**Background**

Forty years since its reform, China’s post-socialist trajectory was coupled with a double-digit economic boom but simultaneously skyrocketing wealth inequality as well. The privatization and marketization of the housing sector in the 1990s was suggested as crucial evidence that socialist elites are able to persist their advantage during economic transition through rent-seeking opportunities in the marketization process and get an upper hand in the private sector. Nowadays, the deepening marketization reform and gradual withdrawal of state in welfare provision had opened a new opportunity to observe the further impact of the recently emerging wealth in Chinese society.

**Intergenerational transmission of advantage in China**

In post-socialist China, the economic reform weakened labor power as maintained through the hukou system and undermined the role of organizational assets tied to the working units. The roles of authority, skills, and economic capital in generating inequalities, however, have been enhanced (Wu 2019). Many pieces of research had been focusing on how redistributive advantages are still leveraged to help children succeed in the market economy. On the other hand, investigations into wealth as an emerging form of resources in the post-socialist regime are rare.

Under a mixture of resource allocation mechanisms with state redistributive hierarchy and market sector, wealth is no longer a distributed welfare but a crucial component of economic privilege. As a stock of market power, how would the recently emerged wealth shape the life chance of the next generation together with institutional power as a socialist legacy?

**Parental assistance**

Since the housing market departed from the total welfare mode, there have been evidence suggesting that parents in resourceful working units and with urban hukou are able to leverage their organizational resource to assist children with home ownership. Huang and Yi (Huang and Yi 2011) found that children of high-ranking cadres were more likely to own second homes. Their parents could access highly subsidized housing by their top positions in work-units and thus help their children in their home purchases. Parents also sent requests to their own work-units for an additional flat on the grounds of crowded living conditions (Davis, 1993: 71). Social network and organizational resources of parents can also bring better investment opportunities and other rent-seeking capacities (Or 2018).

In recent years, more attention has been shifted towards direct financial transfers from parents. A number of qualitative studies (Or 2018) in major cities had shown young adults from middle class families receive substantial financial assist from parents. A number of studies had point out a significant impact from the political and institutional status of parents on ownership attainment and housing asset of child generation (Cui, Huang, and Wang 2019; Niu and Zhao n.d.). Some studies went further to discuss potential familial patterns of intergenerational financial and ownership transfer, such as a favoring for downward mobile children (Zhang and Bian 2019; Zhu 2018).

Previous studies provide implications on demonstrating the specific familial pattern of the transmission. In other words, they answer the question of which kind of child (only child, male, downward mobility, etc.) are more easily to receive transfer. However, they don’t provide a comprehensive picture to explain the other side of the question: which kind of parents have more resources and chance to provide assistance to their children. This question is crucial especially in the Chinese housing sector where the market and redistributive are both in working, and the interaction between the two is ever-changing with the pace of market reform. With the continual impact of working unit and public sector, how much of the socialist advantages are passed on through wealth, and how much through other forms of resources such as social and organizational capital? A more detailed set of parental resources and institutional status will help to understand how parents’ specific socialist advantage, financial resources and institutional background will condition the asset building opportunity for the next generation.

**Data**

An idea data would contain both children and parents as respondents, which nonetheless does not exist in the survey data in China, not an exception to many societies where modern survey data just started to flourish. Alternatively, we collect data primarily from parental generation. We utilize the China Health and Retirement Longitudinal Study (CHARLS) (Zhao et al. 2014), a household survey targeting elders above 50 years old, who provide information about their children.

We select children aged between 25 and 45, who reside in main city zones, do not live with their parents, married, and financially independent.

**Missing value processing**

The variables are merged from multiple waves of CHARLS. After merging, there are two major sources of missingness in the data.

Information about the institutional status of parents (hukou, working unit type, party membership, and cadre ranking) are merged from 2014 life history survey. 23.6% respondents in 2015 do not possess such information. As these indicators of parental status are crucial, and it’s hard to impute the missing values due to systematic reason (survey dropout), these records are dropped before other observations.

In the 2015 survey, 21.3% and 12.2% of children’s income and 9.6% of parental net worth are missing. After comparison, no correlation of such missing patterns can be found with the missingness of other variables. Therefore, we assume these variables are missing by random and impute them with MICE. Other variables with smaller portion of missing values (<3%) are also imputed with MICE.

**The Chinese context: socialist origin of housing wealth**

Despite the market reform, an abundance of evidence shows that socialist elites are able to persist their status advantage, particularly in the accumulation of wealth which is associated heavily of the privatization of public housing (Logan, Fang, and Zhang 2010; Walder and He 2014) and state capital.

In our data, the parents are large the generation to receive such windfall, rapid, substantial, yet unequal. An OLS on parental net worth (Table 1) demonstrates a profile of the advantaged under the transition. State employees enjoy advantage from 24% to 54% more than agricultural employees depending on their specific type of working unit. Party members have 41% more housing assets than common people. Cadres accumulated 31% to 61% more wealth depending on ranking. Compared with people of rural origins, urban residents enjoy 39% more assets.

What we observe here is a conversion from socialist advantages to newborn market resources. Of course, the relationship is not one-on-one: although both types of resources are enjoyed by social elites, they are still different dimensions of social status that work differently under the present regime. The subsequent sections will dedicate to answer how such hybridity of statuses and resources would facilitate the socio-economic attainment of their children.

**Analytical framework**

With an evolving opportunity structure mixing state redistribution and market mechanisms, theorizing the determinant channels leading to wealth accumulation in China can be particularly challenging. This paper tries to come up with a theoretical framework with three interdependent channels.

The big story is how elites are able to transform and transfer their privileges into the housing wealth of the children (and how non-elites are unable to do so).

1. Financial assistance channel

First, 13% of homeowner were lucky to be given a home directly from parents upon their marriage as a substantial gift (median gift value is ¥200,000). It makes sense to assume such initiative from parents is associated with their financial stock, i.e. their net worth. Apart from those lucky ones, 87% of homeowners achieve homeownership reportedly not with such direct help from parents. Assuming their homeownership contains at least some sort of self-achievement, their parents can nonetheless provide support in the process, such as helping with loan down payment.

*Hypothesis 1a: Parental net worth has an impact on child' will receive a gifted home ownership.*

*Hypothesis 1b: Parental net worth has an impact on the child’s self-achieved homeownership on their own.*

Chinese society had a huge development in home ownership. Rather than a binary classification of have vs. have-not, the value of home asset will provide more implication about the wealth accumulation process. Intuitively, higher parental wealth will lead to higher housing wealth of children.

*Hypothesis 1c: Parental net worth has an impact on the child’s value of home asset.*

1. The within-the-system benefits

Institutional advantage can be still active in the post-reformed era for parents in public sector.

However, since the children are on average 36 in 2015, by the time that they achieve housing the housing privatization should have ended in 2003. Therefore, it can be assumed that parental institutional background should have no direct impact on the wealth accumulation of children. The only exception could be the rent-seeking capacities mentioned above.

*Hypothesis 2a: Parental institutional advantage does not have an impact on child' will receive a gifted home ownership.*

*Hypothesis 2b: Parental institutional advantage does not have an impact on the child’s self-achieved homeownership on their own.*

*Hypothesis 2c: After controlling for parental wealth, parental institutional advantage does not have a direct impact on the child’s value of home asset.*

1. The legacy of hukou status and locality advantage

Beyond the own generation of parents, hukou can impact particularly the opportunity of children. A large literature had documented the welfare difficulties that migrants are facing. A local hukou of parent not only bonds with actual benefits and welfare, but also enables a locality advantage: for parents in occupation with organizational resources, they will be more able to help their children. Furthermore, the impact of other resources can be totally different children.

Compared with local incumbents with an urban hukou, parents without a local urban hukou suffer from two constraints: first, they were not eligible for housing welfare during reform. Second, their resources and social network are not in the locality to help their children out. With the children living in distant migrant household, the help that they can offer is limited.

*Hypothesis 3a: The structure of determinants into wealth accumulation of children from families with urban or rural hukou is different, which conditions the result of the previous hypothesis.*

**Findings**

After the housing reform in the late 1990s, the homeownership rate grew rapidly. Yet homeownership can be still a substantial matter for young families who have to obtain housing as a commodity instead of welfare. In our sample, 85% parents own a home but only 62% of children do. In our data, the average home value represents more than 3 times of average household income.

A logistic model (Table 4) shows that such huge intergenerational transfer heavily focuses on men and only child in the family. From the family background, it’s also evident that families, where father has an urban identity and have a higher net worth, are much more likely to offer such support.

Looking at most children without such fortune to be guaranteed a home, a logistic model targeting entry into homeownership (Table 5) shows considerable advantage for urban residents and party members. The impact of income is very significant. At the same time, the premium of urban status and party membership seem to go beyond the mediating effect through education. The urban status is still bounded to a set of welfare such as housing subsidies, and party membership constitutes rent-seeking capacities in the housing sector.

Net of the mediating effect on labor market return and institutional status seems that no resources on parental background side particularly facilitates homeownership. Generally, the picture of homeownership is a more optimistic story in terms of self-achievement.

**Substantial impact on housing wealth among homeowners**

While the function of parental background is limited in helping children gain homeownership, the case is quite different with regards to home wealth accumulation, which is the major component of household wealth. As the focal point of the paper, the analysis of home wealth is organized through several stepwise models (Table 6).

A baseline model uses the same set of indicators in the parental net worth regression to capture the impact of the parental institutional status on the housing wealth of children. It turns out that most parental status advantage that predicts higher net worth also do so for the housing asset of their children. The R2 declined from 0.17 to 0.11, which is still significant.

The second model captures the impact of parental background on the accumulated wealth of children without considering any mediation through the achieved status or resources of children. Parental net worth is a pretty strong predictor: a 27% rise in home wealth given a standard deviation rise in logged parental wealth (correspond to 3.67 times in amount). Plus, including it raised R2 from 0.11 to 0.16. At the same time, we can also see evident advantage for children of socialist elites such as state employees and high-rank cadres enjoying premium ranging from 29% to 39% more compared with normal people.

The next step introduced hukou and party membership as the indicator of the institutional privilege, and education as a measure of human capital for the children. The impact of institutional power such as working unit type and cadre status declined significantly, while the impact from parental net worth almost doesn’t change. This suggests that status inheritance and human capital are significant channels through which political and institutional resources would help.

The further inclusion of household income and occupation shows again a mediation effect from both institutional power and economic resources to labor market rewards. In the full model, income and education turn out to be crucial indicators. However, different from the ownership model, the residual impact from parental net worth still exist, net of its contribution to human capital and income. It’s reduced from 0.21 to 0.15, is still quite massive. If parental wealth increased 3.6 times, the home value of children would increase by 20%, controlling other parameters. This is more than the opportunity gap between the rural and urban families of 18%.

**Summary and discussions**

In fields where the state and the market interplay, the resources and mechanisms are complex. For the current generation of young adults in China, their schooling opportunities in the 90s are facilitated predominantly by institutional power of their parents in an education sector beginning to transition yet still much socialist. However, these people are now a labor and housing market where the parental economic resources get to speak much more. The good news regarding it is, achieved education and income are still crucial to secure a fair chance of achieving a home. However, among homeowners, people from more wealthy family background have significantly more likelihood to store more value in the housing asset.

The findings also tell a story about how the socialist elites transmit and legitimize their status advantage in the post-socialist era. The fact that the political and institutional status of parents can still have a large share in predicting children’s home wealth indicates a conversion process from socialist status to economic resources realized in the parental generation, and more importantly, transmitted to the children’s generation. In a more legitimized channel, organizational and institutional resources under redistributive mechanisms facilitate the children to gain human capital and succeed in the labor market. But in addition to that, parental wealth also adds directly to homeownership and accumulation of home wealth through multiple channels. One among others is a gifted home upon marriage, though more are yet to be demonstrated by concrete evidence.

In terms of social mobility, the good news is there’s still good room for movement. Even in the housing wealth accumulation, parental background accounts for only 16% of variation with R2. As a comparison, adding education, occupation, and income explains for an additional 10%. In other words, individual effort can still pay off. However, considering Chinese society is still undergoing rapid change, the future prospect will not be the same. The education sector is now much more marketized than years ago, hukou system is under reform, and housing price is stagnating in the urban area. The progress in various sectors can suggest a tendency for financial resources to be more pronouncing than the case that this study covers.