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Published by the Council on Foreign Relations

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Tuesday, June 13, 2017

Dirty Deeds

Will Corruption Doom China?

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It is hard to overstate the degree to which China has been transformed in recent decades. Between 1959 and 1961, tens of millions of Chinese starved to death in [the Great Famine](#) [1]. Today, China boasts the world's [second-largest economy](#) [2]. The country has virtually eliminated severe poverty among its citizens, a burgeoning middle class thrives in ever-expanding cities, and hundreds of [Chinese citizens](#) [3] have become billionaires. Human history offers no other socioeconomic shift of equivalent magnitude.

Yet development has not come without costs. All boats have not risen at the same rate, and inequality has increased so much that China—which for decades was shaped by Mao's enforced egalitarianism—now ranks alongside such long-lasting bastions of wealth disparity as Brazil and the United States. One factor driving this extreme inequality is the corruption that has seeped into every aspect of Chinese society. In his latest book, the political scientist [Minxin Pei](#) [4] vividly demonstrates how corruption in China is not merely a governance challenge: it is a fact of life. Corruption permeates business, politics, and even personal relationships to a startling degree. To Pei, China represents not so much an economic miracle as the triumph of *guanxi*, the Chinese term for the connections that fuel cronyism and self-dealing. It is a damning portrait, in which China resembles the United States during the Gilded Age, complete with robber barons, crime bosses, and dirty politicians—and with all the excesses intensified by authoritarian one-party rule.

Pei deems this state of affairs unsustainable and believes that it signals the not-so-distant demise of the [Chinese Communist Party](#) [5] (CCP) and the regime it has built. Proponents of liberalization and democratization in China might hope that conclusion would support an optimistic vision of the country's future. They will be disappointed by Pei's book. Corruption has become so entrenched in Chinese society, Pei believes, that "genuine market-oriented economic reform" and a transition to democracy remain highly unlikely: self-dealing elites would have far too much to lose from such changes. "If a regime transition should come," he writes,

And even if such calamities were to usher in democracy, Pei maintains, corruption would endure and prevent a functioning liberal state from emerging: Chinese democracy wouldn't be much better than Chinese authoritarianism. In his view, whatever happens, crony capitalism will outlive the CCP and hobble China's future.

Pei's bleak view is sobering, especially because his conclusions are based on careful analysis of a rich data set. But even though Pei is correct to complain that many observers are too sanguine about Chinese corruption, Pei himself is too pessimistic. The CCP has proved to be a remarkably resilient organization, and although corruption has surely weakened the Chinese state, it has not hollowed it out altogether. Indeed, Chinese President Xi Jinping's ongoing anticorruption campaign ^[6] demonstrates how the party has enhanced public support for its approach to development by using its power to rein in, discipline, and hold accountable the ineffective and crooked local officials whom Chinese citizens often blame for the problems that matter most to them. Corruption may be the party's greatest weakness. But its response to corruption may demonstrate its greatest strengths.

PAY TO PLAY

Pei bases his observations and arguments on a set of 260 prominent corruption cases he assembled from the past quarter century. All these cases were revealed to the public and prosecuted by central or local authorities. Although they represent a tiny fraction of the hundreds of thousands of cases that authorities dealt with during that time period, they span a broad range of situations and sectors.

Pei's analysis reveals how two important features of the contemporary Chinese state have combined to create a perfect environment for corruption. First is China's hybrid "socialist market economy." Even as China has gradually liberalized and the state has expanded the scope of acceptable market activities, the CCP has retained control over major sectors of the economy and still plays a leading role in the allocation of capital, land, and labor. But beginning in the 1990s, the party began to decentralize its administrative hierarchy. Today, each level of government controls appointments in the level immediately below it; the party thus retains a high degree of loyalty and influence, but individual bureaucrats, especially local party chiefs, also enjoy a decent amount of autonomy. This combination of state control and decentralized authority has created almost unlimited opportunities for corruption, as officials exploit state assets and resources for their own private gain.

Focusing on collusion among elites, Pei paints a vivid (if necessarily partial) picture of these complex and often hidden deals. In particular, he explores the extensive market for political offices. A typical case involves a poorly paid official bribing a superior in exchange for a plum appointment or a promotion. The pernicious effects of such a scheme reverberate widely because, to finance their bribes, officials frequently rely on gifts or contributions from business contacts or even collect their own bribes from others. Everyone involved expects to make a return on his or her investment. Pei dissects the motives of buyers and sellers, the problem of risk management, and the ways in which officials come up with prices for various positions.

Of course, Chinese crony capitalism goes far beyond the buying and selling of offices. Pei reveals in great detail the many manifestations of collusive corruption, including the embezzlement of public funds and bribe taking in contract bidding and capital finance.

Corrupt networks conspire to buy land from rural communities at low-ball prices and profit from state-owned enterprises ^[7] through self-dealing and asset stripping. Pei also shows how people in positions of influence often arrange for their immediate family members to become involved in businesses and then use their access to other officials to help their relations profit. Through such interactions, officials often develop enduring ties with particular businesspeople, offering them protection from investigation in exchange for payoffs. Such relationships and networks have spread throughout the armed forces, the judiciary, and the central regulatory agencies. And in some places, local authorities have joined forces with organized crime.

Pei demonstrates how, for most officials, this kind of corruption has traditionally been a low-risk, high-reward proposition: until very recently, it would take many years for investigators to ferret out corrupt officials, most of whom were never caught at all. Pei argues that this laxity has produced a “progressive degeneration of the organizational norms of the party-state” that constitutes a long-term existential threat for the Chinese regime. Here, Pei parts ways with leading political scientists and analysts, such as Andrew Nathan, who stress the party’s resilience and ability to adapt. In contrast, Pei asserts that the CCP regime is in an advanced stage of decay. In his view, crony capitalism has sapped the state’s institutional integrity, degraded the quality of governance, weakened the CCP’s political authority, and intensified elite fractiousness and power struggles.

ROTTEN TO THE CORE?

Pei is hardly the only one to recognize the risks that corruption poses to the CCP. Indeed, one of the loudest voices on the issue in China belongs to the country’s president, Xi. Since taking office in 2012, Xi—together with Wang Qishan, secretary of the CCP’s Central Commission for Discipline Inspection—has carried out the most far-reaching anticorruption campaign ^[8] in the CCP’s history. In 2016, the party disciplined 415,000 people for corruption-based offenses, including 76 officials at the ministerial level.

Xi has touted these results, and his anticorruption campaign has won plaudits from some good-governance advocates. But Pei dismisses the crackdown as mostly a ploy in a power struggle between Xi and his competitors within the party. Pei believes that, far from eliminating crony corruption, Xi’s campaign will only intensify elite rivalry and increase the fragility of the CCP regime.

Although Pei rightly highlights the CCP’s continuing vulnerability, his intense pessimism about the regime’s trajectory seems overwrought. History is full of examples of authoritarian regimes that appeared remarkably stable—until they suddenly did not. But the CCP has survived many crises and periods of decay and weakness. Damning though Pei’s indictment of crony capitalism ^[9] may be, it’s not clear that corruption represents an insurmountable obstacle to the party’s survival in the foreseeable future. Consider, for example, that all the corruption cases included in Pei’s data set were investigated and dealt with by the Chinese authorities. The sheer volume and severity of corruption in China are undeniable—but so is the fact that, under Xi, the government is finally tackling the problem.

CRACKING DOWN OR CRACKING UP?

China's rulers have eagerly absorbed lessons from the collapse of other communist and authoritarian regimes and have made use of the CCP's formidable resources to cope with the profound transformations taking place in the country. Guided by Xi, China's leaders have sought to promote market-oriented economic reforms and law-based governance. At the same time, of course, they have also curtailed the expansion of civil society and resisted liberal ideas and political reforms. It's a tricky balance, riddled with incongruities and contradictions, and they have struggled to improve the efficiency of state bureaucracies, curb corruption, and take on the quality-of-life issues, such as air pollution and food safety, that have become focal points for China's burgeoning middle class.

Still, the approach has mostly worked. One reason is that beginning in the 1990s, but especially under Xi, the central party-state in Beijing has emphasized its role as the overseer of local authorities: monitoring and sanctioning officials at the provincial, municipal, and township levels and making sure they respond to public demands and direction from Beijing. This posture reflects and reinforces an enduring element of Chinese political culture that social scientists refer to as "hierarchical trust." In many countries, the public tends to have more faith in local officials than in central or federal authorities. In China, the reverse has long been true, a fact borne out by decades of polling evidence showing that somewhere between 80 and 90 percent of Chinese citizens trust the central authorities—one of the highest rates of public trust in central government found anywhere in the world.

Of course, since the Chinese party-state also maintains the world's most elaborate system of media guidance, control, and censorship, one might justifiably wonder about the credibility of such poll findings. But scholars such as Lianjiang Li have found that even when one adjusts the figures to account for state control of the media and repression of dissent, it is still clear that Chinese authorities enjoy levels of trust that would be the envy of most other governments.

Party officials in Beijing take advantage of that trust by positioning the central state as the public's partner in its struggles against maladroit or corrupt local authorities—even though those authorities are often merely carrying out mandates imposed on them by Beijing. By cracking the whip on local potentates, the party bolsters its already substantial public support and reinforces the power of central institutions. In quite a number of instances, key provincial officials have been removed and prosecuted for corruption. In May, for example, the CCP expelled Vice Governor Chen Shulong of Anhui Province from his office and from the party. In announcing the move, the party used harsh terms to describe Chen's misdeeds, accusing him of bribe taking and of having "absolutely no moral bottom line."

But what the party didn't mention was that Chen was just one more culprit on a growing list of Anhui provincial officials who have been prosecuted for corruption. Again and again, the party's leadership has congratulated itself for going after corrupt local officials. Pei might suggest that the fact that such corruption continues and that officials seem undeterred by Xi's crackdown means that the problem runs deeper than the CCP is willing to admit.

Yet China's leaders do recognize that they need to confront corruption and other forms of malfeasance at the root. They are now experimenting with the establishment of provincial supervisory commissions, and in the coming months, the national legislature will consider

a new “state supervision law” that would create a firmer legal basis for anticorruption efforts. And with other recent reforms, such as a new mandate requiring more court verdicts to be made available online, the party is trying to improve the transparency of its anticorruption efforts. The dizzying pace of change in China ^[10] makes it difficult to predict the country’s political future. But right now, it seems likely that the forces of rejuvenation and reform will overcome the dynamic of decay.

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[1] <https://www.theguardian.com/world/2013/jan/01/china-great-famine-book-tombstone>

[2] <https://www.foreignaffairs.com/articles/united-states/2016-04-13/once-and-future-superpower>

[3] <https://www.foreignaffairs.com/articles/china/2017-01-13/china-citizens>

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[5] <https://www.foreignaffairs.com/articles/china/2013-12-06/how-china-ruled>

[6] <https://www.foreignaffairs.com/articles/china/2015-04-20/xis-corruption-crackdown>

[7] <https://www.brookings.edu/wp-content/uploads/2016/07/Wendy-Leutert-Challenges-ahead-in-Chinas-reform-of-stateowned-enterprises.pdf>

[8] <https://www.foreignaffairs.com/reviews/capsule-review/double-paradox-rapid-growth-and-rising-corruption-china-capitalism-below>

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[10] <https://www.foreignaffairs.com/regions/china>