

Chapter 2

Corruption—Theories and Perspectives

2.1 Definitions on Corruption

Research always starts with a definition, and it is the same here. The persistence and negative impacts of corruption in human history attract scholar's attention from the very beginning of human history and more and more recently, especially in the 1990s when there was a "corruption eruption" in the world (William 1999:513). However, academic focus did not bring a unitary view into its being. "Numerous efforts have been made, but little consensus exists on what is corruption" (Gong 1994:1). "Since the time of Aristotle, scholars exploring the question of corruption have adopted a variety of different definitions, associated with different sorts of research questions and normative concern" (Manion 1997:58). Some scholars try to isolate particular behaviors that are subject to his concern; some seek out cultural aspect of corruption; some imagine about the scenario of corrupt behaviors. Moreover, the existing "definitions of corruption are problematic ... definitions of corruption run the gamut from being too broad as to be rendered relatively useless to being too narrow and thus be applicable to only limited, rare, well-defined cases" (Waite and Allen 2003:282). Perry (1997:9) expresses the same opinion: "it is conceptually problematic".

2.1.1 Complexity of Corruption

The problem of corruption definition is understandable for its complexity. Corruption, as "a ubiquitous aspect of the exercise of governmental power and the transaction that go with it", shows an unbelievable complexity (Lapalombara

Throughout the text the Pinyin (拼音) system of Romanization is used for all Chinese names. Names are written according to Chinese tradition—family name first, given name second.

1994:3). It does not belong to any particular type of political regime¹; neither is it tied to the development of one country.² It can be applied both to a very wide spectrum of human behavior and institutions at different levels. Corruption is so sophisticated that Heywood (1997:6) states “it would be impossible to develop one generalizable and uncontested definition of political corruption.” Essentially, its complexity or difficulties of being defined is reflected in the numerous forms of corruption, relativity of norms and law, and ambiguous boundaries between the public and private.

2.1.1.1 Forms of Corruption

The numerous types of corruption render generalizing corruption a hard job. Literature on corruption is filled with a wild variety of corruption classifications. For instance, grand corruption³ takes place at highest levels of political system, such as president, ministers and other top officials, and therefore involves substantial payoffs (Moody-Stuart 1997:3); petty corruption occurs at low levels, such as public administrative department where citizens seek services (Perry 1997:1). In his study of the Keating Five Case, Thompson (1993) distinguishes individual corruption which benefits officials personally and institutional corruption which benefits officials’ interest groups directly.⁴ There is also a distinction between systemic corruption and systematic corruption. Systemic corruption is the product of weak administrative systems and absence of watch-dog institutions, thus endemic to the system (Johnston 1998); systematic corruption, regarded as organized crime, occurs when the pursuits of private interest subvert the very design of the political system or can be seen as the result of political manipulation of economic interest. Amundsen (2000:4) once categorizes corruption into five groups: (1) monetary payment in transitive relationship,⁵ (2) the misappropriation of public funds, (3) economic swindle or deceit, (4) extraction of money or other resources from disadvantaged persons through coercion, threats or even violence, (5) the “natural human proclivity to favor friends, family and anybody close and trusted” in

¹Davis (1910) points out that corruption was present in the electoral behavior of the Roman Republic.

²Lo (1993) depicts a vivid picture of corruption in autocratic China after the foundation of P.R. China.

³World Bank classifies these two into: “state corruption” and “administration corruption”. Some scholars’ classification of “political corruption” and “bureaucratic corruption” is in a similar vein.

⁴Institutional corruption benefits individuals in the sense that it brings political capital to the person who may get promoted later. See also Philp (2002), *Conceptualizing Political Corruption*. Some scholars label them “private corruption” and “collective corruption”, or “individual corruption” and “aggregated corruption”.

⁵Amundsen (2000) also finds equivalent terms to bribery, such as kickbacks, gratitude, backsheep, sweeteners, pay-offs, speed money and grease money. In contrast to bribery which is top-down term, these are bottom-up perceptions.

the resource distribution process and political process. For Alatas (1990:Chap. 3), there are seven kinds of corruption: “autogenic” corruption (benefits detrude from pre-knowledge of a given policy outcome), “transactive” corruption (mutual benefit through exchange between a donor and a recipient), “excoriate” corruption (to avoid “harm being inflicted on the donor”), “defensive” corruption (a person in need of something is compelled to pay bribe otherwise his interest would suffers), “supportive” corruption (the activity undertaken to protect existing corruption), “investive” corruption (activities for a fulltime reward in view), “nepotistic” corruption (equivalent to favoritism). There are other categorizations: “corruption without theft” and “corruption with theft;” “professional corruption” and “amateur corruption;” “corruption according to rule” and “corruption against rule” (Transparency International); “primary corruption” and “secondary corruption” (Welin 2002); public corruption and private corruption; “extractive corruption” and “redistributive corruption” (Rose-Ackerman 1999); and “bureaucratic corruption” and “political corruption” (Williams 2000:425). All these corruptions have their own particular features and specific scenarios which make generalization a big challenge.

2.1.1.2 Relativity of Norms and Law

When corruption gets to people’s view, the first thing coming to their mind is always that it breaks the law or is against norms. However, as scholars have noticed, one big challenge is the relativity of norms and law (Heywod 1997). Norms and laws are built on culture, social structure, political structure, and economic structure. Since different states are in different stages of development, are from different civilization traditions, and adopt different political and economic systems, the norms and laws are definitely divergent. For instance, some specific norms and law may only exist in particular countries. This is why “some nations feel that ‘gift’ giving or cash payments are acceptable, while other nations have very detailed codes of conduct regulating both legislators and bureaucratic” (Gardiner 1993:36). Even if different states share law and norms, the concrete contents may be different. Such relativity of norms and laws not only makes a highly abstract definition hardly possible, but also puts cross-national studies into an embarrassing situation.⁶

⁶What is worse is that the law or norms in one society may be totally inhuman. One obvious example is the Jewish laws in Germany during the WWII (Gardiner 1993). Philip (2002:48) points out that “the use of local norms and judgment” “have a role in identifying what types of activity are understood as corrupt, but they cannot be accepted as the only criteria, since this world be to embrace a conceptual relativism which renders any cross-cultural analysis of corruption incoherent.”

2.1.2 Previous Definitions

Actually long before the modern studies on corruption, thinkers had begun to think about corruption and made remarkable attempts to define corruption from different perspectives. Some borrow legalist view; some draw lessons from economic theory; some examine it from sociological stand. No matter what approaches they adopt, it can be grouped either into realist paradigm or nominalist paradigm.

“Realism is the doctrine that an external world exists independently of our representations of it. Representations include perceptions, thoughts, language, beliefs and desires, as well as artifacts such as pictures and maps, and so include all the ways in which we could or do know and experience the world and ourselves. Relativism repudiates this doctrine, arguing that since any such external world is inaccessible to us in both principle and practice, it need not be postulated or considered” (Cromby and Nightingale 1999:6). While the nominalism is “the doctrine holding that abstract concepts, general terms, or universal have no independent existence but exist only as names.”⁷ It denies the existence of abstract and universal concepts, and refuses to admit that the intellect has the power of engendering them.⁸ Applying these two opposite philosophical paradigms to previous studies on corruption, we can see that scholars intentionally or unintentionally fall into these two camps.

Realist scholars believe there is a kind of behavior in reality which is corrupt no matter whether you agree or not, and their mission is to find the behavior pattern and then define it. Therefore, this group of scholars always tries to clarify the behaviors which are regarded as corrupt. That is why Heidenheimer (1989:9–11) labels their definitions as behavior-clarifying approach. The definition which results from their attempts is also termed “positive” (Qizilbash 2001:267). On the contrary, “nominalist” (Philp 1997:444) scholars hold a relative stand on corruption behaviors. Instead of mapping out the exact corrupt behavior features, and defining it based on the characteristics, they pay more attention to the structural environments wherein corruption occurs, or to the dynamics of how corruption emerges.

2.1.2.1 Realist Paradigm

The first is moral approach which can be regarded as the oldest school of thoughts on corruption. For them, a shared understanding of the rules is necessary to maintain public order and confidence. Any behaviors deviating from norms are seen as immoral or bad, including corruption. Hence researchers just “compare potentially corrupt behavior with an absolute moral standard” to determine if it is corrupt or not (Williams 2000:127). Plato considers that rulers are corrupt if constitutions serve the interest of the rulers instead of being guided by the law (Friedrich 1972:17). Aristotle

⁷Retrieved on March 10, 2007 from <http://www.bartleby.com/61/22/N0132200.html>.

⁸Please refer to “nominalism” (Rohmann 1999).

thinks it is necessary to distinguish “right” political constitution (in the common interest) and “wrong” political constitution (only for the personal interest of rulers) (Girling 1997:2). Such a notion of treating corruption as “a general disease of the body” (Friedrich 1972:17) continues in later western academic research. Machiavelli defines corruption as “the process by which the virtue of the citizen was undermined and eventually destroyed” (Friedrich 1972:18). This idea lays foundation for moralist approach. Montesquieu sees “corruption as dysfunctional process by which a good political order or system is perverted into an evil one, a monarchy into a despotism” (Friedrich 1972:19). Later, “Rousseau’s concern with corruption is primarily with moral corruption, and only indirectly with corruption, as providing the setting for moral corruption” (Friedrich 1972:19). Even in modern time, scholars still follow the moralist paradigm. Wraith and Simpkins (1963:17) claim that “corruption is above all a moral problem, immeasurable, and imponderable” in their study of contemporary West Africa and in 18th and 19th century Britain. In a nutshell, the moralist approach develops from ancient western culture, and “defines corruption as an immoral deviant form of behavior which has serious and detrimental effects on a whole range of political and economic activities” (Williams 2000:127).

The second is the legalist approach. Realist paradigm holders always try to find criteria by which a corrupt behavior can be determined. As Scott (1972:3) points out, “corruption we would all agree, involves a deviation from certain standards of behavior. The first question which arises is what criteria shall we use to establish these standards?” The Moralist School uses morals as the gauge stick, while legalist adopts the law as the standard. Bryce (1921:121) offers us a tight legal definition: “corruption may be taken to include those modes of employing money to obtain private ends by political means which are criminal or at least illegal, because they induce persons charged with a public duty to transgress that duty and misuse the functions assigned to them.” Similarly, Leff (1964:8) defines corruption as “extra-legal institution used by individuals to gain influence over the actions of the bureaucracy.” The definition by this approach is very forthright: to see s/he is corrupt or not is just to check his/her behaviors with the laws. If it is against law, then s/he is corrupt; otherwise s/he is clean, no matter how his/her behavior is immoral or unethical.

The public-office-centered approach is the third approach in realist paradigm. “The dominant definition of corruption from the 1960s to the 1980s was a legally derived approach—the public office definition” (Williams 1999:505). In addition to the laws, scholars add regularities which are specific to the office as the criteria to determine corrupt behavior so as to fix the narrowness of legal definition. The classical definition of this approach is provided by Nye (1967:417):

[Corruption is] behavior which deviates from the formal duties of a public role because of private—regarding (personal, close family, private clique) pecuniary or status gains or violates rules against the exercise of certain types of private—regarding influence. This includes such behavior as bribery (use of reward to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit); and misappropriation (illegal appropriation of public resources for private regarding are).

The World Bank,⁹ Transparency International¹⁰ and some Chinese scholars¹¹ take up similar perspective. The basic view of public-offices definition is that there are certain defined and explicit rules governing their behaviors, including the laws. A perfect public official will perform his roles by following all rules, otherwise s/he is corrupt.

The fourth one is public-interest-centered approach. The above three approaches have an implicit assumption that the morals, laws or norms are widely acknowledged or represent whole society's interest. However, it is more close to the fact that morals, laws and norms are established by the ruling group who actually is on the opposite side of the ruled class. One classical example is what Rose-Ackerman (1978:9) offers: "one does not condemn a Jew for bribing his way out of a concentration camp." To address this problem, a new approach called public-interest approach occurred in the 1960s. As a representative of this approach, Friedrich (1966:74) states:

the patterns of corruption can be said to exist whenever a power holder who is charged will doing certain things, i.e., who is a responsible functionary or officeholder, is by monetary or other rewards not legally provided for, induced to take actions which favor whoever provides the rewards and thereby, does damage to the public and its interest.

Chinese official terminology is very close to it: corruption is "the notion of the use of public authority and public resources for private interests (Yi Quan Mou Si: 以权谋私)." In this definition, the standard is changed from norms to the harm to the public, or we can say, from external criteria on corruption to consequences of corruption, which makes a step forward, especially for cross cultural studies, compared to the public-office, moralist or legalist approaches. Obviously, to have a clear idea of what behavior is corrupt, a distinction must be made first between public needs or interests shared by a community at large and private interest. And in this definition, public interest is always above private interest in people's value system.

The fifth approach is public-opinion-centered. Moralist, legalist, and public-office-centered approaches face a similar challenge: whose criteria are being used to determine a corrupt behavior, the dominant class or the subordinate class? The fact is that the ruling class's standards are always imposed on the ruled class. Such a class bias makes those definitions weak in a critical sense. Public-opinion approach is an attempt to fix this problem. Scholars in this group define corruption as "what the public in any given state perceives it to be" (Heywood 1997:424). In this sense, "public opinion is an important element in the identifying and understanding of political corruption" (Philp 1997:441). For Gardiner (1993:32), it is significant to

⁹Corruption, for the World Bank (1997:8), is "the abuse of public office for private gain."

¹⁰For TI (1996:1), "corruption includes behaviors on the part of officials in the public sector, whether politician or civil servants, in which they improperly and unlawfully enrich themselves, or those close to them, by the misuse of the public power entrusted to them".

¹¹Corruption should be limited to the "abuse of the power of the office (zhiquan: 职权) by the employees (gongzuo ren yuan: 工作人员) of the party and state apparatus". See also Wang (1993).

pay attention to public opinion, because “it is likely that officials and government employees will be guided more by local culture than by the words of a law, and thus will be more likely to violate the law,” and also because “effective action against corruption will be difficult or impossible if opinion does not correspond to the state’s definition,” last because “citizens’ values about corruption are likely to affect how they behave themselves—whether they will offer bribes or will abide by the requirement of the law.”

2.1.2.2 Nominalist Paradigm

Realist paradigm holders believe that there are some particular behaviors which are significantly different from others and thus can be mapped out conceptually, so their research rests on behavior-classifying definitions. On the contrary, nominalists focus on the macro or meso structure in which corrupt behaviors are possible. Holders of this paradigm are not eager to separate some specific behaviors from others, but to pay attention to the mechanism behind behaviors.

The first approach in the nominalist paradigm is market-centered. This approach is devoid of all moral, legal, or office-centered concerns by reducing the interactions between bureaucratic and public (always corruption) to a point on the supply-demand curve. Klaveren (1989:9) is most cited as providing such a definition:

corruption means that a civil servant abuses his authority in order to obtain an extra income from the public...thus we will conceive of corruption in terms of a civil servant who regards his office as an business the income of which he will ... seek to maximize. The office then becomes a ‘maximizing unit’. The size of his income depends ...upon the market situation and his talents for finding the point of maximal gain on the public demand curve.

This definition is more like a fruitful model of explaining how corruption occurs rather than a way of defining it. The neutral stand avoids the confusion between objective or universalistic components and local and relative standards. Also this definition includes situations or conditions where norms for official behavior are not clear, or not well defined.¹²

The second is principle-agent-client approach (P-A-C) initially proposed by E. Banfield in 1975. In contrast to the realist approaches, the P-A-C sets up an interaction scenario wherein corruption occurs. In this model, three parties are introduced: principle who represents authority, such as chief officer, department head, sheriff¹³; agent who contracts to “carry out specified tasks for the principle” (Williams 1999:514); and the third party who always “seeks to influence the agent’s

¹²Refer to Banfield (1975).

¹³For example, behaviors which neutralize a monopolistic bureaucracy by providing alternate, extra-legal means to access decision making and to gain influence over resource allocation are included.

decision by offering him a monetary payment” (Rose-Ackerman 1978:6). Based on rational choice theory, this model argues that agent is easily corrupt if his or her net benefit from corruption is larger than net benefit from being honest. Corruption occurs when an agent is corrupt when s/he “betrays the principle’s interest in pursuit of her own” (Klitgaard 1988:24) or an agent receives payment from a third party and the payments are not passed on to superiors (principle).¹⁴

The third approach is rent-seeking derived from economics as the P-A-C approach. The basic assumption of this perspective is that people are driven by selfishness and they are concerned with maximizing their self-interests by seeking “rent” in the public administration. The rent can be the payment for a resource that is in fixed supply¹⁵ or “legalized or systemic manifestation of greed”¹⁶ or “any advantage or surplus created by nature or social structure over a certain period of time.”¹⁷ There are different types of rent, such as differential rent, true rent, quasi rent, and monopoly rent. Sometimes, rent exists in society due to imperfection; sometimes, rents are created by political elites. Once rents are in existence, the pursuit of them is regarded as rent-seeking which is actually corruption. For example, a politician threatens to unleash the investigatory, legislative, taxing and other compulsive powers of the state to harass and impose losses on individuals and firms unless that politician is compensated to refrain from doing so. The rent-seeking is said to be “directly related to the scope and range of governmental activity in the economy, and to the relative size of the public sector” (Buchanan 1980:9), therefore corruption can be much less if government’s role is reduced to a minimum in the social process. In sum, pioneered by Tullock (1967), this approach demonstrates that monopoly and other market imperfection created by state action for private benefit entail more than deadweight losses.

2.1.3 *Criticisms*

2.1.3.1 **Problem of Class Biases**

Most of the above definitions take the legal standards or the ruling group’s ideology for granted. The ruler’s ideology and interest consideration are not questioned at all in the approaches. However, it is hard to assume that the ruling group or government’s logic is neutral, objective and well supported by the mass. Actually the history of criminological theory tells that it is necessary to take the ruling group’s interests into account in the research of crime. In the very beginning of criminology, moral and legal standards were placed a great attention in the explanation of crime;

¹⁴Refer to Rose-Ackerman (1978:6).

¹⁵See Alchian (1987).

¹⁶See Welin (2002).

¹⁷See Sorensen (1996:P1337).

and individual low moral was attributed to the crime. Later, criminologists started to attribute the crime to individual psychology and biological features, as Lombroso and Freud did. By and by, criminologists realized the social environment might be the real factor attributing to crime; so strain theory, subculture theory, social disorganization theory and control theory emerged. Later, social developments made criminologists think of the ruling group’s ideology and interests in crime research, therefore labeling theory and social interactionism occurred. Shortly conflict school started to consider power struggle and legal equality in crime research. At this stage, crime is not only about behavior violating law, but also about power and ideology because it is found that “the concept of deviance as behavior breaching social norms is so inherently problematic” (Sumner 1990:19). At present stage, criminologists advance theory in a sense that crime is a form of social control to maintain the ruling group’s dominance as proposed by social constructionism, social censure theory and postmodernist theory, because in most cases, what is defined as deviant, maladjusted or pathological behavior is very much a product of the ideology of the definer which is the ruling group (Mills 1943). Therefore “if we are to explain crime, we must first explain the social forces that cause some acts to be defined as criminal while other acts are not” (Chambliss 1974:39). From such a development of criminology, we can see that the ruling group’s ideology and dominance by and by come to scholars’ view and is challenged by scholars (Fig. 2.1).

Having this in mind, just like researchers cannot fully rely on the statistics on economic development by government because it may be cosmetic and doesn’t reflect the real economic conditions, we should not confine ourselves to the government’s logic in crime studies. As a matter of fact, a legal definition leans to the rule-maker which is the ruling group in society. As Lo (1993:153) points out, “the legal definition does not reflect the political dynamics behind the creation of a new piece of legislation, e.g. the powerful have greater capacity to influence its content

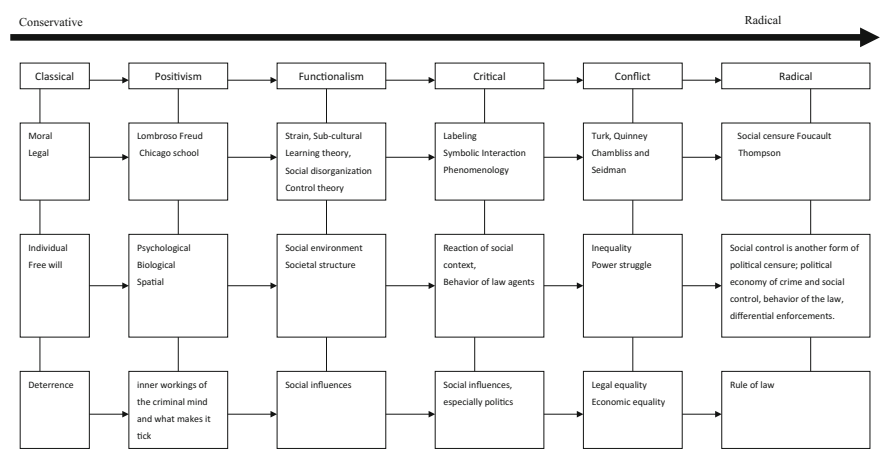


Fig. 2.1 Development of criminological theory

than the powerless.” The legal definition is obviously inclined to the ruling group, which is not fair to the caught or sentenced people. In the same vein, other definitions including moral, the P-C-A, and rent-seeking assume the government’s logic is right. Such a class or ideological bias confuses researchers. It is necessary to realize the problem and take it into account when researchers define it. As we know, “no particular behavior of personality can be shown to be universally deviant or criminal, and that the censures of crime and deviance are irredeemably suffused with ideology ... their definitions were constituted by the yardstick of their own ideals and norms” (Sumner 1997:22).¹⁸ A good definition should reach the deep part of a phenomenon instead of its surface, but existing definitions are based on ruling group’s social construction, and those definitions do not jump out of the ruling group’s logic, and are about what behaviors are corrupt or how those behaviors happen.¹⁹ That hurts his/her capability of reaching the essence or corruption. As a result, its interpretative capability and application capability are limited. Therefore, to grasp the implicit meaning behind corruption, it is necessary to break down contexts by exposing their underlying and hidden assumptions.

2.1.3.2 Problem of Inclusiveness

“The sanctions of positive laws are applied only to those more flagrant practices which past experience has shown to be so pernicious that sentiment has crystallized into statutory prohibitions and adverse judicial decisions” (Lo 1993:153). As we know, corruption occurs in different forms, such as grand corruption, petty corruption, bureaucratic corruption, and so on. All above definitions cover some specific corruption, but none of them explains all kinds of corruption, which decreases their applicability. For example, legal definition doesn’t include corruption in administration regulation, like banqueting, womanizing, minor misappropriation, or abuse of public utilities such as cars, electricity, phone bills and so on, let alone the new forms of corruption occurring everyday. Also, the P-A-C approach is “well suited to the analysis of bureaucratic corruption,” but may not be applied to “other more broadly-based forms, such as market corruption and extended patronage networks” (Johnston 1996:32). Similar to this, public-office approach and public-opinion approach miss out corrupt behaviors. With such a narrow and lag-behind definition, can corruption research be constructive and attributable to the academics? Moral definition is broad relatively, however, moral or public norms are not only subject to change, but also prove to be diverse. “An act may be considered ‘corrupt’ in one society, but ‘normal’ in another society or in the same society but different times” (Gong 1994:6).

¹⁸Sumner (1997) points out that Wright Mills made similar argument in 1943.

¹⁹Sumner (1997:22) points out that the “perverse persistence has political, ideological and maybe even financial roots”.

2.1.3.3 Problem of Operationalization

An abstract theory is always not good enough for research, especially today when empirical studies are in the heyday. To test their theories, researchers have to construct hypotheses and operationalize concepts. Several definitions offered above encounter such a problem of operationalization. The public-interest approach provides a much broader judging base than legal approach. However, how are behaviors determined to be against public interests? Public opinion is far from homogeneous in a complex society (Carino 1986). The difficulty also arises “from the vagueness of the notion of ‘public interest,’ and different ways of deciding who the ‘public’ is and what is in its interests” (Qizilbash 2001:267). Here, there is no absolute standard which can be used to determine. The same problem happens to the public-opinion approach and moral approach. Whose opinion should be used as the criterion? What level should the opinion base on? Obviously, “there is a danger that it will be the opinion of some specific group in society” (Qizilbash 2001:267). The market-centered approach does not classify any exact behaviors as corrupt, which makes it open to such a question of how researchers test their theory or what predictor variables they are going to use. In sum, more or less, operationalization is a big challenge to existing definitions.

2.1.3.4 Problem of Macro Structure

All phenomena happen in a particular historical stage. In other words, every phenomenon has its own historical load. The specific social structure, political system, economic system, dominant culture and international environment determine one phenomenon only existing at that stage, or having some special features. Narrowing it down to specific behaviors, we can find the same logic. Although individuals are conscious of their own behaviors, their ideas, opinions, minds, and self are significantly influenced by the societal structure. Corruption, as a phenomenon, is determined by the historical conjuncture. Corruption, as behavior in appearance, is determined by societal structure. Existing definitions ignore such macro factors. Lo (1993:152) points out that the above definitions “fail to interpret the significance of historical changes, the class functions of corruption and the class manipulation”. For example, the public opinion approach or public interest approach touches the macro aspects, but don’t explore deeply the dynamics or mechanism behind the macro factors. In a word, these previous definitions leave “little room for the richness and subtlety of cultural and social settings” (Sun 2001:246).

2.1.4 Merits of the Previous Definitions

Even though there are flaws or weaknesses in the previous definitions on corruption, they do offer some valuable points for future studies on corruption. Four aspects are especially salient: institution, inequality, benefit and mediation.

2.1.4.1 Institution

Humans are born to interact with each other and to meet their needs and satisfy their desires in nature. People are, therefore, organized for goal-oriented actions. However, human behaviors or goal-realization are processed in social environments. One important fraction of surrounding environment is human institutions. Human behaviors are constrained by human institutions. Therefore, it is necessary to consider corruption from an institutionalist perspective. The human institution, here, refers to a set of “humanly devised constraints that shape human interaction,” and “a set of rules, compliance procedures, and moral and ethical behavioral norms designed to constrain the behaviors of individuals in the interest of maximizing the wealth or utility of principles.”²⁰ The human institutions can also be viewed as human organizations itself.²¹ We can see that previous definitions embrace important human institutions, such as law, office norms, and market. Morality is regarded as human institution too because human behaviors are influenced by the cultural or psychological constraints. Human behaviors can be understood as internalized human institutions which are passed down through generations by education, socialization and indoctrination. Three spheres (polity, economy, social life) of human institutions are methods to organize people engaging in the domains of human behavior.²² Why a focus on human institution in corruption studies is better than a focus on particular behavior is that human institutions are relatively universal, stable and measurable in contrast to the diversity and ambiguity of human desires and individual rationality. Lo (1993: preface) criticizes previous definitions portraying society being “static and unhistorical”. However, an institutionalist perspective can help scholars see “the historically loaded structural conflicts underlying the creation...of corruption”.²³

2.1.4.2 Inequality

It is well recognized that corruption produces lots of negative effects. McMullan (1961) lists several salient “evils” of corruption: injustice, inefficiency, mis-trust of government by the citizen, waste of public resources, discouragement of particular foreign enterprises, political instability, repressive measures, and restrictions on government policy. An outstanding negative effect or what the mass feel directly is

²⁰Refer to North, Douglass (1994:182).

²¹Refer to Kratochail and Ruggie (1986).

²²Refer to Weber (1978:52, 333–337, 941–947), and Parsons (1951:136–150, 153–157).

²³Peters (1999:6–12) summarizes four characteristics: legalism, structuralism, holism, and historicism and normative analysis. “Their analysis was concerned with how (their) contemporary system was embedded in their historical development as well as in their socio-economics and cultural present.”

inequality or injustice created by corruption. Equality means equal opportunity and equal reward for similar work in the social competition. Corruption destroys the fair competitive mechanism and creates inequality. First, corruption may facilitate the flow of information which is important to the third party. Second, the third party may exert influences on the agent who plays a critical role in decision making, such as recruitment or contract approval. Third, more generally, agents gain interests in an unacceptable way, which is unfair to all other social members who get rich in an acceptable or legal way. Fourth, not all corrupt officials are caught in corruption control. Some are lucky enough to get away; some are protected from prosecution. In other words, not all corrupt individuals receive the same treatment, which is unfair too.

2.1.4.3 Benefit

All preceding definitions agree on the interest incentive of corruption. Needless to say, all corruption entails private or collective benefits for the officials. Benefits can be instant or latent in the long run. Benefit can also be monetary or status, employment, or freedom during war. Benefits may be acquired by agents and may also be provided by bribe-giver. Both the bribe giver and bribe receiver can get benefits from the corruption process. Not only parties involved in the corruption benefit from it, but also the corruption control party such as national leaders or government. Gillespie and Okruhlik (1991) did a systematic study on corruption cleanups. They find that corruption “cleanups are political instruments which may be used to achieve several objectives: to de-legitimate the previous regime, to purge opposition, to manipulate the political agenda, or to decrease the incidence of corruption and thereby legitimate the current regime” (Gillespie and Okruhlik 1991:82).

2.1.4.4 Moderations

All agents in specific position are able to be corrupt, but not all of them are corrupt. Even though agents at similar positions are corrupt, the degree of corruption and the forms of corruption are diverse. Why is there such a difference? A key reason is that the moderation exists in the corruption process. There are many moderation factors, such as age, gender, conditioning structure, check and balance system, personality and so forth. Moreover, in different cultures, the above factors weigh differently. For instance, age plays an important role in Chinese culture. Chinese officials retire at the age of 60. Some officials who used to be “clean handed” begin to be corrupt at the age of 59 because most of their social resource will be gone one year later. It is called the ‘fifty-nine phenomenon (五九现象).’ Most of anti-corruption strategies start from moderation.

2.2 Cause Analysis

Most of approaches presume that

a social problem exists as an objective condition or arrangement in the texture of a society. The objective condition or arrangement is seen as having an intrinsically harmful or malignant nature standing in contrast to a normal or socially healthful society. In sociological jargon it is a state of dysfunction, pathology, disorganization, or deviance. The task of the sociologist is to identify the harmful condition or arrangement and to resolve it into its essential elements or parts. This analysis of the objective makeup of the social problem is usually accompanied by an identification of the conditions which cause the problem and by proposals as to how the problem might be handled (Blumer 1971:300).

Gary and Kaufmann (1998:9) also point out, “corruption is widespread...not because their people are different from people elsewhere but because conditions are rip for it.” Scholars have been doing their best to study the external “conditions” for corruption. Having analyzed the objective nature of the social problem, identified its causes, and pointed out how the problem could be handled or solved, scholars believe that they have accomplished their scientific mission. From the very beginning of research on corruption, scholars have been looking for the causes of corruption. Scholars from different disciplines discovered different causes for corruption.

2.2.1 *Economic Approach*

The economists claim that an incomplete and obstructed market, rather than the market, is the real culprit. They argue that a genuine and full-fledged market, which is based on fair exchange and equal competition, opposes diametrically to what corruption stands for. After China transforms herself from a planned economic system to a market economic system fully, corruption will diminish gradually with loopholes and discords removed and better coordinated. They argue that state power still plays a role in economic activities and resource allocation in transitional economy. The dual track system is always used as an elaboration. With reduced influences from government or officials, economic activities will be more “clean.” Therefore the institutional changes in economic system are necessary for the anticorruption.

2.2.2 *Political Approach*

Political scientists advocate that an irrational political system is the real drive behind corruption. Government or officials have excessive power and this is handy in officials’ rent-seeking. It is argued that the absence of checks and monitoring in

the political system causes corruption. The lack of transparency in administration and democracy, sectarianism, favoritism, and underdevelopment of interest representation are identified as the causal factors in corruption. Decentralization and over-centralization are also paid attention to by political scientist. Wade (1997) argues that over-centralized top-down structure was responsible for corruption in India, while Brueckner (1999) claims that corruption was more likely to be a problem among local governments due to decentralization. Huntington (1968) generally argues that modernization causes corruption.

2.2.3 Sociological Approach

Inequality is a classical topic in sociology. For sociologists, inequality is always in favor of the rich or the ruling group. As Glaeser et al. (2003:200–201) state, “inequality is detrimental to the security of property rights, and therefore to growth, because it enables the rich to subvert the political, regulatory, and the legal institutions of society for their own benefits.” In the same vein, sociologists always pay attention to the role of inequality in breeding corruption. You and Khagram (2005) argue that “the rich, as interest groups, firms, or individuals may use bribery or connections to influence law-implementing processes (bureaucratic corruption) and to buy favorable interpretations of the law (judicial corruption).” Uslaner (2005) further explores the way inequality cultivates corruption:

(1) leading ordinary citizens to see the system as stacked against them; (2) creating a sense of dependency of ordinary citizens and a sense of pessimisms for the future, which in turn undermining the moral dictates or treating your neighbors honestly; and (3) distorting the key institutions of fairness in society, the court, which ordinary citizens see as their protectors against evil-doers, especially those with more influence than they have (Uslaner 2005:17–18).

Where does inequality come from? The orthodox Marxist argues that corruption is rooted in power relations rather than production relations. The exploitation within the system is the dynamic of corruption. It can be even applied to socialist China on the basis that “some officials utilize public power to exploit economic gains just as the capitalist class’ economic dominance leads to money dominance in politics” (Sun 2001:256).

2.2.4 Cultural Approach

Culturalists argue that certain local culture is responsible for rampant corruption. Tanzi (1995) argues that firms in some countries are culturally less or more inclined to have arms-length economic relationships, which in turn may lead to more ingrained corruption. Non-protestant culture, colonial heritage, Confucianism, and

feudal values are also blamed for corruption. The selfishness and emphasis on personal relationships in these cultures are claimed the key unit influencing peoples' behaviors.

2.2.5 *Criticism*

The above causal analyses do provide insights on the reason of corruption. However, they face different limitations.

I categorize the causes into three groups: pre-corruption, in-corruption, and after-corruption. The pre-corruption category focuses on the institutional structure or cultural units which induce corruption. These factors are either opportunistic to officials or deterministic to corruption, and they exist before corruption happens. That is why I call them pre-corruption factors. These arguments are made very general and at the national level. Decentralization, SOE reform in China, limited social resources, human nature, guanxi (network and obligation), underpay of functionaries, and so forth are the most common ones accused for corruption. However, these factors are weak while explaining the difference of cleanness of governance in various societies which share the same features. For example, Confucian culture (guanxi 关系 and renqing 人情) is shared by mainland China, Hong Kong, Japan, Singapore, and Taiwan, but Hong Kong and Singapore are ranked the top clean governments among the world. Given so, can we still blame Confucian culture as the root cause of corruption? The same dilemma happens to the decentralization too. The decentralization is a political process taking place across the world. Only a few is found to be corrupt together with decentralization. Democracy cannot guarantee a clean government either. Bangladesh is a democratic country, but it is notorious for the rampancy of corruption. Autocratic government does not mean corruption either. China under dictatorship in Mao' era was famous for clean governance. Therefore, the interpretive capability of the pre-corruption factors is inadequate. In a second thought, there is no perfect system, no matter whether it is economic, political, or social; deficiency exists in all systems. According to the pre-corruption group, these deficiencies inevitably lead to corruption. In other words, corruption is an incurable cancer, but that is not the fact. We still have many clean governments on earth.

The in-corruption category stresses the working circumstance at the departmental level. The absence of check and balance in administration is found to be the real "curse". The transparency, self-discipline, and separation of levied fee account and department account are said to be effective in eradicating corruption. However, although China has reformed accordingly, there is no positive outcome. Obviously, there must be some other confounding factors behind it.

The third group is after-corruption category. This category analyzes at the national level. The focus of this group lays in the measures after corruption happens. How to fight corruption effectively is their top concern. An irrational judicial

system is always the most concerned factor. However a rational judicial system doesn't guarantee clean governance.

All the above causes may be able to explain corruption in a specific country, but all of them fail to interpret the corruption across-countries. There must be other confounding factors staying behind them. This study is planned to find those factors.

2.3 Suggestions for Anticorruption Measures

2.3.1 Previous Theoretical Suggestions

Having researched the causes of corruption, various scholars also try to find effective anticorruption measure. The suggestions are based on the researchers' perspectives and the causes of corruption in their eye. Establishing an efficient and independent anticorruption system, for scholars (Clark 1987; Holm 2000; Doig 1995; Klitgaard 1998; Segal 1999), is a prerequisite for anticorruption, especially when Hong Kong, Australia and Singapore succeeded with it. Ades and Di Tella (1996), Goel and Nelson (1998), and Gurgur and Shah (1999, 2000) proved that judicial independence could reduce corruption significantly. Legal scholars therefore suggest reduced government control over the judicial system. Some countries, particularly developing countries in which functionaries' salary is low, tried to curb corruption by raising public sector's wage. Singapore and Hong Kong succeeded with such an improvement. Political scientists (Shackleton 1978; Dobel 1978) suggest diffusing authority, expanding access to political process, and administrative reform. Although it is controversial, reducing public sector size is a suggestion too. Elliot (1997) finds a negative relationship between budget size and government, but Tanzi and Davoodi (1998), LaPalombara (1994), La Porta et al. (1999) find a positive relationship between reduction in public sector size and less corruption. It is found that larger public sector and more involved government are associated with more opportunities for corruption. They, therefore, suggest allowing market forces to operate unencumberedly (See also Macrae 1982). Kaufmann and Sachs (1998), and Gurgur and Shah (1999, 2000) consider citizen participation is also important in the fights against corruption. A rational civil servant recruitment and promotion system is also thought to be useful in curbing corruption (Rauch and Evans 1997). Gurgur and Shah (1999, 2000) report a negative association between financial accountability and corruption. Improving financial accountability is therefore an important suggestion for anticorruption. Suggestions from some other economists are to reduce expected gross benefit, reduce number of transactions, increase the probability of paying penalties, or increase the magnitude of penalties (Huther and Shah 2000). Brunetti and Weder (1998) find that freedom of press is negatively correlated with the level of corruption. It is argued that an open press can serve as a threatening weapon against corruption. Rauch and Evans (1997) consider

moral character and quality of government officials are a noteworthy determinant of the extent of corruption. Their study shows that cross-country corruption ratings are statistically significantly related to the way civil servants are recruited and promoted. Therefore they suggest emphasizing the meritocratic recruitment, meritocratic promotion and security employment. Needless to say, all these suggestions (societal, legal, market, and political) are based on scientific researches, and provide intriguing proposals for anticorruption.

2.3.2 *Criticism*

However, all these suggestions have not caught the nature of corruption and therefore failed to offer a plan which can cure the disease of corruption completely. At least, those suggestions have not worked for post-reform China very well.

China made numerous changes after the Reform and Open Policy in 1978, such as simplifying administrative processes, formalizing legal systems, modernizing judiciary structures, and increasing the independence of the judiciary. While not explicitly targeted at preventing corruption, it is true that improving managerial skills, simplifying and clarifying procedures for case-management, and enhancing the transparency of and access to judicial information contributed to reduce corruption and discretion (De Asis 2000:15). Some bureaucratic reforms aimed at reducing opportunities for officials also helped to curb corruption. For example, administration fee or fine used to be collected and spent by the same department, but now fee collection and spending are separate. That means the fee collected will be deposited into a separate financial account, while the department in need of budget has to apply for it. However, the collateral effect of curbing administrative discretion and reducing bureaucratic corruption is very limited. Both the external report and internal report suggest that corruption is a serious social problem in post-reform China.

The limitedness of effect may be due to the previous definition, causal analysis and perspective which miss the essence of corruption. Theoretically, it is implausible to perfect administrative system. There are always loopholes or possibilities of discretion in all systems such as

the issuance of license, permits, quantitative import restriction, passports, customs and border-crossing documentation, and banking license, the implementation of price control, the blocking of entry to new firms and investor and the provision of monopoly power, the awarding of public procurement contracts, the granting of subsidies, soft credits, tax exemptions, and inflated pension and the allowing of tax evasion, the imposition of foreign-exchange controls resulting in multiple exchange rates, the over-invoicing of imports, and the flight of capital, the allocation of real estate, grain storage facilities, telecommunications, and power infrastructure, the discretionary application of socially desirable regulation such as those that apply to public health and the environment, and the maintenance of obscure or secret budgetary accounts as well as other 'leakage' from the budget to private accounts (Kaufmann 1997:123).

Given that government cannot clear these loopholes completely; they cannot be free of corruption as a result. Moreover, the new economic forms and subsequent new forms of administration come out as societies develop. Again, the new administration cannot be perfect. Officials will always find out its defects and use it for personal gains. That may be the reason why Lord Acton says power tends to corrupt and absolute power corrupts absolutely.

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