

Corruption: The State of the Field

Iza Ding
University of Pittsburgh
yud30@pitt.edu
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Corruption, the abuse of public office for private gain, is a pervasive topic of study in political science and the field of Chinese politics.¹ Despite decades of scholarship, the definition of corruption is still disputed. What constitutes “abuse”?² How do we separate out normative considerations when studying “abuse”?³ What constitutes “private gain”?⁴ Finally, what is the analytical distinction between formal and informal modes of corruption?⁵

We do know that corruption, especially high-level corruption, hurts state legitimacy—a lesson the CCP learned the hard way in 1989 (Sun 1991).⁶ According to Nye (1967), “one of the first charges leveled at the previous regime by leaders of a coup...is ‘corruption’” (417). Of course, corruption is not unique to the reform era in China. In *People or Monsters* (1979), Liu Binyan writes that the socialist planned economy was “in practice, nothing but a continuous flow of public resources into the private pockets of power-holders.” The initial stages of the Cultural Revolution nominally constituted an anti-corruption movement (Unger 1991). What has changed in the reform era is the form and scope of corruption (Guo 2008; He 2000; Wedeman 2004a; White 1996) as well as its public salience (Manion 2004; Saich 2012). In this memo, I briefly review three clusters of studies on reform-era corruption: (1) those that treat corruption as an independent variable, (2) those that treat it as a dependent variable, and (3) those that analyze the impact of corruption and anti-corruption efforts on state legitimacy. I conclude by discussing three understudied questions in the scholarship on corruption in China.

Corruption as an Independent Variable

¹ Since this memo focuses on corruption in China, I will primarily cite research in Chinese politics. I define corruption broadly in order to include as many studies as possible.

² Manion (2004: 4–6) emphasizes the violation of *formal-legal* rules as quintessential to the definition of corruption.

³ What is perceived to be unethical and corrupt in one society may be accepted or even desired in another (Nye 1967: 423). Cultural norms can be sticky: DeBacker et al. (2015) find that corporations owned by individuals from countries with high levels of corruption are more likely to evade US taxes.

⁴ Broadening “abuse” to “use” opens the floodgates of “legalized corruption.” For instance, recent research shows the level of financial gain accrued by holding public office in China (Hou 2015; Truex 2014) and the number of firms seeking connections with the central government (Wang 2016).

⁵ Ang and Jia (2014) argue that corruption and formal institutions can be (perversely) complementary: e.g., politically connected firms are more likely to use formal institutions such as courts.

⁶ However, it is unclear whether anti-corruption campaigns increase legitimacy (Wang and Dickson 2017).

One debate at the heart of this cluster of research is whether private vice can produce public gain. Most of these scholars seek to understand whether corruption spurs or inhibits economic growth. The pro-growth school of thought envisions multiple pathways through which corruption can foster economic growth, such as capital formation, *de facto* market mechanisms, and entrepreneurial incentives (Nye 1967; Wedeman 2004b). For example, Wank (1996) argues that ties (*guanxi*) linking private businesses to state bureaucracies “drive marketization by enhancing resource allocation, creating stable expectations...forg[e] information channels...[and] support innovation” (821). Research on local state entrepreneurialism during reform also examines institutional practices that border on what some may consider corruption (e.g., Ang 2016; Blecher 1991; Oi 1995; Walder 1995).⁷ Duckett (2001) distinguishes between corruption, profiteering, and state entrepreneurialism, and argues that only the third leads to economic development.⁸ However, these theoretically distinct behaviors are often observationally equivalent (Birney 2014), or emerge out of similar institutional settings, such as fiscal decentralization (Oi 1992; Jin et al. 2005; Lin and Liu 2000; Mattingly 2016; Zhang and Zou 1998).

The anti-growth school of thought sees corruption as an impediment to economic development (Dickson 2008; Huang 2008; Mauro 1995; Rose-Ackerman 1999; Wei 1999; Sun 2004).⁹ Lu (2000a) sheds light on the predatory side of state-led development that “distorts the market, hurts investment, and reduces competitiveness” (285). Ong (2012) details the ubiquity of asset stripping in the process of TVE privatization. In recent years, even the Party itself has acknowledged that: “costs of corruption far outweigh benefits” (Yao 2015).

In the realm of political development, corruption has been associated with both positive and negative institutional changes (Whiting 2006).¹⁰ One such “positive” institutional change was China’s legalization of private enterprises with more than eight employees (Tsai 2006). While Tsai does not directly relate the concept of “adaptive informal institutions” to corruption, she nevertheless notes that: “crackdowns on adaptive informal institutions in the economic realm are most likely to occur during political campaigns against corruption” (126). “Wearing a red hat”—the widespread practice of registering private enterprises as public—was at the time a clear violation of formal-legal rules for private gain before private business ownership became legal.¹¹ In more sobering

⁷ Oi (1995: 114) argues that local fiscal arrangements in the 1980s allowed cadres to benefit economically (and, many would argue, politically) from promoting economic growth *without* resorting to corruption. However, it may be argued that the same institutions also led to the rise of corruption.

⁸ Duckett argues that state entrepreneurialism “generates income for the state administration, and ... the spending is often accounted for under recognizable spending categories, rather than simply being siphoned off for private use” (28). It should be noted, however, that a major tactic of graft is accounting for the private use of public resources under officially sanctioned spending categories.

⁹ Treisman (2007) finds a negative correlation between a country’s perceived level of corruption and its level of economic development.

¹⁰ Nye (1967) cites Britain’s establishment of the cabinet in the 18th century and America’s integration of immigrants in the 19th century as examples of positive institutional change as a result of corruption.

¹¹ Wank (1996) also uses “wearing a red hat” as an example of institutional innovation produced by corruption.

accounts, both Huang (2008) and Pei (2016) argue that rampant corruption is not only bad news for continued economic growth, but also threatens the Chinese Communist Party's (CCP's) survival.

Corruption as the Dependent Variable

A parallel line of research focuses on reform-era corruption as *explanandum*. Since corruption is generally an undesirable outcome, what causes it? Early inquiries explore legacies of the Maoist system and organizational transformation (e.g., “involution”) in the reform era (Lu 2000b; Walder 1986).¹² Other scholars have argued that corruption is not an “externality,” but a feature (“by design”) of the political system (Manion 2004; Pei 2016; Shirk 1993).¹³ To explore the impact of reform policies on corruption, scholars have examined state capture of private business (Kellee Tsai 2007; Dickson 2008), reduced state autonomy and capacity (Ong 2012; Wang 2013), elite capture of civil society groups (Mattingly 2016), and foreign direct investment inflow (Gallagher 2002; Zhu 2017). Accounts of anti-corruption campaigns note that anti-corruption measures were quite selective (Manion 1997; Manion 2004; Shirk 1993), while recent research highlights the importance of public participation in programs to combat corruption (Ang 2014; Stromseth et al. 2017).

Corruption and State Legitimacy

Finally, a third body of research examines the linkage between corruption, anti-corruption, and state legitimacy. Most people agree that salient, high-level corruption damages state legitimacy. However, the evidence is much more mixed on whether anti-corruption measures help sooth public anxiety over corruption.¹⁴ Jiang and Yang (2016) find that the purge of Chen Liangyu caused an increase in *expressed* political support but a decrease in *actual* support. Wang and Dickson (2017) also find that China's most recent anti-corruption campaign has reduced public support for the Party by altering people's prior beliefs about officials. Zhu, Lu and Shi (2012) find that perceived corruption varies based on the sources of information.

Regarding the “salience” of corruption, it is important to remember that China has experienced numerous anti-corruption riots and protests throughout the reform era, particularly in the 1990s and 2000s (e.g., the 1989 Tiananmen Movement, the 1993

¹² Walder's influential study on the transformation of the state enterprise finds that “neo-traditionalism” is “a system of political incentives that appear on the surface to be based on political appeals and nonmaterial incentives, but which, in fact, are based on a deep-seated particularism in the allocation of material rewards and career opportunities” (1986: xiii).

¹³ Shirk (1993) argues that the CCP secures the loyalty of local cadres through a strategic and selective tolerance of corruption.

¹⁴ In my analysis of 2015 survey data, I find that citizens in cities that have fired more officials for corruption expressed significantly higher levels of satisfaction with local environmental governance, all else being equal (Ding 2016). Without reading too much into this finding, one explanation may be that the anti-corruption campaign has increased public confidence in governance (“diffused support”), which seeps into “specific support” such as environmental satisfaction.

Renshou riots). Although the current anti-corruption campaign may seem different—and by various measures it is—it nevertheless helps to look for historical antecedents. When exploring the relationship between corruption and legitimacy, it may also be helpful to examine the sensitivity of regime support to various events.¹⁵

Future Research on Corruption

I find three important yet underexplored questions in the robust literature on corruption. First, cross-national comparative research finds different patterns and outcomes of corruption in different countries (Sun 1999; Sun and Johnston 2009). What about subnational variations in the form and severity of corruption? While previous studies have indirectly addressed this question through comparative analyses of local political economies (e.g., Hurst 2004; Lee 2007; Lily Tsai 2007; Rithmire 2013, 2015),¹⁶ it would be interesting to see whether the severity, perception, and modes of corruption also vary regionally.

Second, those who are interested in the current anti-corruption campaign or its effect on general state behavior may explore the local “externalities” of the campaign. Anecdotal evidence suggests that although the current campaign has reduced corruption, it has also immobilized local bureaucracies to a certain degree (which may be an intuitive, albeit negative, prediction of the entrepreneurial state arguments). Future studies could examine whether areas that have been more heavily impacted by the current campaign experienced delayed policy implementation.

Finally, future research should explore the psychological mechanisms linking perceived corruption and state legitimacy. If corruption is thought to be the result of a moral failing of the state, do certain kinds of corruption damage regime support more than others? Certainly, an official who embezzled a million Yuan and used the money to support his mother’s cancer treatment would be perceived very differently than one who spent the money in Macau. How, exactly, can the state effectively use anti-corruption campaigns to generate support, and how do people respond (e.g., on a moral/intuitive level) to state portrayal of corruption and anti-corruption in the media?

¹⁵ For example, Alkon and Wang (2018) find that regime support varies from day to day based on air pollution levels.

¹⁶ See Rithmire (2014) for a review essay on China’s regional political economies.

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