Corruption in Transitional China: An Empirical Analysis*

Yong Guo

ABSTRACT Based on an evaluation of three methods adopted by current empirical analysis of corruption, this article argues for a statistical analysis method of studying corruption cases. It adopts three new indicators: the latency period of corruption, the number of newly occurring corruption cases and the cumulative number of cases. By applying these indicators to an analysis of 594 major corruption cases, the article develops a new method to describe the position of corruption in transitional China, and presents new evidence on characteristics and trends of corruption and its relation with China's economic transition.

Corruption is one of the gravest challenges to contemporary China. Unfortunately, there is little systematic research on this phenomenon in China.[1] This is due partly to corruption's hidden and sensitive nature, and partly to the lack of effective research tools. Current empirical work on corruption in transitional China is usually based on either subjective surveys or numbers of corruption cases discovered or punished each year, without properly distinguishing between corruption and anticorruption activities. Some in-depth case studies illustrate the mechanisms by which corruption occurs, but fail to capture the overall picture. All this makes it hard for us to understand the real position of corruption in transitional China.

Based on an evaluation of three methods currently used in the empirical analysis of corruption, this article shows the advantages of the case statistical analysis method, and uses this method to study corruption in China. It provides an analysis of 594 major corruption cases, and investigates the characteristics and trends of corruption, as well as corruption-prone areas.[2]

In this article, corruption refers only to administrative corruption,[3] that is, abuse of public power by public officials for private gain.[4] Recent literature

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1 Jean-Louis Rocca, "Corruption and its shadow," *The China Quarterly*, No. 130 (1992), pp. 402–16.

2 Economic transition in this article refers to China's transition after 1978 from the centrally planned economy to the market economy. More precisely, the period from 1978 to 1992 may be regarded as economic reform in preparation for the post-1992 economic transition, but both periods are collectively referred to here as economic transition.

3 This article does not discuss institutional or political corruption. For institutional corruption, see Yong Guo and Angang Hu, "The administrative monopoly in China's economic transition," *Communist and Post-Communist Studies*, Vol. 37 (2004), pp. 265–80.

4 Arnold J. Heidenheimer, "Perspectives on the perception of corruption," in Arnold J. Heidenheimer, Michael Johnston and Victor T. Levine (eds.), *Political Corruption: A Hand Book* (New Brunswick and London: Transaction Publishers, 1993), pp. 149–64.

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shows that those guilty of corruption are no longer limited to traditional holders of public power but may include those possessing entrusted power, such as chief executive officers of publicly listed corporations.[5] However, this study considers only public officials, including staff in the Chinese Communist Party (CCP), government, legislature, judiciary, state-owned enterprises (SOEs) and other public organizations. These public officials have been the main perpetrators of corruption in China for the past 20 years.

The study classifies corruption into five categories: graft,[6] bribe-taking, bribe-offering, embezzlement and others. "Others" includes official profiteering (*guandao* 官倒),[7] conniving at relatives accepting bribes, or abusing public powers to assist relatives in trading or operating enterprises in violation of relevant regulations. All these activities are not clearly defined in law[8] but are here regarded as corruption.

Methodology

Because of corruption's hidden and sensitive nature, it is almost impossible to discover its real extent. The first problem is a "hiddenness gap," the difference between what really happens and what has been found out. In most cases corruption is only known about after its public exposure. The second is a "sensitivity gap," the difference between what has been found out and what information is available for academic study. Few countries are willing to disclose to the public or academia all the information they hold on corruption. This makes study of the subject even more difficult. We have to develop new tools to extract more out of the limited available information and make our estimate closer to reality.

Three main methods are currently applied in empirical studies on corruption. The first is the subjective survey method. Scholars design, distribute and collect surveys on target groups to get their views on such things as levels of corruption and corruption-prone areas. They describe the state of corruption using statistics from these subjective surveys. Targets of the surveys are mostly transnational businessmen, commercial consulting experts, scholars[9] or ordinary citizens. Because of its high feasibility, this method has been developed substantively over the past decade and has become one of the main tools for evaluating corruption.

5 Jeremy Pope, *Zhiyue fubai: jiangou guojia lianzheng tixi* (*Confronting Corruption: The Elements of the National Integrity System*) (Beijing: Fangzheng Press, 2003), p. 5.

6 In this article, graft only refers to illegal possession of public funds or assets.

7 Official profiteering refers to the situation where public officials profit from getting access to government-priced goods and then selling them at higher market prices. It was facilitated by the former "dual-pricing" system.

8 These activities are prohibited by internal documents and disciplinary rules of the Chinese Communist Party and Chinese government, but not clearly defined in law. Offending public officials are therefore subject to disciplinary or administrative sanctions only, not criminal punishment.

9 As an example, in 2001 Columbia University carried out the State Capacity Survey, which covered 121 countries, upon US-resident country experts (including policy analysts, academics and journalists).

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The annual surveys by the International Institute for Management Development,[10] the Political and Economic Risk Consultancy[11] and the World Economic Forum[12] are frequently cited. The Corruption Perception Index (CPI)[13] by Transparency International and the Corruption Control Index (CCI)[14] by the World Bank, as comprehensive combinations of such surveys, are even more popular. However, this method has its limitations.[15] It tries to make up the hiddenness gap directly, but actually drops into the sensitivity gap. Because of the sensitive nature of the subject, most respondents do not give answers based on their personal experience, but are instead influenced by cases reported in the media or even results of previous surveys. Furthermore, this method is not retroactive and it is therefore not possible to put the results into historical context.

The second method, referred to here as the case statistics method, uses statistics of corruption cases discovered and punished each year, especially grand cases (*da an* 大案)[16] and major cases (*yao an* 要案).[17] For instance, Chuanli Wang estimated China's corruption situation in the 1980s and 1990s on the basis of such statistics.[18] Andrew Wedeman analysed statistics of corruption cases, grand corruption cases and major corruption cases that were discovered and punished by the CCP's discipline inspection organs and the people's procuratorates at national and provincial level, and tried to describe the trend of corruption.[19] This method, however, may also be misleading. Because of the hiddenness gap, evaluating corruption simply by such statistics is not satisfactory. For example, two corrupt activities exposed simultaneously may commence at different times, involve public officials at different levels and, most importantly, reveal different institutional loopholes. This method fails to distinguish between corruption and anticorruption activities, and actually studies the latter rather than the former.

The third method, the case statistical analysis method, developed from the second method. However, instead of merely analysing numbers of cases discovered and punished each year, it studies each case in detail and then

10 IMD, *World Competitiveness Yearbook*, http://www.imd.ch/wcy.
11 Political and Economic Risk Consultancy, *Asian Intelligence Issue*, http://www.asiarisk.com/.
12 WER, *Global Competitiveness Report*, http://www.weforum.org.
13 http://www.transparency.org/policy_research/surveys_indices/cpi.
14 http://info.worldbank.org/governance/.
15 This method has other problems. For example, it adopts different definitions of corruption and has limited scope and methods of inquiry. These problems, however, are not critical, and the method can be improved gradually.
16 Grand cases involve huge amounts of money. According to definitions by China's procuratorial organs, before 1998 grand corruption cases are graft or bribery cases involving more than 10,000 yuan or embezzlement cases involving more than 50,000 yuan, and after 1998 are graft or bribery cases involving more than 50,000 yuan or embezzlement cases involving more than 100,000 yuan.
17 Major cases are cases by senior officials. They generally refer to those in which the highest-ranking official is of county or division level or above.
18 Wang Chuanli, "1990 nian zhi 1999 nian Zhongguo shehui de fubai pindu fenxi" ("Analysis on the frequency of corruption in China in 1990–99"), *CASS Journal of Political Science*, No. 1 (2001), pp. 38–55.
19 Andrew Wedeman, "The intensification of corruption in China," *The China Quarterly*, No. 180 (2004), pp. 895–921.

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carries out statistical analysis. For example, Alan P. L. Liu collected 275 Chinese cases exposed by the media from 1977 to 1980 and constructed a statistical analysis to describe the state of corruption in China.[20] Wenhao Cheng analysed 264 corruption cases involving SOEs and published by the *Justice Network of the Procuratorate Daily* (*Jiancha ribao zhengyi wang* 检察日报正义网) from 1999 to 2001, and carried out an empirical study on subjects, motivations and patterns of corruption in SOEs.[21] As compared to the second method, this method analyses corruption itself rather than anticorruption activities. Because detailed information of corruption cases is only available for exposed activities, this method cannot close the hiddenness gap completely. Nevertheless, it seems to be the best tool to address it. Ideally, this method can resolve the sensitivity gap if governments can be persuaded to disclose all information held by them on corruption cases. Although at present complete disclosure is still unlikely, there is hope for more transparency. In China, for example, official files, publications and media reports of corruption cases have been released, including detailed case information. The author has even been given the chance to co-operate with certain governmental authorities on systematic analyses of all corruption cases in certain regions, industries and sectors.[22]

This article applies the third method. Differing from existing literature, however, it includes more cases, sets up a series of indicators to extract more case information and, most importantly, enables corruption analysis in time series. The article focuses only on major corruption cases, for two main reasons. First, the large number of corruption cases exposed in transitional China makes an analysis of all of them infeasible. Second, major corruption cases are representative and typical.[23] The author successfully collected 594 major corruption cases, extracted corruption information out of each one and carried out statistical analysis.

Sources of Data

No country will make available to the public all information on corruption cases, and China is no exception. It is therefore impossible to perform a reliable, comprehensive or sample statistical analysis on all corruption cases from China's transitional period. This article provides a second-best choice, taking corruption cases published by official files, publications and media reports as objects of statistical analysis.[24] Easy availability of data is one advantage of this

20 Alan P. L. Liu, "The politics of corruption in the People's Republic of China," *American Political Science Review*, Vol. 77 (1983), pp. 602–23.

21 Wenhao Cheng, "An empirical study of corruption within China's state-owned enterprises," *The China Review*, Vol. 4, No. 2 (2004), pp. 55–80.

22 I have co-operated with a particular central government department for a statistical analysis on all corruption cases in certain sectors from 1990 to 2005. Although I cannot release the results because they form an internal central government project, they are in line with the findings in this article. With more similar projects in the future, the two databases discussed here can be further improved.

23 Major corruption cases always have greater social influence. They show institutional loopholes more obviously and affect people's confidence in fighting against corruption more directly.

24 Main sources include the Justice Network of the Procuratorate Daily, the "Anticorruption and clean government" column of the People's Daily Network, the *Procuratorate Daily*, documents of all sessions of the Central Committee of Discipline Inspection, the *China Procuratorial Statistical Yearbook* from 1988 to 2004, and various corruption casebooks.

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method. However, its disadvantage is also obvious: cases are not randomly selected, affecting the reliability of the findings.

This study selects cases involving public officials at or above county or division level (*zheng xianchuji* 正县处级) as objects, builds a series of indicators and extracts relevant information out of each case. I set up 31 indicators under five major categories: basic information, such as name, gender and year of birth of the corrupt public official, and province, region or state ministry or commission when he committed corruption for the first time; career information, including units, ranks, positions and affiliated units when he committed corruption for the first time and when his corruption activity was exposed; case information, such as the year when corruption started, the year when it was discovered, the reasons for discovery, and the main types of crimes and amount of money involved in each; punishment information, such as year of conviction and penalty received; and additional information, such as involvement by family members.

Applying these indicators, this study establishes two databases, A and B. Database A, consisting of 68 cases, covers almost all major corruption cases involving public officials at or above vice-province or vice-ministry level (*fu shengbuji* 副省部级), referred to here as senior officials. All cases in database A were discovered and punished between 1978 and 2005 (excluding cases discovered but not yet sentenced by the judiciary).[25] Database B covers 526 cases discovered and punished between 1978 and 2004 and involving public officials at or above county or division level but below vice-province or vice-ministry level, here referred to as middle-level officials.

Obviously, neither database is perfect. Database A may be regarded as a scientific sampling of corruption cases involving senior officials, because it includes virtually all corruption cases involving senior officials that were discovered and punished from 1978 to 2005.[26] However, its drawbacks include its comparatively small sample and the possibility of political influence in the course of investigating potentially corrupt senior officials. Cases in database B are not randomly selected, nor do they cover all cases discovered and punished in China's transitional period involving middle-level officials. It is therefore not representative in terms of time series. But it has a relatively large number of samples, making analysis on distribution of different types of corruption and corruption-prone areas more persuasive. In addition, a comparison between these two databases can reveal differences in corruption patterns by officials at various levels.

25 This far exceeds the 21 corrupt senior officials at or above the vice-province or vice-ministry level as listed by Yan Sun, *Corruption and Market in Contemporary China* (Ithaca and London: Cornell University Press), pp. 49–50.

26 Admittedly, it is not a scientific sampling of corruption activities, but only of corruption cases involving senior officials in transitional China.

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Major Findings

This article uses statistical results of both databases to analyse the characteristics and causes of corruption in transitional China. It uses mainly data from database A for time series analysis, because database A can be regarded as a scientific sampling while database B is not.

The average latency period of corruption cases becomes longer

The latency period refers to the period from the year when a public official commits a corrupt act for the first time to the year when his corruption is discovered.[27] This conception helps us understand important changes in the character of major corruption cases in transitional China. Data on years when corruption newly occurs and is discovered are available in 66 cases in database A and 479 cases in database B. The statistics of these cases are shown in Table 1.

These figures show that the average latency period of corruption cases becomes longer during China's economic transition. Among corruption cases discovered from 1980 to 1988, the average latency period is 1.80 years for five cases in database A, and 2.19 years for 32 cases in database B (including one case that occurred in 1971 and was discovered in 1982, a latency period of 11 years). With this exceptional case excluded, the average latency period of the 31 other cases in database B is 1.90 years, slightly higher than that in database A. From 1993 to 1997, the average latency periods of corruption cases in both databases extend significantly, reaching 3.17 and 2.67 years. From 1998 to 2002, the average latency periods extend further to 6.44 and 5.00 years. Finally, seven cases discovered in 2003–2004 in database A have an average latency period of 8.00 years.

Because corruption cases in the early and mid-1980s were not very severe, it was normal for corruption to be discovered within two years of its first occurrence. This, to a certain extent, reflects the effectiveness of law enforcement at that time. However, thereafter the average latency periods of major

Table 1: **Average Latency Periods of Corruption Cases during Different Periods in Both Databases**

Period	1980–1988		1989–1992		1993–1997		1998–2002		2003–2004	
	A	B	A	B	A	B	A	B	A	B
Number of samples	5	32	5	60	24	235	25	153	7	0
Longest latency period	4	11	3	6	8	11	14	15	10	–
Shortest latency period	1	0	1	0	1	0	3	1	3	–
Average latency period	1.80	2.19	1.80	2.13	3.17	2.67	6.44	5.00	8.00	–

27 For instance, if an official engaged in corruption activities for the first time in 1993 and was discovered the same year, the latency period is 0 year. If he started corruption in 1988 and was discovered in 1993, the latency period is five years. In this article, year is the basic unit for calculation because the data are only accurate enough for this.

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corruption cases become longer in both databases. Either of two opposing reasons may explain this change. One is that as the corruption situation became worse, the anticorruption authorities concentrated investigations on more serious cases which are likely to last longer. The other is that the corruption situation improved, and with fewer newly occurring corruption activities, the anticorruption authorities concentrated on old cases which might have started some time earlier. These two reasons may both apply, but the statistics do not reveal which one dominates.

Table 1 also shows that before 1992 the average latency periods of cases in database A are all shorter than those in database B, while the reverse becomes true after 1992. This indicates that supervision over senior officials becomes weaker than that over middle-level officials. In addition, corruption committed by senior officials takes a longer time to discover.

Another finding is that a high proportion of corrupt public officials were promoted during the latency periods. In database A, among nine cases discovered before 1990, all the corrupt public officials had the same positions that they had when they committed corruption for the first time. However, after 1990, 32 corrupt public officials were promoted or transferred to other positions, amounting to 56.1 per cent of all 59 cases. In database B, 142 corrupt officials changed their positions, 27.0 per cent of all 526 cases. These 142 officials include 69 promoted by one grade,[28] 14 promoted by two grades and one jumping by three grades in ten years. This reflects a serious problem in China's system of officials' performance evaluation and promotion. Obviously, the leaving-position audit[29] has not played its due role.

With respect of the means through which corruption activities were discovered, the study reveals that more than half the cases were exposed during investigation of other matters, that is through implication, as shown in Table 2. This helps explain why the average latency periods become longer. Among 46 cases in database A in which relevant data are available, 37 cases (80.4 per cent) were discovered in this way; six were exposed by whistle-blowing (13.0 per cent); and three were discovered by other means.[30] Out of 294 cases in database B for which information is available, 166 cases (56.5 per cent) were discovered through implication, lower than the percentage in database A; and 96 cases (32.7 per cent) by whistle-blowing, which is significantly higher than in database A.[31] This

28 Such as a promotion from county level to vice-city level, or from bureau level up to vice-ministry level.

29 Leaving-position audit refers to an audit to be carried out before an official leaves his current position for another one, on economic responsibilities in relation to his current position.

30 Including audit, inspection, fleeing abroad with money, confession, exposure by the media and incidental exposure (such as huge amount of property exposed by theft).

31 According to a report by the Supreme People's Procuratorate, of the grand graft and bribe-taking cases investigated by the procuratorates at all levels in 1988, 50% were exposed by reporting. See Huang Xiurong and Liu Songbin (eds.), *Zhongguo gongchandang lianzheng fanfu shiji* (*Record of Integrity and Anticorruption of the Chinese Communist Party*) (Beijing: Fangzheng Press, 1996), p. 352. According to Huang Weiding's estimates, from 1988 to 1994 China's procuratorates received 1.69 million reports, and 80% of all corruption cases were exposed by reporting. Huang Weiding, *Shiluo de xunyan: cheng fubei wanglu* (*The Fallen Dignity: Memorandum of Punishment on Corruption*) (Beijing: World Knowledge Press, 1999), p. 343.

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Table 2: **Means through which Corruption Activities were Discovered in Both Databases**

	Database A		Database B	
	Number of cases	Percentage	Number of cases	Percentage
Implication	37	80.4	166	56.5
Whistle-blowing	6	13.0	96	32.6
Inspection and audit	1	2.2	19	6.5
Media	0	0	2	0.7
Others	2	4.4	11	3.7
Relevant data available	46	100.0	294	100.0
Relevant data missing	22	–	232	–
Total	68	–	526	–

also shows that currently external supervision over senior officials is evidently looser than that over middle-level officials.

Corruption cases become more serious and complex

As observed by some of the literature, in China's transitional period the average amount of money[32] directly involved in corruption cases increases sharply.[33] This article provides additional evidence, as shown in Table 3, for this observation.

Among 68 cases in database A, except for nine cases in which corrupt public officials did not directly commit graft, bribery or embezzlement but instead connived at their family members' or subordinates' violation of laws, seven cases were discovered before or in 1990, with the highest amount of money involved being 35,000 yuan and the average amount being 17,000 yuan. The average amount of money involved in 38 cases discovered from 1991 to 2000 jumped to 2,968,000 yuan, with the highest amount being 423,150,000 yuan. Among these 38 cases, the amounts of money in 12 cases (31.6 per cent) exceeded 1 million yuan. For 14 cases discovered after 2001, although the average amount does not increase substantially, the percentage of cases exceeding 1 million yuan increases to 78.6.

32 This article only includes five types of corruption in its calculation of this average amount: graft, bribe-taking, bribe-offering, embezzlement and obtaining large amounts of property from undeclared sources.

33 According to annual reports by the Supreme People's Procuratorate, the number of extra-grand cases involving more than 1 million yuan increases around ten times in every four years. Because of changes to the statistical criteria applied by the procuratorates, however, it is difficult to make a comparative time series analysis. The statistical criteria for grand cases by China's procuratorates was 10,000 yuan for graft in 1980, and 10,000 yuan for bribery or graft in 1981. Since 1993, embezzlement cases involving over 50,000 yuan were also included as grand cases. After 1998, the criteria were changed to 50,000 yuan for graft or bribery and 100,000 yuan for embezzlement. Thereafter, these were 500,000 yuan for graft, bribery or embezzlement, and in another year 10 million yuan for graft or bribery. Andrew Wedeman noticed this and used data from provincial statistical yearbooks in his study instead. Wedeman, "The intensification of corruption in China," pp. 895–921.

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Table 3: **Average Amount of Money involved in Corruption Cases during Different Periods in Database A**

Period	Number of cases	Highest (yuan)	Lowest (yuan)	Average (yuan)	Percentage of cases exceeding 1 million yuan
1978–1990	7	35,000	Suits, radio-recorders	17,000	0
1991–2000	38	423,150,000	22,000	2,968,000	31.6
2001–2004	14	9,976,800	390,000	3,208,000	78.6

Table 4: **Percentage of Various Types of Corruption Cases in Both Databases**

	Database A		Database B	
	Number of cases	Percentage	Number of cases	Percentage
Graft	7	10.3	141	26.8
Bribe-offering	3	4.4	50	9.5
Bribe-taking	53	77.9	444	84.4
Embezzlement	27	39.7	20	3.8
Others	1	1.5	13	2.5
Total	68	–	526	–

Note:
Cases involving two or more types of corruption are counted more than once.

Bribe-taking has become the most common type of major corruption in transitional China, as shown in Table 4. The average amount of money involved in bribe-taking cases shows a similar trend to that for all corruption. In database A, among five cases discovered from 1980 to 1988, three (60 per cent) involved bribery, and the amount of money concerned was very low. One was receipt of gifts such as suits and radio-recorders, and the other two were bribes of 20,000 yuan and 12,700 yuan. Of five cases in 1989–92, four (80 per cent) involved bribery, with the average amount of money being 20,000 yuan. After 1993, however, among 58 cases discovered, excluding cases in which family members connived to take bribes, 46 (79.3 per cent) involved bribe-taking. In addition, six officials (10.3 per cent) were convicted of graft, three (5.2 per cent) of embezzlement, and three (5.2 per cent) of obtaining large amounts of property from undeclared sources.

In database B, there are 141 graft cases (26.8 per cent), 50 embezzlement cases (9.5 per cent), 444 bribe-taking cases (84.4 per cent), 20 other cases (3.8 per cent) and 13 bribe-offering cases (2.5 per cent). This again shows that bribe-taking has become the most popular type of corruption by senior officials in China.

This study also shows that bribe-taking by senior officials has become more straightforward and direct. In database A, among all 39 cases in which sources of bribes are traceable, only four involve more than ten bribe-providers, while for the remaining 35 cases the average number of bribe-providers is only 2.7

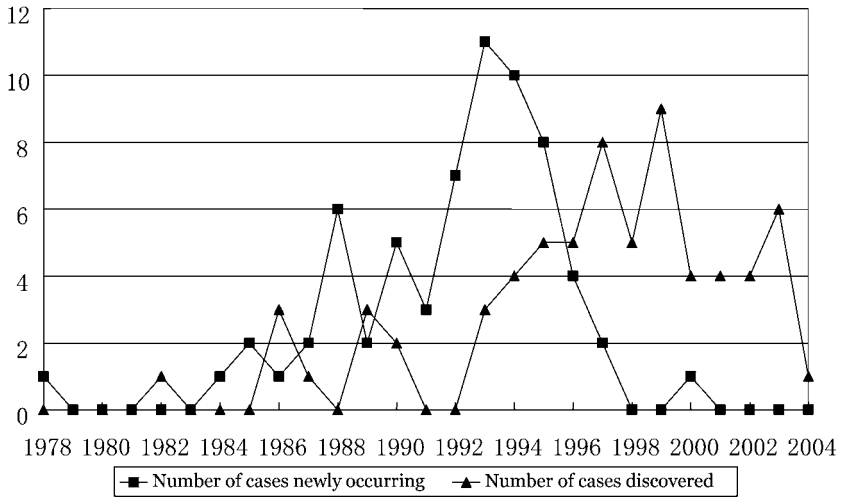
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(including 11 cases with only one). The large value of bribes, the limited number of bribe-providers, and bribe-taking through intermediaries[34] show that most senior officials are very cautious about committing corruption and attempt to obtain the most benefit at the lowest risk. This makes investigation by the anticorruption authorities even harder.

The corruption situation is influenced by the strengthening of law enforcement in 1989 and the deepening of reform in 1992

Corruption reflects institutional loopholes, and statistics for newly occurring corruption cases in each year can reveal the severity of institutional failure in that year. The year when a case occurred refers to when the public official committed a corrupt act for the first time. Figure 1 shows the cases in database A based on years when corruption newly occurred and when it was discovered. It reveals that the corrupt activities of only a few senior officials were discovered and successfully prosecuted before 1989. The curve of discovered cases increases to a high level after 1993. However, the curve of newly occurring cases is different. It reaches a small peak in 1988 and after a distinctive decrease in 1989 rises to a higher level after 1992. With both databases combined together, as shown in Figure 2, this trend is even more evident. The number of newly occurring cases decreases from 41 in 1988 to 22 in 1989 and further to 19 in 1990, but increases sharply to 92 in 1992.

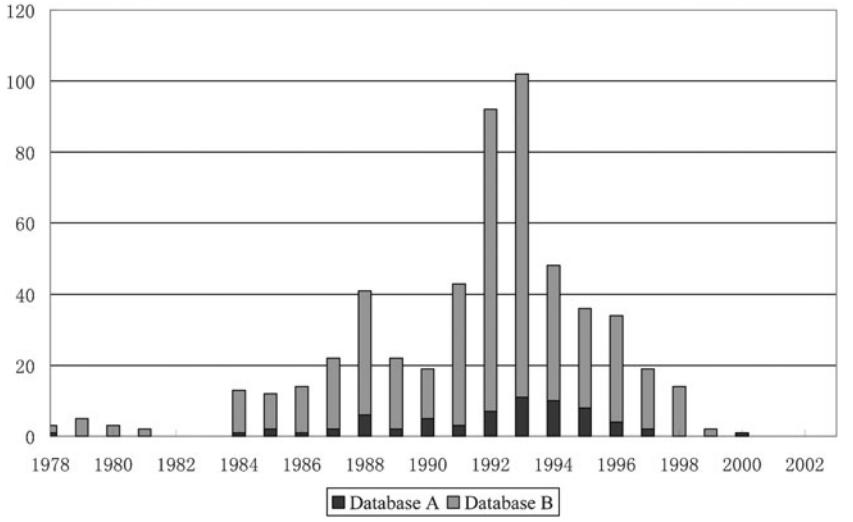
Figure 1: **Numbers of Cases Newly Occurring and Discovered Each Year in Database A**



34 For instance, Li Ping (mistress of Cheng Kejie) acted as an intermediate for the bribe-taking of Cheng Kejie (former vice-chairman of the National People's Congress).

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Figure 2: **Number of Newly Occurring Cases in Both Databases**



It should be noted that the decrease after 1993 may not reflect reality. It may be a misconception caused by limitations of case collection. If more cases are added into these databases in the future, we may find more that started in the mid and late 1990s, or even before 1990. Considering the extension of the average latency period of corruption cases in recent years, this is very likely. However, because the average latency period of corruption cases discovered from 2003 to 2004 in database A is around eight years, and 11 years have elapsed from 1993 to 2004, we may find that numbers of newly occurring cases begin to decrease from the mid-1990s, if we assume that the level of law enforcement has remained the same since 1993. This would also mean that a large proportion of corruption cases currently being dealt with by China actually started in the early and mid-1990s.

In Figure 2, why did numbers of newly occurring cases decrease in 1989 and then increase markedly after 1992? The decrease may be caused by the strengthening of law enforcement by the Chinese government in 1989. Although a large number of major cases involving senior officials were discovered and processed by the Central Committee for Discipline Inspection of the CCP before 1992,[35] my analysis of database A shows that few senior officials were actually prosecuted for corruption at that time. After the Tiananmen events in the early

35 According to the CCDI's report to the 14th National Congress of the CCP, 110 officials at or above vice-province or vice-ministry level were subject to disciplinary punishment, including 79 officials punished in 1990–92. Reasons for punishment include corruption, dereliction of duty and non-compliance with China's family-planning policy. Among those punished for corruption, most did not receive any criminal sanction because their cases were not very serious. What merits attention is that the report referred to the year of punishment, while this article is based on the year of discovery.

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summer of 1989 the Chinese government realized the importance of fighting against corruption and put more emphasis on investigating and punishing corruption activities.[36] As a result, fewer public officials decided to risk corrupt activities, causing the drop in the number of newly occurring cases in 1989. However, this positive effect of increased law enforcement did not last long. After noticing their colleagues successfully escaping punishment, some public officials resumed their corrupt practices. Indeed the so-called "overall and further reform," accelerated by Deng Xiaoping's public speech in southern China in the spring of 1992, created more opportunities for such activities. Many sectors of the CCP, the government and even the army rushed to set up corporations, and public officials began to engage in corruption. This caused the sharp increase in the number of newly occurring cases in 1992. The 285 newly occurring cases from 1991 to 1994 alone represent 48 per cent of all cases in both databases.

Other studies based on statistics of the corruption cases discovered and punished each year conclude that more corruption cases were found after the strengthening of law enforcement in 1989. However, they do not provide any direct evidence of the effect of the 1989 anticorruption enforcement, or of the deepening of reform in 1992, on numbers of newly occurring cases.

The cumulative number of corruption cases increases in the early transitional period

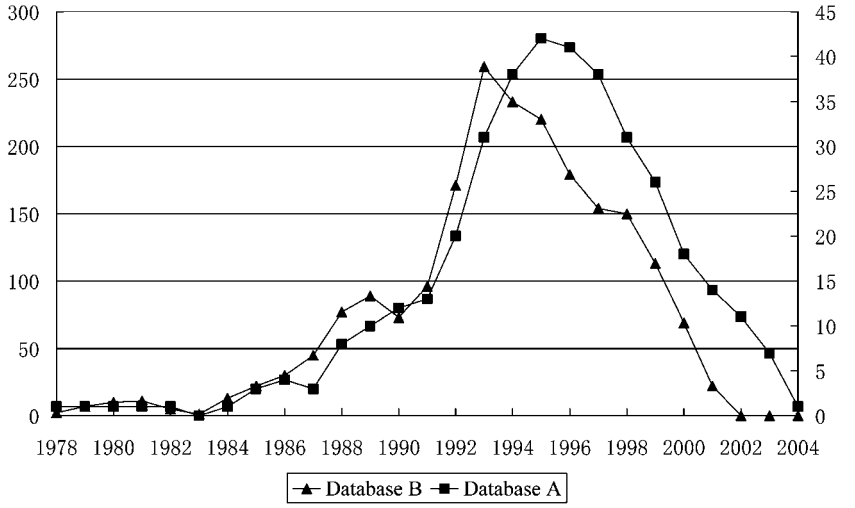
Even if the corruption situation is estimated by numbers of newly occurring cases in each year, instead of cases discovered or punished each year, problems still exist. Let us take the following hypothetical case as an example. There is only one corrupt public official in the whole world, and he committed a corrupt act in 1992, was caught in 2000 and punished in 2002. He contributes to statistics in 2000 or 2002 when his corruption was discovered or punished, and to those in 1992 when his corruption newly occurred. However these statistics are all misleading. The corrupt activities existed in each year from 1992 to 2000. This example is a reminder to us that we should focus not only on the flow but also on the stock of corruption cases. Accordingly, this article now introduces the indicator of cumulative statistics of corruption cases.

Considering the duration of each corruption case, and calculating cases according to the years in which they take place produces the cumulative numbers of corruption cases for each year. So, for example, the hypothetical case above contributes one to each of all nine years from 1992 to 2000 in these statistics. This indicator shows an overall level of major corruption cases in each

36 On 15 August 1989, the Supreme People's Court and the Supreme People's Procuratorate jointly published the "Notice on requiring those criminals who have been convicted of graft, bribe-taking and official profiteering to surrender before the deadline." That year, the prosecution authorities in China received 116,763 corruption cases, and processed 58,926, representing respectively 1.6 and 1.8 times the number of cases in the previous year. See the annual report of the Supreme People's Procuratorate in 1990.

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Figure 3: **The Cumulative Numbers of Corruption Cases in Both Databases**



year. The cumulative numbers of corruption cases in both databases are shown in Figure 3. They increase more sharply than the flow statistics of the year when corruption was discovered or punished or the year when corruption newly occurred. When the two curves in Figure 3 reach their respective peaks in 1995 (42 cases) and 1993 (259 cases), they amount to 3.23 and 2.70 times their counterparts in 1991, and 42 and 129.5 times their counterparts in 1978. The two curves' patterns are in line with each other.

One would expect the reliability of these findings to be affected by limitations in case collection. However, the 1980s' and early 1990s' sections may be closer to reality, because as compared with more recent sections of the mid and late 1990s, they are less influenced by the report lag. In addition, the curve of database A reaches its peak two years later than that of database B and lags behind it after 1993. This is because corruption cases in database A are more up-to-date than those in database B.[37] This shows the effect of the report lag. If both databases are further updated, we may find that new curves rise higher and reach their peaks later. This is not easy to predict. However, if we consider the extension of the average latency period of corruption cases in recent years, we may conclude that the level of corruption in China after the mid-1990s entered into a flat phase or even began to decrease. The flat phase situation, if true, is consistent with the estimation based on the CPI.[38] It does not mean that China is no longer corrupt, only that corruption has not become worse. Factors encouraging and deterring corruption have reached equilibrium. However, it should be noted that the

37 Corruption cases in database A are up to 2005, and those in database B to 2004 only.

38 In the CPI rankings published by Transparency International, China's scores range between 2.43 and 3.5 from 1996 to 2006 and between 3.1 and 3.5 from 1998 to 2006.

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estimation above is merely based on numbers of corruption cases. If the increase in the average amount of money involved in corruption cases is taken into consideration, the result may be different and the level of corruption may become higher after the mid-1990s.

Causes of corruption reveal influence of the economic transition

Corruption reflects institutional loopholes, and analysis of the causes of corruption may reveal the main factors encouraging corruption in a society. During China's economic transition, the spread of corruption has attracted a great deal of scholarly attention, applying existing theories or by developing new ones to explain the phenomenon. Most have noticed the influence of economic transition, which can also be described as modernization, on the spread of corruption in transitional China.[39] Some scholars discuss this issue in detail in the context of particular cases. Yufan Hao and Michael Johnston pointed out that China's reform greatly increases the opportunities and incentives for corruption and this is one of the main reasons for the surge of corruption in China's economic reform era.[40] Ting Gong argued that the spread of corruption in the 1980s in China is an inevitable result of the reform.[41] Xiaobo Lü focused his research on organizational corruption and analysed the effects of China's reform on administrative institutions.[42] Others have discussed the impact of the reform on the dual-pricing system,[43] privatization[44] and decentralization of power.[45]

Based on these studies, I established a new framework under the theory of public choice and discussed the effects of the economic transition on incentives, opportunities and law enforcement in transitional China.[46] I divided China's economic transition into four parts – economic liberation, decentralization, privatization and globalization – and summarized 15 channels through which

39 See Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

40 Yufan Hao and Michael Johnston, "Corruption and the future of economic reform in China," in Arnold J. Heidenheimer and Michael Johnston (eds.), *Political Corruption: Concepts and Contexts* (3rd ed.) (New Brunswick and London: Transaction Publishers, 2006), pp. 583–604.

41 Ting Gong, *The Politics of Corruption in Contemporary China: An Analysis of Policy Outcomes* (Westport, CN: Praeger, 1994).

42 Xiaobo Lü, "Booty socialism, bureau-preneurs, and the state in transition: organizational corruption in China," *Comparative Politics*, April 2000, pp. 273–94.

43 Wu Jinlian, "Xunzu lilun yu woguo jingji zhong de mouxie xiaoji xianxiang" ("Rent-seeking theory and certain negative phenomena in China's economy"), in Comparison of Economic and Social System (ed.), *Fubai xungeng: Zhongguo chengwei xunzu shehui le ma?* (*Root of Corruption: Has China Become a Rent-seeking Society?*) (Beijing: China Economy Press, 1999), pp. 5–7.

44 Susan Rose-Ackerman, *Fubai yu zhengfu* (*Corruption and Government*) (Beijing: Xinhua Press, 2000), pp. 38–42.

45 Minxin Pei, "Fenquanhua shifou hui zengjia fubai?" ("Will the decentralization of power increase corruption?"), *Zhongguo guoqing fenxi yanjiu baogao* (*China's National Conditions Analysis and Studies Report*), No. 47 (2002).

46 Yong Guo, "The micro-mechanism by which economic transition breeds corruption," *Comparative Economic and Social Systems*, No. 5 (2006), pp. 53–59.

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Table 5: **Distribution of Cases according to Causes of Corruption in Both Databases**

Economic transition	Reform	Channel available to corrupt public officials	Database A		Database B	
			No.	%	No.	%
Economic liberation	Dual-pricing reform	Distribution of rare materials, loans and foreign exchange	24	35.3	127	24.1
	Opening the market	Abusing public power to assist relatives or friends in trading or operating enterprises	19	27.9	39	7.4
		New private enterprises tried to get protection and priorities from local governments	5	7.4	15	2.9
Decentralization	Fiscal decentralization	Arbitrary charges, fund-raising, quotas and fines; possession of off-budget funds	–*	–	–	–
		Free funding from governments to SOEs or other organizations	0	0.0	14	2.7
		Misusing public funds	7	10.3	168	31.9
		Public investment and procurement	19	27.9	139	26.4
		Tax evasion	0	0.0	9	1.7
	Administrative decentralization	Personnel appointment, promotion and awards	15	22.1	114	21.7
		Administrative intervention with the judiciary and law enforcement	7	10.3	27	5.1
Privatization	Commercial activities between SOEs and private sector	SOEs' commercial activities with the private sector	0	0.0	8	1.5
	Privatization of SOEs and state-owned resources	Conversion from SOEs to stock companies or private companies	12	17.6	37	7.0
Globalization	Foreign direct investment (FDI)	Approvals for foreign investors to set up foreign-invested enterprises (FIEs)	2	2.9	5	1.0
	International trade	Licence for international trade; fight against smuggling	4	5.8	32	6.1
	Permission to go abroad	Licence for passport and Hong Kong one-pass passport	5	7.4	10	1.9

Note:

*Corruption involved in arbitrary charges, fund-raising, quotas, fines and possession of off-budget funds is mainly organized corruption, which is not included in the databases of this article.

the economic transition affects corruption (see Table 5). This article applies such a framework to analyse causes of corruption in transitional China.

This article analyses the causes of major corruption cases in both databases in accordance with this classification. Table 5 shows the results of this analysis which demonstrate that economic liberation and decentralization – including dual-pricing reform, market liberalization, fiscal decentralization and administrative decentralization – have an influence on corruption. In the 1980s, the greatest proportion of corruption cases occurred through the distribution of rare materials, loans and foreign exchange, while in the 1990s and thereafter, more cases took place in public investment and procurement, personnel appointments, promotion and awards. This article also discovers some small difference in corruption patterns between public officials at different levels. For example, senior officials in database A are more prone to abusing public power to assist relatives or friends in trading or operating enterprises, while middle-level officials in database B intend to misuse public fund by graft and embezzlement. Although not all corruption cases are the results of the economic transition, nearly all cases are influenced by it.

Conclusion

This study successfully collected 594 major corruption cases from official files, publications and media reports, and set up 31 indicators to extract data from each case. The three tools it presents – the concept of the latency period of corruption, a new method of measuring institutional loopholes that encourage corruption and a new indicator of the cumulative number of corruption cases – may help to estimate the actual situation of corruption in a society.

In the context of corruption in transitional China, the study concludes that corruption was influenced by the strengthening of law enforcement in 1989 and the deepening of reform in 1992; that the cumulative number of major corruption cases increased sharply in 1992; that the average latency period of major corruption cases became longer; that corruption cases grew to be more serious and complex; and that the economic transition played an essential role in the spread of corruption, especially after 1992. Although some of these conclusions are not novel, this article contributes new empirical evidence.

While it is almost impossible to expose a country's corruption completely, new tools can be developed to bring research results closer to actual events. Nevertheless, there are still problems in this research. For example, the two databases only cover a few of all the corruption cases exposed in transitional China, and the major corruption cases studied may have statistical characteristics different from other cases. In addition, some limitations are inherent in the method, although others can be resolved by further improvement to the method. In conclusion, this article provides new tools and basis for further research and debate on corruption in transitional China.

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