

Corruption and Anti-corruption in China

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摘要

在最近的政治經濟學文獻中，一個逐漸形成的共識是中國政府內不少幹部在改革過程中成為了實質的企業家，並對中國的經濟發展與改革曾發揮過關鍵的作用。作者認為這種特殊企業家的形成有賴國家對地方官員的腐敗行為某程度的容忍。但是，在今天新的經濟和政治環境下，中國日益惡化的腐敗現象已阻礙了經濟的進一步發展。所以，中國的反腐敗運動將越發顯得重要。

The following story is a typical example of day-to-day corruption in China. When a junior bureaucrat from Beijing arrived at his new assignment as a middle-level local official in Sichuan province, his close subordinates instructed him in the local norms for taking bribes. They told him how often he could become “ill” and how often he could accept invitations to ribbon cuttings, both being occasions at which he could accept “gifts”, without, as long as he was politically loyal and doing a good job, worrying about being accused of corruption. Also, he learned that these gifts could amount to as much as \$10,000 a year, which would be much more than his nominal salary.

As this story illustrates, economic reform in China has been associated with an epidemic of corruption among local government officials. At the same time, a large part of the success of the Chinese economic reform is attributable to the transformation of the typical local government official from being an unproductive political entrepreneur to being a productive economic entrepreneur.

How can we resolve this apparent paradox? It seems that tolerance of corruption, together with the threat of punishment for corruption and the selective enforcement of this threat, has been an effective way to induce local officials to promote economic reform and, equally importantly, has served the political objectives of the Communist Party.

Although the Chinese authorities have recognized the efficiency of markets, they have clung to a dual-track economy, *Shuang Gui Zhi*, that involves the coexistence of newly instituted markets with pre-existing *Guanxi* arrangements, whereby the allocation of resources depends in part on “personal connections” among government officials and firm managers. Under *Guanxi* firm managers have to maintain good relations with relevant government officials and managers of other firms to ensure the provision of supporting resources (e.g. electricity, water, etc.) and the timely delivery of

necessary raw materials and intermediate goods. In the dual-track economy the ability of local officials to continue to make *Guanxi* work effectively has been critical.

What has motivated local officials to become economic entrepreneurs? The incomes of local officials are nominally fixed and unrelated to their performance. Also, Chinese local officials are not allowed to moonlight as formal employees of firms. Then how do the firms compensate these officials? The main ways seem to be the extraction of bribes or nepotistic favours (*tanwu shouhui*) and the appropriation of public property or public funds for personal benefit (*nuoyong gongkuan*). Both of these practices are forms of corruption.

In China corruption has worked in much the same way as methods of compensation used in Western economies. Corruption, whether in the form of *tanwu shouhui* or *nuoyong gongkuan*, mitigates the problem of measuring and monitoring economic performance because those local officials who make the largest economic contribution are likely to be able to extract the largest bribes or nepotistic favours or to have the most valuable public property to appropriate. Also, the compensation that local officials obtain through corruption, particularly in the form of bribery, is paid directly by local firms, which have the best information on the performance of local officials.

But, why use corruption rather than Western methods of compensation? The answer is that in the Chinese context important political considerations mitigate against the implementation of explicit incentive schemes. For starters the propaganda of Chinese communism has always claimed that every Communist Party member is a selfless “public servant of the people”. An explicit system of material incentives and rewards for local officials, most of whom are Party members, would be inconsistent with this propaganda.

In addition, although many government officials and Party members play important economic roles in China's dual-track economy, many others, including many of those connected with the army, are responsible only for political, military, and other non-economic activities. An explicit system of material incentives and rewards for economic performance would undermine the political and social standing of those government officials and Party members who are not involved in economic activities. Because the Communist Party, like any political organization, is a potentially fragile coalition, jealousy and discontent, especially in the army, would threaten to destabilize and to undermine its cohesiveness.

Perhaps most importantly, using corruption as a method of compensation has enhanced control over local officials by creating a situation in which the Party hierarchy always “has something” on everyone. As an astute student of China observes: “Because an individual knows that higher-ups could charge him with corruption at any time, lack of exposure is in effect special treatment

for which the official gratefully exchanges his political support.” In this way, the use of corruption as a method of compensation has served the Party's goal of maintaining its cohesiveness and absolute political power, which continues to yield large benefits to Party members.

Despite all of the bemoaning of corruption, and despite some well-publicized cases, until recently few corrupt officials have been punished. Nevertheless, the threat of punishment together with the selective enforcement of this threat has been important. The Party authorities have had to deter local officials from being excessively corrupt ---- that is, from appropriating for themselves more than the amount to which they are entitled. Also, the Party authorities must show that they are willing to punish any corrupt official whose political allegiance has become suspect.

The 15th Congress of the Chinese Communist Party in September 1997, at which the Party announced its intention to privatise most state-owned enterprises, was a milestone in China's accelerated transition to a market economy. The authorities apparently have recognized that the dual-track system, however, effective in the early stages of reform, is now an obstacle to China's further development. Many observers of the Chinese economy are calling the existing dual-track system the “First Reform,” with the ongoing and forthcoming large-scale privatisation and the prospective entry into the World Trade Organization being the “Second Reform.”

As the market economy expands, *Guanxi* and the associated role of local officials as economic entrepreneurs will become less important. In this transition corruption is losing its role as a way to reward economic performance and is becoming instead simply a way of stealing. As a result in the last few years the anti-corruption campaign has become more serious. Recently more government officials have been imprisoned or even executed for corruption. Also, whereas in the past the authorities discouraged the media from reporting cases of corruption, now they are using the media to monitor local officials and to uncover serious corruption.

The experience of Philippines and Indonesia surely has suggested to Chinese leaders that in the Second Reform corruption threatens to become a barrier to further economic progress and continued political stability. In contrast, Singapore, where an autocratic regime employs well-paid, efficient, and incorruptible bureaucrats, surely provides an attractive model for the Chinese leaders. But, can a large country like China emulate a small city-state like Singapore?