Chapter 2

Theoretical Framework of Study

2.1 Introduction

A number of social factors condition efforts to combat corruption. At the same time, these efforts are also partly determined by what is corruption in the minds of policy makers (Gardiner and Lyman, 1978). As such, how the Chinese leadership defines corruption affects by the design of anti-corruption campaigns. This chapter analyzes the definition of political corruption in China. It also puts political corruption into a broader societal context and discusses effects of the economic reforms on the 'mode' of political corruption. The economic reforms have, in turn, affected the political structure, the character of the bureaucratic regime, as well as the relations between the central and local authorities. These factors affects the efficacy of anti-corruption campaigns since the ability of the centre to successfully combat political corruption depends, to a high degree, on its structural capacity. In addition, the economic transformation process in China has affected the legitimacy of the rule of the CCP, affecting the efficacy of the campaign, as increasingly the leadership comes to depend on economic performance and political stability. The issue of informal networks and *guanxi* is also relevant for understanding the relative efficacy of the campaign, as this web of connections helps insulate and protect political institutions and officials from external pressure.

2.2 Definition of Political Corruption in China

Corruption can be viewed from a number of perspectives. The main ones are: the moralist-normative, the functionalist, the public office-legalist, the public interest-institutionalist, and the interest maximizing perspectives.

Moralist-normative Perspective

The moralist-normative perspective defines corruption as inherently bad, arising from a lack of moral commitment among officials. It focuses on the detrimental effects of corruption on public moral, institutional discipline, and public trust of officials. The Chinese communist leadership has since the pre-Revolution days treated political corruption in theory and propaganda as moral degeneration of isolated institutions and individual officials. The anti-corruption campaign model based on this perspective focus on educating and disciplining officials by the use of propaganda, and exposing special cases to defer individual corruption investigation.

This perspective has long dominated the discourse of political corruption in China. Even the most conservative Communist Party leaders perceived that party and government institutions had become corrupted and therefore in serious need of inner behavioural and moral reform. These conservatives thought that open door policies have created not only the conditions for the widespread emergence of corruption that, eventually will end not only of the leadership of the CCP but of socialism (Levy, 1995). As Kevin P. Lane describes it, the normative

perspective, which is adopted in documents and statements by the Chinese leadership, has some advantages in that it sees corrupt behaviour basically as deviant from the right path (Lane, 1996).

Functionalist Perspective

The functionalist perspective views corruption as an ever-present quality (or rather disquality) of every society and that it only changes and adapts to circumstances (Huntington, 1968). Corruption takes a different shape according to cultural heritage, politico- institutional structure, level of socio-economic development and political culture. It emerges when there is a gulf between the old and the new systems (Huntington, 1968.) In his view, corruption was not always an unwanted factor in politics and administration, in that it could help get the wheels turning and 'grease' non-efficient bureaucracies. This is especially so in developing countries, where the state is caught between an imposing Western culture that emphasizes a legal-rational bureaucracy, and a slowly diminishing traditional official culture. In the case of China, the main obstacles of reform are the remnants of the fusion of the traditional top-down Mandarin bureaucracy and the socialist hierarchical and totally integrated bureaucracy.

In the functionalist view, corruption is a part of transitional period that is expected to diminish with the gradual development and institutionalization of political institutions. In transitional periods, corruption, is often caused by political and bureaucratic institutions that are unable to cope with increased demands made upon them by entrepreneurs, businessmen, foreign investors (Scott, 1972). The critique of the functionalist perspective is that corruption will not diminish with the development of institutions, as modernising authoritarian states

encourages its growth" (Goodman, 1974). Once institutionalized, the corruption menace will become much more difficult to combat successfully. The functionalist perspective is also criticized for only benefiting the political and economic elites, and exclude the access of normal people to public services (Becquart-Leclercq, 1984). Officials act as middlemen between private entrepreneurs and the state, and ultimately gain most from both the private market and the state. The private entrepreneurs gain in access, but the main losers are state employees and others without the political or economical means and contact networks to utilise this system (Mason, 1994).

Public office-legalist perspective

The public office-legalist argument emphasises the importance of creating legal institutions and using law to combat corruption. Joseph S. Nye defines the legalist argument: "Corruption is behaviour which deviates from the formal duties of a public role because of private-regarding (personal, the family, private clique) which goes against the exercise of certain types of private-regarding influence" (Nye, 1962). But James Mulvenon argued that corruption in China in the 1990s does not primarily result from a lack of legal institutions and laws concerning corruption in public office. Rather, the main problems are to enforce and implement the law, and to make legal institutions independent of Party and government dominance. The Chinese Communist Party's continued monopoly on political power allows it to either ignore the activities of its members or legitimise their actions by changing the law' (Mulvenon, 1996). Furthermore, anti-corruption laws in China are often designed to cover up for deficiencies in the legal system that also face corruption. Thus, the law serves the Party's will and mends the law for the party's interest.

Public Interest-institutionalist Perspective

The public interest-institutionalist perspective seek to explain how institutions shape individual officials. Collective and non-pecuniary goals are different as part of corruption as interest-maximising pecuniary corruption for personal gain. The scope for corruption by the individual official is limited by the norms, structure, and capacity of the institution he belongs to, and therefore he acts corruptly mainly because of fixed norms of conduct within this particular institution (Lane, 1996). For the Chinese leadership, this perspective is very problematic, since it focuses on organisational corruption and thereby structural problems rather than individual greed and criminality. But Carl J. Friedrich argues, in socialist countries, organisational corruption is treated as corruption of ideology and betrayal of trust, and therefore anti-corruption campaign is focused on ideological education and normative propaganda (Friedrich, 1972). This perspective could be criticised for viewing institutions as black boxes, wherein officials act according to collective norms and standard operating procedures. It does not regard the role of strong leaders in hierarchical political structures. Personal relationships and other informal connections are usually regarded as particularistic interests, and in opposition to the public interest. The public interest represents a very adjustable and non-stable perspective on corruption. Judges are more the corrupt act itself than the scale or intentions of it, which to some extent excludes the possibility to justify political bargaining and political coping in transitional and non-functional bureaucracies.

Interest-maximising or Market-centred Perspective

The interest-maximizing or market-centred perspective considers every official to be a self-maximizing unit entirely bent on personal gain. This perspective assumes that officials shirk responsibility and use the rules to serve their own purposes. In local governments, officials are ultimate power-brokers with full control over the distribution of state funds and resources, and thereby combing political and economic control. This perspective singularly focuses on the individual official. 'In a quite centralized country like China, with great government control over social, economic and political resources, the quantity and range of goods distributed is particularly large. The political position confers on its occupant, the cadre, access to certain political resources, but there may also be role-related or personal political resources' (Stergaard, 1996).

Jacob van Klaveren argues that this perspective does not shows whether it is the official or the briber who is the main culprit in a corrupt transaction (van Klaveren, 1957). In one sense, the briber circumvents normal channels of distribution by offering a substantial reward for the official to evade formal procedures, and thus helps creating a norm which delays every transaction until a bribe is presented, and also makes all transactions and investments more costly (Mauro, 1995). In Paolo Mauro's view, there is no evidence of corruption being an agent to ease bureaucratic red-tape, creating a better climate for investments, which favours the interest-maximizing perspective against the functionalist perspective (Mauro, 1995). But James T. Myers argues, the bribe may also be the price of conducting business in this particular area (Myers, 1987). The bribe may be the entry fee to participate in transaction negotiations with public offices, which are ultimately awarded with a contract or a license

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(van Klaveren, 1957). As mentioned earlier, the interest-maximizing perspective is criticized for not considering the collective pressures in an institution, and other limits of action and behaviour enforced upon the official by institutional norms, structure and capacity. Furthermore, this perspective deems all political and social transactions not strictly obeying the law as corrupt and broadens the scope of corruption both in analytically and definitional (White, 1998).

To discuss impeding factors of political corruption in China, the study will put the issue in a larger societal context to see what inhibits the efforts to combat corruption in China. Secondly, it is important to explain political corruption in China in terms of how the Chinese leadership defines corruption, and what consequences this has for efforts to combat corruption. The study will follow White's argument that corruption changes with the circumstances, and with economic, social, legal, institutional, and political development. His view has two effects on the study of corruption in China today. First, politics should be regarded in a broader sense, not only focusing on the formal authority exercised by governmental organisations in a vertical hierarchy, but also from its impact on society at large, and the continuous dialectical interdependence of state and society. In the case of China, it is necessary to analyse corruption and anti-corruption remedies, and the importance of the reforms for China's future development and political stability, inner-Party connections and conflicts between the central government and the provinces (and local governments) for economic leadership.

Secondly, White's argument calls for a more pragmatic and functionalist approach to the

study of corruption, and holds that studies of corruption in China traditionally only deal with a static form of governance under stable conditions. Due to cultural differences, or as a result of temporal changes of institutions and policies, he did not leave any space open for political corruption alleged or conducted for political purposes (White, 1998). The political game in China has become more open since the reforms were initiated, which has resulted in the emergence of more actors and perspectives to complement the rather static bureaucratic hierarchy of the pre-reform days. These new actors and perspectives have changed the economic balance primarily at the local level, and placed many new demands upon the bureaucratic structure. This also resulted in a changing relationship between central and local authorities.

The Chinese leadership has long since defined corruption primarily in terms of moral degeneration and deviation from the correct ideology, which basically is a moralist-normative definition of corruption. This view has dominated the propaganda and anti-corruption campaign in theory. When the reforms program were established under Deng's very pragmatic rule, it allowed for some bureaucratic and economic flexibility if this resulted in high economic growth figures. In the later years the leadership was increasingly tainted with a Party-legalist domination over the law.

The Chinese leadership is divided over the perspective to be used for combating corruption. The reformists desire more implementation of legal and institutional reforms. They thought the issue of deficiencies in the reforms exemplified by the lagging implementation of legal and institutional reforms, the discriminatory 'dual-track' price system, the incompleteness of

the market reforms, and the failure to separate the Party and the state, all these explains the rapid spread of corruption. The conservatives, prefer on the other hand, the use of ideological education, disciplinary measures, and seek controlling corruption by use of coercive powers. In China the anti-corruption campaigns mostly include moralist-normative anti-corruption campaigns, 'spiritual civilization' campaigns, and propaganda and educational efforts. The CCP leadership claims that legal institutions act independently of Party influence. But in fact for the treatment of alleged corrupt officials, it is still up to the Party and the Discipline Inspection Commission (DIC) to decide who to try and punish severely or leniently. In some cases the Party and Discipline Inspection Commission(DIC) hands over the case to the judicial authorities for a legal judgement.

2.3 Political Corruption in a Larger Perspective

In general terms, political corruption is caused mainly by three factors: first, deficiencies in laws, regulations, and operating procedures, governing state bureaucratic institutions; second, lack of implementation of laws and government policies, and insufficient control apparatuses; thirdly, personal or collective incentives to become corrupt. The ultimate solution would be to improve the laws and the control of state institutions, and reduce the crimes by tightening slack control and plugging loopholes accordingly. Anti-corruption campaign is largely determined and limited by the political agenda, political considerations, and other factors in society that take precedence over the efforts to combat corruption. In the case of China, the country is in transition, effort to fight against corruption is limited by a number of

all-important factors in Chinese politics. These factors contain the continued economic reforms and economic growth; the maintaining political stability in a political, legal, economic, and social transformation process; the political game in the Communist Party and between central and local (provincial) authorities and positioning in the leadership succession.

2.3.1 Economic Reform Since 1978

Some analysts lay most of the blame for a rampant political corruption on various factors resulting from the economic reforms. The Chinese leadership is more concerned about how the reforms affect political and economical structures. It is within this transition from a socialist command economy to a 'socialist-market' economy for political corruption exists. The most conservative view represented by Chen Yun and his followers blame corruption on 'unhealthy tendencies' (*bu zheng zhi feng*) and 'spiritual pollution' (*jingshen wuran*). In 1984, the Party secretariat issued a statement where 'unhealthy tendencies' are described as 'evil practices of using certain loopholes or weak links in reforms to seek personal gains or selfish interests for a certain unit' (Myers, 1987). The blame lies on corruption that resulted from open door policy and the liberal and capitalistic ideas entering the country. The reformists hold a functionalist view that corruption is an inevitable part of the transition from central planning to a market economy, which will eventually decrease with the gradual development of a 'socialist-market' economy (White, 1998).

Deng Xiaoping launched the reforms which were considered as an attempt at moving from a

highly politicised society towards a more competitive society based on a state controlled market capitalism –'market-socialism'. 'Market-socialism' in practical terms means that production decisions are delegated to lower levels, guided by prices and demand quotas set by the State Planning Commission (Stiglitz, 1994). The reforms have resulted in ideological, social, economic, and political upheaval, and political structure change in China.

It is generally agreed that the reforms have been instrumental in creating a framework within which political corruption in China today can exist and increase. This is an important assumption, because it gives political corruption in China a cause that is not primarily based on Chinese traditions, historic precedents, or any other historically deterministic cause. This doesn't mean that China's history and traditions do not influence political corruption as these factors affect the style of corruption, public opinion on political corruption, level of corruption, and the design of the anti-corruption policies.

With the gradual disintegration of the planned command economy and the Stalinist form of bureaucracy that China adopted in the mid-fifties, the Party and the government's ability to control every aspect of society have rapidly declined. The reforms have created a hybrid socialist system that lacks clear-cut ethical, legal, and commercial codes to regulate market-driven activities (Hao and Johnston,1995). A main issue of the reforms is 'decentralisation,' which in practice has entailed changes in the distribution of official power, and delegated some controls over finance, taxation, foreign trade, investments, etc., to lower-level bureaucracies. The dependence of both the central and local enterprises on these authorities for the implementation of central reform policies has increased, but the control

capacity has shrunk (Hao and Johnston , 1995).

Deng Xiaoping asked for a creation of a more 'flexible' and 'dynamic' system in order to promote economic growth, which would diminish both the capacity and devotion of the central leadership to review every transaction. Political control is hard to achieve in a structure that has gradually become fragmentized. Increasingly, policy implementation has to be achieved through bargaining and compromises, making it almost impossible for the central leadership to exert its will at all times without granting local government some room to manoeuvre. This affects control , since the policy bargaining and compromise game takes precedence over the strict enforcement and control of the law.

The reforms have also been instrumental in introducing a pecuniary form of political corruption in China, as compared to the socialist system. Formerly the main keys to unlock the system were personal connections, perquisite exchanges, and kinship relations. The reforms brought with them money, business transactions, and other pecuniary based alternatives to political power (Rocca, 1992).

The socialist form of corruption mainly involved giving access to restricted goods or restricted services. The 'new' or after reform corruption involves licensing, contracts, smuggling, tax-evasion, and other pecuniary forms of corruption. The socialist corruption is constructed on non-pecuniary transactions, and on *guanxi* networks where services and goods are transferred or exchanged to gain either oneself and a close circuit of family, relatives, associates, and friends, or the bureaucratic unit, industrial enterprise, or other unit

one belongs to (Yang, 1994). In the 'new' corruption, the capacity to obtain these services and goods has extended beyond the beneficiary group, and become available for money. The reforms have changed the face of political corruption in China and quite possibly increased both the opportunities for corruption as well as the scope of corruption. Still though, it is not likely that money can get you as far as a long-term connection. The 'socialist' and 'traditional' forms of corruption have not disappeared with the influx of money, but money has definitely had an effect on the style of political corruption in China today (Meaney, 1989).

The CCP has in the 1980s and 90s worked hard to save its image as a political and ideological vanguard. The de-emphasising of ideology and strong condemnations of the Cultural Revolution in the early reform period, has led to a severe contradiction between political propaganda and economic policies. This in turn has led to the regime falling into a legitimacy crisis, unable to create a more sustainable and long-ranging goal for the country. The swift de-emphasising of ideological and teleological policies in favour of socio-economic welfare policies has made it increasingly difficult for the regime to uphold the socialist banner (Holmes, 1993).

The role of the reforms on political corruption in China today, is that the reforms have a number of intended or have at least permitted consequences for changes in the system, which to some extent opens up a environment for corruption to flourish. Concurrently the reforms have resulted in a number of unintended consequences affecting the level of political corruption. As described by Ting Gong, the following three factors elucidate the relation

between intended and unintended consequences:

1. While the party has no intention of loosening its control over society, its allowance for subsystem autonomy nevertheless has provided opportunities for abuses of power at subsystem levels;
2. While the reform tries to decentralise economic power and enhance the managerial capabilities of local authorities, the effort has nevertheless increased local patron-client networks; and
3. While the reformers intend to revitalise the economy by incorporating the market mechanisms into the economy, some of the reform measures have ironically invigorated so-called "official speculation."(Gong, 1993).

2.3.2 Reform Effects on the Political and Bureaucratic Structures.

Effects on the Bureaucratic Structure

As political and bureaucratic institutions have gained more independence from the central government, they have come to possess a virtual monopoly over the distribution of scarce commodities and services, hence providing these institutions and individual officials with an opportunity to delay a service or refuse to perform it unless a bribe or a gift is presented (Rose-Ackerman, 1978). A fragmented and corrupt bureaucracy performs the public services it is supposed to perform, but demands extra favours for it. This pattern is devastating for honest ordinary citizens without a good position or resources, but very beneficial for criminal

and rent-seeking position holders, and those who are wealthy but politically weak. The result of a fragmented bureaucracy is that an applicant may have to pay a bribe or strike a deal with every official in the chain, which the applicant has to weigh carefully between costs and benefits. If the costs of offering a bribe are too high and exceed the costs of obtaining the commodity or service through formal channels, the balance is broken. The commodity or service remains unprovided, and neither the applicant nor the official gains anything from the unfinished deal (Manion, 1996).

In the case of China, the socialist state was a clear example of a hierarchical bureaucracy with power invested in the top leader of all organizations. The hierarchical bureaucratic structure has the shortest way to decision-making, but can create 'bureaucratic tyrants' who completely dominate the institution by force of position. The task of the central administration has been to do away with provinces in order for them to more freely implement party and government policies, which has resulted in diffused authorities and unclear power divisions. The economic reforms in China have resulted in major changes in the type of regime in China, granting the provinces and local areas more freedom. The main problem is that a more decentralised structure is harder to review and to control, which in turn requires improved channels of control and review (Rose-Ackerman, 1978).

Effects on Political Structure

Reforms have caused the decentralization of power from central to the local level governments. In the hierarchical and vertical chain of command, policy-making originated at

the top, party or State Council, as general policies. In the form of a document, the policy is then distributed down the hierarchy via various levels of Party or government institutions until it reached its designated level. The central authorities seldom bothered themselves with the practical implementation of their policies by the provincial and local authorities (Barnett, 1967). The political structure was highly politicised in the pre-reform period. Local government officials had the political power to manipulate production and poverty figures in the reports to the planning and allocation authorities in order to benefit their jurisdiction economically and politically (Shirk, 1993). With the reforms came the calls for decentralisation, where the increase of political autonomy at the local level has given it a better bargaining position when dealing with higher level authorities (provincial governments, ministries, the State Planning Commission, etc.).

In the reform period, the top leadership has increased its power but cannot unconditionally enforce policies on the increasingly autonomous bureaucratic institutions and other units. The gradual decentralisation of the bureaucracy is not taking place on an even basis, where the most affected institutions are those in the industrial and economic sectors and the local governments. The control and security institutions as well as the military remain firmly in the hands of the CCP, which presents a steadily valid coercive threat to the reforms. If the situation slips completely out of control, then the last resort of the leadership is its hold over the coercive powers. The decentralisation of power diminishes the capability of the Party and the government to control the lower level authorities. A major problem is that the power is not always transferred vertically down the system but is lost to corrupt and rent-seeking units.

The efficacy of the supervisory and legal systems is insufficient, mainly because these authorities still function in a hybrid socialist system where there are no clear-cut boundaries between Party and state and, state and society. At present, both law and control measures are subordinated to Party discipline and government policies. The law is still regarded by the leadership as an instrument to enforce state and Party policy, and no truly independent judiciary exists outside the political system. The current leadership 'still relies on ad hoc campaigns to control wrongdoings' (Hao and Johnston , 1995).

2.3.3 Effects on the relationship between centre and localities.

The relationship between the central, regional, and local authorities is important to the study of political corruption in China, and especially so since the present leadership is trying to close the increasing gap between rich and poor provinces. At present leadership under Jiang Zemin still follows Deng Xiaoping's strategy of allowing the poorer provinces to use any method they see fit. The new leadership is trying to assert with role of the central government to form policies, and any attempts by local authorities at diverting from the plan, distorting or even obstructing its implementation, will probably be labeled corrupt. Allowing for a locality to create its own autonomous fields could be an attempt at benefiting the survival of the whole community in a more competitive environment. It could also mean that a small elite consisting of politicians, bureaucrats, police-officials, and local entrepreneurs, enrich themselves at the loss of both the people and the country. Local authorities hold the right to

tax and collect revenues that gives them further incentives to take part in or allow the growth of the private sector. Since both the local government and the individual officials participate actively in the so-called 'private sector,' many private enterprises which register and operate as collective industries enjoy getting tax-breaks (Pei, 1994).

2.4 Legitimacy in China

'Political legitimacy can be defined in simply terms as the degree of justifiability of the claim of a particular regime or government to stay in power' (Zhong, 1996). The issue of legitimacy is an issue that limits and circumscribes the state's capacity to control anti-corruption efforts. A China in transition is particularly vulnerable to political, economic, and social instability. When the very foundations of society are threatened by structural and normative changes, the ruling regime is highly dependent on public support and social and economic stability and its coercive powers. A regime in transition must be able to legitimatize its actions, which can be difficult to do in times of upheaval and great changes. The issue of legitimacy has become very important for determining the general political agenda in today's China since the Chinese government has attempted to reform itself without losing its absolute ruling power.

During the reform process, the political structure, the bureaucratic regime and the relation between the central and the local authorities have changed, thus altering the legitimacy of the regime. Ding has discussed the connection between institutional change and changes of legitimacy, and the resulting problems and opportunities (Ding, 1994). One problem is that

the increased political corruption is partly facilitated in the gap between the old and the new politico-economic systems, leading to the emergence of an independent economic and social society, which will rise from the ashes of the hierarchical communist political structure. Holmes (1993) presents a sequential model for legitimacy changes in communist states:

Table 1: Model for legitimacy changes in communist states:

1.	'Old' traditional	Kings' divine right (Weber, 1947), emperors' mandate of heaven (Pye, 1968).
2.	Charismatic	Sanctity or exemplary behaviour of a person having a normative influence (Weber, 1947).
3.	Teleological	End-goal of communist regime: communism, above the law (Rigby, 1982).
4.	Eudaemonic	Performance-related and devoted to the material aspirations of the people.
5.	Official nationalist	Leaders putting themselves in a linear and deterministic historic tradition.
6.	'New' traditional	The leading role of the Party, its designated role as vanguard of development (Heller, 1982).
7.	Legal-rational	Rule of law and obedience to norms, not people (Weber, 1947).

Resource: Holmes, Leslie. "*The End of Communist Power.*"

The main purpose of creating this sequential table 1 is to explain the development from a pre-reform type of legitimacy towards a future legal-rational legitimacy. This, at least in theory, forms part of the goal of the present leadership in its efforts to create a legal system and institution. The matter is whether the Chinese Communist Party will eventually subject its rule to the rule of law. When China under the leadership of Mao Zedong, the party built its base on the fusion of the Leninism form of Marxism with traditional Chinese values with goal of creating a communist ideology, and labeled Maoism. This mixture formed the political and philosophical backbone of the communist regime after 1949. The economic system was more directly ushered from Stalin's command economic system while the legal system remained diffused and was repeatedly put aside for political campaigns of the masses.

The performance-based eudaemonic legitimacy has been the hallmark of Deng Xiaoping's rule, with its strong focus on material welfare and economic development. Deng Xiaoping himself asserted that without economic development, China would soon be lost. The new leadership has under Jiang zemin already attempted a shift of focus from Deng's pragmatic and functionalist perspective on economic development to a moralistic and normative perspective. The question remains whether the leadership is capable of pulling this stunt and to replace the dependence on economic development for creating economic and social stability. They have to find a solution to a number of difficult issues,

First, the increasing gap between rich and poor. The recent slow-down of the reforms to benefit state owned industries and attempts by the regime to tax the rich regions to give to the poorer regions are both signs of a regime trying to balance a situation veering dangerously towards regional instability. Secondly, the unconditional rule of the Communist Party and the increased autonomy of the local governments obstruct the move towards an increased adherence to the law. This may eventually make China less interesting for foreign investment, since the law is adjusted to the needs of local political and industrial leaders (Lubman, 1996). Thirdly, it can be questioned whether the current anti-crime, anti-corruption efforts have the desired effects on the behaviour of the party and government officials, and restoring to the people a belief in the up righteousness and moral impeccability of the public servants.

After the Tian Anmen incident, the bond between the Party and the people was destroyed, and the state and the Party had finally become 'them' in the public's opinion (Zhong, 1996).

This has left the current leadership with the difficult task of having to reassert the Party's right to rule, but not by the use of brute force. Instead, the CCP leadership must rely on the economic performance of the country and the ability to provide a adequate well-fare for the largest possible number of people. The main problem with relying on a eudaemonic legitimacy is that economic performance and reforms in the long run seldom can happen without concomitant political reforms. The goal of the Chinese leadership has been to reform the fiscal, bureaucratic and legal systems, but never to reform the political leadership role of the Communist Party.

There are two options for the Chinese Communist regime now: first, the overt or covert use of coercive powers, which quickly alienates the people and loses them every opportunity to establish a legal-rational legitimacy. Second, a further move towards the rule of law, which ultimately must result in the vanishing power of the Chinese Communist Party. The matter of legitimacy is useful to elucidate the reasons for the present regime when they turn to new methods to legitimate their actions. These new forms of legitimacy, however, only temporarily save the day and result in more confusion on what rules apply, what the purpose of the regime is, and what has precedence – politics or the law (Holmes, 1993). Furthermore, reforms in China are very hard to legitimize since the regime to a large extent depends on the loyalty of the bureaucracy, tough institutional and social welfare reforms remain half-implemented, which in many ways stall the structural reforms.

2.5 Informal networks and *guanxi*

According to Ding, "the major reason for the collapse of highly organized communist systems in most countries originated from the internal erosion and disintegration of the socio-political organisation of communist systems, which were caused deliberately by those working within gave opportunities for the development of unofficial structures alongside the official ones" (Ding, 1994). To the CCP leadership, that form of corruption that seriously threatens to endanger the stability and continued existence of the Party and the government. The CCP really can't see any viable alternative to its own rule, a conclusion supported by the economic and social demise in Russia and some of the East European countries. The campaigns for 'spiritual civilization' and the use of the national security laws show a very low tolerance towards dissenting and alternative political views and suspiciousness against any form of informal or alternative organization.

When we are studying political corruption in China, we have to mention the issue of *guanxi*. *Guanxi* can easily be described as being a relational network including family, relatives, friends, associates, classmates, and other persons in some way related to each other. *Guanxi* is basically reciprocal, meaning that favours are returned, but is different from business transactions in that it is the favour as such that is returned and not the exact equivalent value. For the inner core of a relational network, favours are perhaps not returned at all, but part of a dense web of inner-family transactions. The *guanxi* network is no temporary construction, but is based on either blood ties or ties between work mates, classmates, and other associates based on temporal maturity (Yang, 1994). The difference between *guanxi* and corrupt

diversion of public funds and resources for particularistic use is that *guanxi* spans a much greater spectrum than just illicit transactions in that it includes family relations, favours between friends and others, and many social widely accepted small favours (Kipnis, 1996). In China, familial and personal loyalties often had higher precedence than loyalty to a state institution or place of employment. The entrenched social norms of *guanxi* (networking) and favours, have often encouraged nepotism and patrimonialism (Li, 1997).

Guanxi as a phenomenon is not corrupt, but in order to find the origin or cause for a corrupt transaction we must look into the formal political structure or the informal *guanxi* network. In countries where governments meddle unnecessarily in the economy, some argue, bribery is sometimes the only way to get things done. As John M. Kramer argued in the case of the Soviet Union, the use of blat or 'greasing' was the only way to let things done. Services and goods were in such high demand that the allocative system had collapsed, and the *blat* system was an alternative distribution method (Kramer, 1989). In the case of China, although the conditions for livelihood and entrepreneurship have improved with the reforms, some services and goods are still in high demand, such as housing and household registration. In these cases the *guanxi* network rewards its members ahead of outsiders. It is a system where a problem is solved by using an alternative redistributive method.

For the central leadership, the mere existence of informal and cross-hierarchical forces in society represents a form of corruption and also a form of unaccepted diversion from central policy. All actions of *guanxi* being a form of an alternative and uncontrollable force in society are probably perceived and treated as illegal by the central leadership. This is a factor

that makes it possible for the DICs at all levels to pursue *guanxi* networks as simply corrupt criminals.

2.6 Putting Political Corruption in a Larger Perspective

The effect of the reforms on the scope for political corruption is essential in designing anti-corruption efforts in China. The leadership under Deng Xiaoping in the late 1970s created a new economic policy, which institutionalized the bureaucracy, and put an end to the mass-line politics with large campaigns. To address corruption, during Mao Zedong period was intense mass campaigns by the public and the party were unanimously declared its enemies. Under Deng Xiaoping's leadership, the Central Discipline Inspection Commission was re-created in 1979. This was due to the emerging situation at that time was that decentralization had pushed political corruption down the hierarchy with the introduction of money into the system.

Political corruption has changed from predominantly consisting of private consumption among a small political elite and their networks, to become more market-oriented and profit-based. This has made it necessary to improve the control and review of authorities and to separate these authorities from the party and the government. The leadership has noticed these facts, but so far has not been willing to relinquish the power for decision of making. The Party retains its supremacy both over the control and review authorities, as well as over the judicial authorities (Hao and Johnston, 1995). In 1996 Jiang Zemin warned that corruption was a great enemy of the state development. It was a matter of life and death for

the party and the state, whereby an investigative campaign would begin to check on high-level officials. The investigative campaign on corruption was still focused on individual or group behavioural corruption, rather than made investigations into the bureaucratic structure and the core of the Party (Macartney, 1996).

The Tian Anmen students accused the Party and government of declining moral values and perversion of norms. These complaints apparently worried the leadership and affected the methods and intensity used in its efforts to alleviate the problem by retorting to grand-style *ad hoc* campaigns to satisfy public demands for firm action (Hao and Johnston, 1995). Anti-corruption campaigns have been put to frequent use in the nineties. The intensified focus on political corruption and economic crime has increased the costs of corruption for Party and government officials, which, in theory at least, lowers the level of corruption. In practice, there are certain risks involved with staging anti-corruption campaigns, since the public opinion may conclude that Party and government institutions are 'teeming with corrupt officials' (Manion, 1996). This fact affects adversely the levels of corruption, and limits the capacity and scope of anti-corruption efforts.

So far, the discussion has mainly been focused on the environment conducive for political corruption to exist and increase, indirectly created by the reforms and the political changes in China. In order to find out and analyze factors impede the effectiveness of efforts to combat corruption, the study will turn the focus on various factors in the Chinese political arena that have a more direct impact on the efficiency of anti-corruption efforts. This is imperative to combine the broader framework of the general changes in the Chinese society, caused by

reforms, within the official theoretical and practical definition of corruption. To achieve this, in the following chapters the study will concentrate on the effects of corruption, at the central policy-making level of the anti-corruption campaigns, and the implications of the reforms on the political life at the implementation level.

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