanding of the situation, but you may not get what you thought you would get in the end […]. (Anonymous 18, 2021)

To increase their chances of being noticed by the government, firms invest in highly visible assets such as a professional club or star players, neglecting less visible long-term projects such as youth development. The benefits accruing to investors depend on many variables, but in broad terms, they are commensurate with the level of the league they participate in. This helps explain the decade of "Golden Dollar Football" (金元足球, *jinyuan zuqiu*), where clubs and investors entered a financial arms race, competing to buy players in order to secure promotion or retain their position in the CSL. Since promotion to the CSL is highly prized for city branding and the associated career prospects of its leading officials, many lower-level clubs have amassed substantial debts in the hope of establishing such a valuable exchange resource. Some respondents reported that for many speculative investors, the aim was reaching the CSL as political capital accumulation was more likely at this level. An official from a now-dissolved CL1 club describes the club's development as follows:

> [The investor] basically had nothing to do with the government until we got promoted from CMCL to CL2. And after half the season, almost half the season, the government realised that the team's performance was very good. […] the [county level] leader approached him. And then one year we played in the CFA Cup […] and the people in the leadership office of City D municipal government realised that the team had great potential and so they decided to give the team a certain amount of support. (Anonymous 58, 2021)

During their rise from fourth to second division, the club was among the highest-spending in its respective leagues. The club and parent company both received government support while ascending, only to disband when financial losses piled up. The gap between anticipated and actual government support was noted by many respondents and is one reason why so many clubs fold. Many interviewees described firms' efforts to leverage their club investment falling on deaf ears within local government. Such a situation was depicted by a CSL club official:

> […] they have invested in City E for almost five years since the beginning of 2016, and in these five years, they feel that the City E Municipal Government has not given them any support, or any policy help. So they think there might be something wrong with the investment in football […] they thought they would get help from the City E government, but there has been no policy support or funding for the club from the time they bought the club until 2020. There is just a big gap between the reality and what they had hoped for. (Anonymous 16, 2021)

The same interviewee identified the investor's non-local business operation as the main reason for the local government's apathetic attitude towards the club. Since not every local government is willing or able to promote football through an exchange relationship, many clubs fail to cultivate political capital and only receive standardised support from the local sports bureau, often barely enough to cover players' salaries. Exchange relationships with local government are anything but guaranteed, leading to churn and instability.

Scenario 3. *A local leader initiates the courtship of investment into a club.*

The third scenario involves local governments and officials actively soliciting investment in a club for their locality. Motivations can be personal, such as the perceived benefits of "political achievements" for career prospects, a response to football reform directives adopted by the provincial government, the co-incidence of sporting events to be held in the locality, saving a club from potentially career-harming collapse, or simple competition and one-upmanship between municipalities. In early 2021, one municipal government's push to attract a football club became public when a document from

Tangshan's Development and Reform Commission and Sport Bureau was leaked online (*Sina Sports*, 2021). In the telling of interviewee, Anonymous 32 (2021), an employee at a CL2 club, attracting investors into a club and delegating the work of developing it is an effective way to pad a local government official's annual performance review and gain "political achievement" credits. A football club can put the city and its officials on the political map. Inspired by the success of local governments such as Dalian, Wuhan, Qingdao, and Guangzhou, generally considered China's "football cities," some officials look to establish exchange relations with local companies as potential investors in a club, consequently leading to political capital for the firm involved. A successful venture can improve the city's image and prestige and reflect its glory on the local government (Anonymous 17, 2021; Anonymous 20, 2021; Anonymous 38, 2021). However, a club emblematic of the city comes with the responsibility to sustain and develop football there (Anonymous 40, 2021; Anonymous 44, 2021; Anonymous 61, 2021). Hence, while positive developments may help an official's career development, the reverse is also true. A local sports journalist describes the pressure like this:

> I think a professional club is a name card for every local government […] the role of the name card can be large or small, but as long as it exists, it shows that the local government pays attention to this aspect, and no one wants to say that this club disappeared in my hands. […] A city may need such a professional club, it needs a representative of their city, so when they encounter difficulties, they will still find ways to help, as long as they can help. Or if you look at Suning [disbanded Jiangsu Suning FC], in fact, it is also an embarrassing thing for the local government, a very embarrassing thing. (Anonymous 43, 2021)

This pressure can lead to officials leveraging their influence with firms. A reservoir of political capital can help firms navigate some difficult situations, but where a club owner is dependent on local government for resources, attempts to disinvest can lead to coercion and "emotional bribery" from local officials. Pressure on the government side is further amplified by the general expectation, and peer competition, that major cities and provinces have a club in the CSL. While this is not an official requirement issued by the central government, it is keenly felt. A former employee of a now-dissolved CL1 club explained a local official's motivations to attract a football club after taking office in a new city:

> He was transferred to City G to become mayor. […] He was also actively helping our boss to find suitable enterprises in City G [to invest into the club], because City G does not have a professional team, whether in basketball, table tennis or football, it does not have a professional team. But cities like H, I and J, on the edge of City G, they all have their own professional sport teams. As a relatively large city in this area, City G feels that it is a little lacking in soft power for the city. So, he wanted to find a club, he wanted to find a club to come in and achieve the same status as the surrounding cities. The mayor worked very hard to help us find that kind of company to invest. (Anonymous 58, 2021)

Officials in cities that are part of successful hosting bids for major sporting events such as the AFC Asian Cup or National Games, face pressure to install or sustain a professional team in their city to boost local sporting culture. While those events are mostly held in cities with existing clubs and infrastructure, large future host cities such as Chengdu, Suzhou, and Xiamen have provided substantial support to local lower-league clubs in the hope of promotion to the CSL. In instances such as this where officials have an obvious need, direct overtures to local companies to supply the capital and expertise to run a football club can be hard to turn down due to asymmetric relations caused by firms' resource dependency. Several respondents, including a local football association official, described companies in such a predicament as necessarily pragmatic. One CL1 club official expressed it more directly:

> […] if the position of the principal is high enough, and the company is from the local city, maybe then it's hard for them to refuse, because they need to survive in this city. So, you know… as a local company if you want to survive in the city, definitely, if you cannot get the support from the local principal, maybe everything is fucked. (Anonymous 52, 2021)

Respondents reported how dependence levels varied among industries and companies, and how officials would often approach firms that "owed them a favour." However, there are also cases where the investor seemed to have the upper hand. One former employee at a now-dissolved CSL club described how a major employer in an underdeveloped city resisted pressures to invest in a local club, before eventually negotiating a substantial support package (Anonymous 44, 2021). Given the relative dependence of the local government on this company for tax revenues and employment, and officials' well-known desire to keep up with two neighbouring cities of similar size, the company was in a strong position to discuss benefits for both the club and parent company. However, since there is usually a multiplicity of available clubs and investors, and companies are often bound to a certain geographic area, dependencies are seldom fixed. Football therefore demonstrates how firms' power asymmetry vis-a-vis the state is leveraged by officials. Even though political capital from ties to the government can help firms manage the imbalances, there is a limit, and if a government has a strong need for private support, firms often have no choice but to comply.

Conclusion

In this article, we set out to explore the role of political capital in state–business exchanges. We choose football development as a case study since it constitutes an arena in which private businesses and local government possess incentives to engage in exchanges of financial and political capital. The modus operandi of such exchanges is not unique to the football sector, and we contend that the practices we have identified are relevant to other sectors of the Chinese political economy.

Despite decades of economic reform, local state actors continue to hold significant leverage over private firms through their control of critical economic resources, and regulatory and juridical bodies. Their informal and non-institutionalised regulation of the economy represents significant risks for private firms. Often caught in a state of resource dependence resulting in an asymmetric power relation vis-a-vis the state, private businesses leverage financial resources to cultivate relationships with local officials to access their political capital. Once acquired, access to political capital can benefit private actors' firms and investment projects. However, because it is embedded in relational ties with government officials, it is volatile, impermanent and requires effort to sustain. Once relational ties are disrupted, entrepreneurs lose access to political capital accrued through the exchange relationship. Local officials are also incentivised to engage in exchanges of capital since delivering on policy goals often requires the cooperation and resources of private firms. In the case of football development, a successful local football endeavour can benefit local officials' career development and improve the city's political and public image.

The three investment scenarios we identify illuminate the nuanced relational dynamics between officials and private entrepreneurs. Triggered by the Medium–Long Term Football Development Plan launched in 2016, firms and local officials have been willing to exchange financial and political capital resources within the football sector to build mutually beneficial relationships for their own economic or political gain. However, football-related engagement between private businesses and local government exhibits substantial variation in incentives and outcomes, leading to incoherent and sometimes contradictory results. For instance, not all officials are willing to enter exchange relationships with football investors, and thus some attempts to utilise football to acquire access to political capital fail. Because investment decisions are also informed by political assessments, they do not conform to purely economic logic. Consequently, many investments are short-term, economically irrational and unsustainable. Moreover, political capital-centred transactions between private businesses and local officials are informal, opaque, and non-transferable. After the departure of a local leader, the political capital-yielding personal bond is disrupted and the benefits the leader pledged to football investors are curtailed. Although access to political capital can help firms manage power asymmetries through resource dependence, it does not guarantee full protection. If a local government needs support from private businesses for its policy, government officials often exploit their superior position vis-a-vis business and pressure them to "voluntarily" contribute to political goals. Consequently, an intrinsic motivation to develop the sport's market or culture appears to be rare among China's private football investors, further hindering Chinese football development (Sullivan et al., 2022: 430).

Chinese football has lost some of its public appeal due to domestic competition curtailed by COVID restrictions and the continuing on-field struggles of the men's national team, highlighted by the failure to qualify for the 2022 FIFA World Cup. Further, economic headwinds have caused financial uncertainties for high-profile club owners. Yet, the central government's ambitions for football remain long-term and multifaceted. The recently launched football key cities programme and the national youth league, both politically and financially supported by the central government, are clear signs of a continuation of the reforms, and recent limits on club expenses will likely bring more stability. Notwithstanding these particular developments, the football sector is one in which private and state actors perceive utility in exchange relations and thus it remains a useful site for investigating the role of political capital in the Chinese political economy.

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