



Economic Reform and Corruption in China

by Leo Goodstadt

When the Chinese Communist Party first came to power, one of its most important claims on the nation's support was the promise of clean government. Major campaigns were launched in the 1950s. The best-known were the san fan and wu fan movements which tackled corruption, waste and abuse of power within the Party's own ranks as well as in economic undertakings ("Review of the 'three-anti' and 'five-anti' Campaigns" Hong Qi 4/1975). During the 1960s, the Cultural Revolution had as a target bureaucratic privileges, corruption and abuse of power. In the 1970s, the downfall of the "gang of four" was followed by denunciations of their followers for personal corruption and abuse of power. Since 1980, the eradication of corruption has been a major theme in both economic and ideological campaigns. But this long-standing problem has become of acute significance since the Party Plenum convened in October 1984 because of the "new evil practices" which the authorities have uncovered in the wake of the economic reforms which the Plenum endorsed.

The phenomenon of the survival of corruption under the Chinese Communist Party raises several questions of interest not simply to China itself but to the Third World in general. The most obvious is the persistence of corrupt practices. Even where a long history of official campaigns and well-published punishment of corrupt officials exists to act as a deterrent to future abuses, memories seem short. Past campaigns to weed out the corrupt appear to have little influence on the conduct of today's officials. The second question is why the public is so tolerant of flagrant abuses and why the Party seems unable to act as a watchdog to warn the authorities that corruption is reviving. The disregard of any danger of being denounced to the authorities for malpractices is seen very clearly in many of the cases that are eventually publicised.

The Minister of Light Industry, Yang Bo, has made a self-criticism which showed that he was ready to abuse his privileges of office quite openly, (cf. Renmin Ribao 31 Jan 84). At the local level, similar behaviour has been reported from many places which shows that officials openly arrange illegal transfers for family members, for instance, or unlawfully occupy domestic accommodation (e.g. Fujian Ribao 21 Jan 84 on Putian Prefecture; Xinhua News Agency 26 Oct 84 on Beijing). Nothing could be less easily concealed from the local community than the arrival of new urban residents or the status of an official's home. Despite repeated instructions to eliminate such practices issued by the highest State and Party authorities, each new inspection of the bureaucracy uncovers further examples of such malpractices.

But China's experience of corruption since 1984 has raised an entirely new question for the nation (though an issue which has been much debated elsewhere): does the process of economic growth itself create corruption? From a Third World government's viewpoint, can radical economic reforms be introduced without undermining the traditional conventions and restraints that have previously limited the level of corruption within a society? It is quite easy to develop a model which seeks to link economic growth, modernisation and corruption in terms of the switch from a subsistence agricultural economy to a profit-motivated community where the village or family is replaced as the economic unit by the individual. The rapid transformation of social institutions, the erosion of traditional values

and the aggravation of ethical confusion can also be taken into account.

The Chinese situation cannot be so easily dealt with. The latest upsurge in corruption has occurred at the end of a relatively cautious period of economic reforms. Although the policies introduced for both agriculture and industry since 1978 have had considerable impact, they have been far less traumatic than the Great Leap Forward and the Cultural Revolution. The post-1978 measures have not been introduced in the midst of political or economic turmoil. Furthermore, the "new evil practices" represent the abuse of official position and power not just by the individual bureaucrat but by large numbers of official organizations. In other words, this corruption is not so much private enterprise by the bureaucracy but a corporate endeavour by a host of units and departments within the State and Party administrative machines, together with the PLA (People's Liberation Army).

When the Chinese Communist Party Plenum had completed its work in October last year and issued a blueprint for further economic reforms, the Party leadership anticipated opposition to its latest decrees. Party General Secretary Hu Yaobang predicted that in all probability "the resistance will come first from some comrades of the central departments and the leading organs concerned of various provinces, regions, prefectures and cities, especially the economic work departments". Hu explained that officials would find it hard to jettison their old work style and practices and to adopt policies appropriate to the Party's demands for reforms (Xinhua News Agency 28 Oct 84).

The contrary turned out to be the case. Within less than a month, the authorities were alarmed to find that the bureaucracy had committed itself too sweepingly to the proposed reforms. Heilongjiang province provides a typical summary of what had to be denounced by provincial and local administrations during November of last year. The economic reforms were used as an excuse to pursue profits at all costs; bonuses and benefits in kind were distributed without authorisation; officials were given crash promotions and unlawful housing (Provincial Radio 22 Nov 84). Hunan province described "a very small number of state personnel...

taking advantage of certain loopholes and weak links in the course of reforming the economic structure to go in for business and buy up state materials in short supply and resell them at inflated prices" (Provincial Radio, 28 Nov 84). Examples could be multiplied from every part of the country and every type of organization.

The surprising features of this development are the speed of its appearance after the Party Plenum and the call for more economic reforms, and the fact that corruption emerged on a national scale hard on the heels of the completion of the first stage of the Party rectification campaign that had been in progress for a year. One official suggestion was that the desire for economic reforms was used as an excuse not to investigate abuses during the Party Rectification drive (Commentator Renmin Ribao 28 Oct 84). The Party leadership incorporated a crackdown on "new evil practices" into the second stage of the Rectification movement, with the admission that "the evil practices emerge under the complicated situation of 'reform' and 'enlivening the economy' and are not instantly recognisable" (Xinhua News Agency 12 Jan 85).



The Chinese Communist Party Central Committee moved rapidly to halt abuses. A primary target was to reverse the moves made by officials and enterprises to go into business. A ban was published on the participation of officials in business activities but proved difficult initially to enforce since those involved took the line that economic reforms involved the "relaxation" of the strict regulations of the past (Xinhua News Agency 6 Dec 84, Commentator Renmin Ribao 19 Jan 85). Such practices as illegal taxes and levies (Shanghai Renmin Ribao 3 Jan 85), unlawful seizure of rural collectives' assets (Cong Xiyin and Zhou Yichang, Xinhua News

Agency 6 Dec 84), speculation in scarce commodities (Shanxi Renmin Ribao 4 Feb 85) were examples of old criminal activities which were apparent once again after October 1984. The new ingredient was the overt commercial activity of officials and state organizations.

In Liaoning province, for instance, wide publicity was given to "some ninety cases of irregularities involving leading Party cadres". The official account for foreign consumption claimed: "These officials were found to have initiated various kinds of commercial undertakings in the cities or organizations under their control in which they served as 'chairmen or members of the board'. Using their power and influence, they make large amounts of money from these 'enterprises', which they then distribute as so called 'employee benefits' among members of their own organisations" (China Daily 30 Jan 85).

In Fuzhou Military Region, "180 production enterprises and undertakings, some of which were purely engaged in business transactions" were created in 1984. A considerable proportion are alleged to have engaged in illegal activities which include fraudulent bank accounts and black marketeering. From September 1984 to January 1985, 19 of these enterprises "have made a profit of RMB3.6 million in business transactions through various channels". The military authorities decided to close them down with the result that "14 signed contracts worth over RMB8 million have been cancelled" (Huang Mingshan and Qiu Chengbin Renmin Ribao 3 Feb 85). These activities involved considerable sums both in the size of transactions and the profits to be earned.

Wuhan municipality found itself compelled to take action over a literary publication, Zhonghua Wenxue, which "speculated in state commodities in short supply". The magazine's circulation department was set up in August 1984 and hired eleven State and Party officials as "advisers". "The Public Security Section of the Wuhan Municipal Public Utilities Bureau contributed RMB20,000 to become a shareholder and receive dividends" (Xinhua News Agency 2 Feb 85).

The force of the PLA example from Fujian and of the Public Security organ example from Wuhan is that they show organizations being swept into unlawful practices even though

both bodies are not directly commercial in nature, and so these disciplined bodies cannot be described as having been tainted in any way by a switch to concern with profits or through contacts with foreign capitalism. We cannot tell, however, whether bodies such as these pursued commercial goals because of what they perceived as inadequate allocations from the state budget or because they felt that political power today must be based, in part at least, on involvement in commercial, income-generating activities.

Another factor is the date on which these activities started to mushroom, probably around August (to quote not only Wuhan above, but other instances such as Hainan Island Radio 8 May 85), when the first stage of the Party rectification campaign was winding down (Ding Shiyi Xinhua News Agency 28 Aug 84). The advent of a new stage in that drive seems to have been viewed as a signal that control over economic and related activities would slacken.

Senior Party personnel determined to engage in commerce might well have felt that the chances of getting into serious trouble were relatively small. A complaint from Guangdong province this year was that officials abusing their power were quite untouched even by newspaper exposes of their misdeeds (Yancheng Wanbao 26 Jan 85). Furthermore, inspection teams dispatched by the Party have been bought off in the past (e.g. Zhejiang Ribao 6 Aug 83, Xinhua News Agency 2 Jan 85). And officials have a very persuasive reason, in any case, to gamble on improving their living standards in defiance of the law and Party policy. As Hu Yaobang has noted in this context, cadres' pay needs to be raised, nor can they be expected to live as "ascetic monks" when earnings all around them are increasing (Li Shangzhi and Zou Aiguo, Liaowang 7/1985, 18 Feb 85).

So close to events, it is not possible to come to any final conclusions about this special flowering of venality and disregard for economic laws after October 1984. But the phenomenon seems to have had certain special features of its own not observed in previous official drives against corruption and abuse of power. While official Chinese commentators reject any suggestion that economic reforms were the cause of the abuses, they were undoubtedly closely associated with the Party Plenum's reform package.

Quite possibly, officials and their organizations were planning commercial ventures as the Party Rectification campaign changed gear in the late summer of 1984. The Plenum's reforms gave the opportunity for these undertakings to proliferate unashamedly. The explanation must lie to some extent in the Plenum's own blueprint. It called for a host of new initiatives to modernise the urban sector of the economy, reform the wage structure and rationalise prices. The precise strategy for achieving these goals was left extremely vague (see Tripod 24, 1984, pp. 57-63).

Call for further reforms whose implementation seemed to be left to local initiative must have served only to encourage officials and state organizations to seize their commercial opportunities. Furthermore, the lack of precision about how the scheduled economic reforms would be implemented pointed to a lack of political assertiveness at the centre, which lower echelons of the hierarchy were prepared to exploit for local or personal advantage.

