

China vs. Itself. The Perpetual War Against Corruption

Charles Bingman

1. Introduction

The compelling task of the ruling Chinese Communist Party (CCP) after the disasters of the Maoist regime was to reform both the economy and the instruments of government toward a set of far more effective institutions. Chinese governments and indeed all of China's society had been perverted by the commune movement so that it was not until Mao died in 1976 that the successor political leadership could safely begin a purge of government structure, procedures and workforce. The CCP finally realized that it had created a monster – truly the worst government in the world. One of the great truths for the Chinese people is the fact that, whatever their dissatisfactions with their current government, everything – everything – was far worse under Mao.

The Maoist mess existed at all government levels: national, provincial, township, county and municipality. Three things were critical: first, the amateur apparatus of communes, collectives, work brigades and so forth had quietly to be dismantled with a minimum of political turmoil. Second, thousands of local governments had to build up sturdier and more professional local administrations, capable of taking on a far more complex range of public responsibilities. But this had to be accomplished in a country in which few had an adequate education, and more than 80% were still illiterate. Third, the whole financial system of revenues, expenditures and management of the flow of funds had to be gotten under control.

These are the most serious forms of government corruption:

- Special interest politics
- Government contracting

- Government property lease or sale
- Customs fees for both imports and exports
- Tax system, with many types and levels of taxation
- Budget earmarks and set asides
- Abuse of the power to authorize expenditures
- Bribery – sought and paid
- Populism – government largess to seek support and to buy votes
- Overblown and false financial charges from government
- Fraud, kickbacks
- Theft
- Redundancy in employment in government agencies, state owned enterprises, and contractors
- Extortion: by police, regulators, judges, politicians
- Rakeoffs of false or excessive profits from government business

After Mao, the structures of all Chinese governments had to be thoroughly reorganized from top to bottom to eliminate hundreds of thousands of obsolete, useless, dysfunctional and incompetent collectives, communes, “struggle groups” and other strange units and activities. The first wave of such structural reform was initiated in the early 80s and still continues, and it was justified politically because the Maoist structure was horribly inefficient, and because it could be argued that it was no longer necessary to “guard the revolution”. The shift to a market economy meant that whole ministries that controlled sectors of the economy (e. g. Coal, or Electric Power, or Machine Building) were now obsolete and redundant and could simply be eliminated, or folded into a general organization called

the State Economic and Trade Commission, which dealt with policy and not operations. Structural rationalization in turn justified and facilitated the purging of the public workforce, keeping the competent where possible, but weeding out the uneducated, ignorant, or totally inexperienced. Another crucial principle of reform involved a total shift from the communist/socialist philosophy of “cradle to grave” government to place more emphasis on individual self reliance-- and thus less reliance on government. This Maoist monster lacked almost any effective management controls, and it continued to be driven by the active efforts of both politicians and managers to perpetuate and enlarge their empires and steal from the public purse. In addition, this monster bureaucracy was also effectively in charge of another monster – the thousands of state owned enterprises (SOEs), a high proportion of which were running at deficits, and most of which were hot beds of corruption. Faced with these prodigious problems, it became politically attractive simply to deny responsibility for them. Both individuals and institutions like SOEs and local governments were being told to practice self reliance.

2. Excuses to justify corruption

A disturbing number of governments in the world are bad: they are corrupt, tyrannical, incompetent, or destructive. Authoritarian, self-serving leaders misallocate national resources, steal elections, terrorize citizens, and line their own pockets. Social programs are neglected, and the will of the people is ignored. Thus, corruption has many meanings, and it becomes far more widespread and poorly resisted in bad regimes. Democracy and the rule of law are denied, and pathological activities are made legal. Regulations, instead of protecting the public, become instruments of tyranny and petty bureaucracy.

How do these things happen? Why do governments become pathological and corrupt? Lots of people have invented lots of excuses to “justify” corruption, or explain it away. Here

are some of the most popular.

1. “Corruption is a way of life; it has been ‘built in’ to the culture.” Some countries/cultures are victimized by such widespread corruption that it is interpreted to be part of the culture, and therefore somehow acceptable. But in a deeper sense, it is clear that no society in history has really endorsed corruption; all consider it wrong; every religion or secular philosophy condemns it; and the laws of most countries make it specifically illegal. So the “way of life” argument is merely a feeble rationalization when tested by these broader societal views.

2. “Everybody does it; how can you stop ‘everybody’ “? But it is not true that everybody does it. Most people are remarkably honest, hate corruption, oppose it where possible, hate to be its victims, and will support anti-corruption efforts.

3. “Corruption has its advantages”. This kind of argument has been advanced by both political scientists and corporations. The corporations argue (especially around tax time) that bribery is a necessary business tool to avoid bureaucratic process and help to gain business. Corruption is often seen as cheaper than complying with laws and regulations and business people argue that “if we don’t bribe corrupt officials, our competition will.” Political scientists may have given up, decided that corruption is inevitable and therefore is justified to get the bureaucratic apparatus to perform. But the wheels do not have to be greased; most government programs can and do function well without the grease of corruption, and accepting and using corruption simply encourages more of it.

4. “Fighting corruption is too expensive and difficult”. Where corruption is widespread and systematic, the means to eliminate or reduce it become so difficult and expensive that governments begin to believe that they cannot afford to eradicate it. But the cost of corruption exceeds the cost of reduction many times over; a corrupt government is never a “cost-effective” government, nor is it serving

the public interest. Desperately scarce public funds are diverted into the bank accounts of cynical crooks, and vital public programs see their money stolen.

5. “In a truly representative government, democratic practices will cause corruption to disappear”. Corruption can exist even in a truly democratic government. Hopefully, one of the adjuncts of a truly democratic government will be openness, transparency, lots of watchers, and managerial measures to fight corruption. But these means must be deliberately cultivated and will not happen spontaneously because a government has the democratic apparatus.

6. “In a truly market based economy, the forces of the market place will cause corruption to wither and die”. Corruption is perfectly capable of flourishing in a market economy because a market economy can contain pathological forces which find corruption useful and profitable -- just as it does with straight crime, or “cheating.” When corruption becomes a means for the allocation of business/resources, it ceases to be a “market” economy, and becomes something else. Bribery provides a way to beat competitors who may have better skills or lower costs. The costs of the bribes becomes built into tax deductible business expenses, and is another form of tax on citizens, while being essentially free for the corruptors. Currently, only the U. S. makes bribery of foreign officials a crime.

7. “It is not clear exactly what ‘corruption’ means”. This suggests that governments can’t really take full measures to oppose corruption because there may be grey areas or areas of legal uncertainty as to what is wrong and what is not. But in most cases, what is corrupt/pathological in government is much the same as what is seen as corrupt/pathological in society and there is a broad range of known corrupt practices that can be attacked immediately without waiting for the perfect legal certainty. If it is not certain whether some kinds of activities are corrupt or not, then specific legal actions are available to make that determina-

tion if there is the guts to do so.

8. Corruption is a way to get even; for starvation wages, for failures of public services, for lives of desperation. “Steal or starve”. But this does not cure the main problems, and may just make them worse.

9. The needs of family/clan/tribe are top priority and must be served even at the cost of violating somebody’s rules about what is right. So the dumb nephew gets a job illegally, and the brother gets the illegal contract. According to Smith (p85), “ – the immediate interests of assisting family, friends, and allies usually trump a more abstract awareness of what might be in the best interests of the larger society.” Family/friends, “*Kinship--- loyalty – reciprocity.*”- - are far more important than what is seen as an impersonal, unsympathetic, corrupt and often inefficient bureaucracy. Further, the squeeze placed on civil servants by insufficient and delayed salaries, rapid inflation and the rising costs of family life create immense pressures to be corrupt. In addition, many government offices are deliberately understaffed and underfunded by politicians who can then claim “fiscal prudence”. Finally, many see even this questionable system of patron-clientism as breaking down because the patrons are abandoning their sense of obligation and are turning to simple overwhelming greed.

Obviously, even with this change of policy, the bulk of China’s institutions remained under the control of the CCP and the central government, but control was to be exercised in less direct and more subtle ways. The ownership of land was retained by the government, and control of land use is one of the most powerful control tools of local government, as well as one of the most profitable. The government has also fully appreciated the powerful leverage that can be exerted through regulation. Public regulation is usually justified as necessary to protect public health and safety, and indeed it serves that purpose. But if the government is bent on the preservation of its power, it quickly realizes that new regulations

represent new power. Land use regulations allow the government to control who uses government land and for what purpose. Environmental regulations can be used as a weapon to control private industry. Banking regulations extend the power of the government to manipulate lending practices.

Why is corruption so all-pervasive in China? To begin with, corruption has a long, long history, including the whole modern era from the latter stages of the Manchu dynasty in the late 1900s, through the failed republic up to WW II, through the unbelievably destructive Maoist era and right up to today which means that the Chinese people have never seen a government that was not corrupt. Public officials have no recent history or solid grounding in the ethics of public service. Their prevailing framework has been to obey orders from the top, curry favor, never get out of line, go along to get along in order to survive. Nobody has really been pressing the view that laws should adhere closely to the needs and desires of the people and their views of what is proper in society instead of the views of the Party. Because career public officials are not valued, salaries and benefits have been notoriously poor, and officials learned that the good things in life were not going to come from government generosity. Every day, everybody rubs up against others who are experts on corruption, and corruption is seen as a high and valued skill.

Corruption all too often starts at the top. Senior politicians, heads of state owned enterprises, heads of local governments, contracting officials, financial controllers, senior police officers, inspectors and auditors are seen to be corrupt. Thousands of cases over time reveal the universal application of the skills of corruption. To be honest is to appear to be timid or slow witted. Therefore, when politicians rail against corruption, they are seen as hypocritical liars.

Corruption is simply too profitable, and paradoxically, this is especially true in a poor country. It is clear now that the controls of the CCP over their State Owned Enterprises have

been woefully inadequate (often deliberately) and they have consequently become havens for pathological practices and failed management. The CCP and central government has placed impossible burdens on provinces, townships, and cities, but they have refused to allow them the means to finance these burdens. Under the pressures of inadequate funding, many local government officials engage in “legal” corruption. They will strip assets out of SOEs and sell them. They will offer government contracts to the highest briber; they will enter into illegal land leases, engage in smuggling, or charge fake fees to generate revenues. These officials are using public taxes to invest in business enterprises both legal and illegal, and while most of the profits flow back into public enterprises, some percentage of the revenues manages to end up in private bank accounts.

3. The Chinese government: unyielding top down control

The theology of state socialism has proved to be the ideal intellectual and operational justification for centrist, top down control. The whole structure of government was designed to exert this control from top to bottom. The CCP established a second parallel “government” at all levels. Down the hall from every provincial governor was the office of the provincial Party chief. Down the hall from every city mayor was the Party chief. The heads of most local governments at all levels were selected and appointed by the CCP. The system required a strict upward reporting relationship in every aspect of government. Not only did local government leaders report upward, but, for example, budget officers at the city level reported to budget officials at the county level who reported to the budget officer at the provincial level, who reported to officials in the national government – who reported to the CCP. The enormous array of State Owned Enterprises (SOE) were all headed by officers appointed by the Party. A series of cross-cutting agencies, commissions and bureaus exercised large and unspecified authorities. The

result has been a massive bureaucratic complexity which results in confusion, delay, mismanagement and high cost.

In addition, a large number of “mass organizations” were created and controlled by the State such as the All China Federation of Trade Unions, the Communist Youth League, the All China Women’s Federation, and many more. These were largely financed by the central government at great cost, for control purposes and to fend off genuinely independent organizations. Also there have been about 1.3 million “affiliated organizations” established such as industry associations, research institutions, universities and other schools, media organizations, publishing houses, social services organizations, hospitals, engineering “companies” and many others. These organizations have included many service entities such as accountants, lawyers, training centers, auditing firms and more. In total, these organizations employed just under 30 million people, most of them overseen by local governments.

Very importantly, Chinese officials at all levels of government have gotten involved in industrial and commercial development by creating enterprises and making public investments. This did indeed stimulate the economy, but created powerful interests that profited from incomplete markets, faulty regulations, and political interventions. Most of these development enterprises have the power to raise money, and they have undertaken huge mounds of highly questionable debt. It’s as if the referees and guardians have turned into players.

Note that the corrupt officialdom that had functioned under the old command and control system turned smoothly and quickly to become corrupters under the new market system. There has been extreme difficulty in changing the mind set of the old holders of power, for both legitimate and perverse motives

The long history of bad government and the weakened capacity of Chinese governments at the local level have fed the growth of cor-

ruption. The commonly accepted attributes of good government discussed below are also among the strongest ways to prevent or mitigate corruption, but it is often the CCP itself that is the force that has prevented the introduction of many of these good government approaches.

The CCP has created an added element of widely recognized hypocrisy when it attempts to declare itself to be blameless, and attempts to shift the blame for all corruption somewhere else, preferably onto local government officials. Yet in a government where the CCP has exercised dictatorial control over everything for almost 60 years, few can really believe that it did not instigate and benefit from these corrupt activities. The CCP certainly knows what the attributes of good government are. In some cases, they may concede the need for some level of acceptance of these attributes over time, but often, the appearance of change is as good as change itself, and the CCP has been skilled at permitting as little real change as possible. The whole intellectual base of thinking of the CCP and most government officials remains anchored on centrism, power retention and control. It seems very hard to instill the concept in the minds of the political leadership that laws should be aimed at the facilitation of people’s needs through empowerment, rather than a base of laws that restrict, constrain and prevent.

Will the CCP survive in its present form? Even more seriously, will the Peoples Republic survive in its present form? If not, why not? Remarkably, “both Hu Jintao, the former president, and Xi Jinping, the current one, have recently issued dire warnings that corruption could lead to the collapse of the Party and the State.”

4. What drives corruption?

It has been argued that not everything that is corrupt is necessarily illegal or immoral. It is useful here to introduce the concept of government pathology. Every form of government ever invented has proved highly vulnerable to

pathological behavior. In the dictionary sense, pathology is defined as conditions of abnormality and/or deviations from propriety, or the assumed normal state of things. Pathological means diseased. Thus, a pathological government is one that has become sick and malfunctioning -- based on some definition of what is healthy and normal. One of the diseases of pathological governments is corruption, which, at its simplest, is defined as performance of an illegal act in violation of duty, induced by improper means. In government, it involves deriving personal and private gain from the exercise of official duty, or acts by others to induce a government official to act illegally or improperly in violation of duty. Under this rubric, many policies and actions of governments may be legal, but nevertheless produce corrupt and dysfunctional outcomes, according to the most broadly accepted judgments of those outcomes applied by society. For example, many countries have passed laws which prohibit elections and/or permit only one political party. These laws are declared by their initiators to be wise and just, but by the judgment of most of humanity, they are pathological and corrupt.

Are their circumstances under which corruption is acceptable? Maybe four:

1. Where there is a framework of governance that is declared to be legitimate, but proves to be pathological. Consider the example of the Communist regime of more than seventy years in the Soviet Union, or the China under the rule of Mao Zedong, or many governments under the “divine right of kings”. People within these frameworks may see them as legitimate, while the rest of the world recognizes them as horribly wrong.

2. A support for a cause. Think perhaps about a potential government ruled by a fiercely fundamentalist Islamic leadership. Such a regime would be justified as the will of Allah, but, in the broadest of human terms, it would have the potential for pathology, stoutly justified and maintained, and history shows that such zeal overpowers the normal limits on ac-

tions which society hopes to experience.

3. A different sense of obligation. Governments make rules and insist that they be obeyed. But there are other “rules” in this world, and they may be seen as more compelling. As an example, think of people living in some country in abject poverty. They may decide to cheat a little, or steal a little in order to feed their children. They would have broken some “rules”, but obviously to them survival is the only rule, and they see government rules as the weapons of their miserable leaders. They have acted corruptly – but are they wrong? A poorly paid policeman accepts a bribe; a minor government official takes a kickback so he can pay the rent. The needs of family or tribe or community are seen as far more important than the harsh bureaucratic processes of a distrusted government. To survive is far more important than to obey the rules.

4. Incompetence. Running an honest and effective government is very difficult, and sadly, many politicians and government officials are not up to the task. But to be bumbling and incompetent, or inexperienced or ignorant may produce corrupt results, but they are not corrupt. On the other hand, if an official knowingly gives a job to his dumb brother-in-law -----! Many a business will tell tales about how they have to pay “speed bribes” to get some permit or approval.

Beyond this point, all other drivers of corruption are improper and intolerable. Here are the most powerful of these drivers.

1. Corruption as a contributor to the search for power and leverage. Some people are easier to buy than to persuade. Corruption can produce the money used to buy support and “loyalty”, please potential voters, influence organizations, block opposition, and swing elections. When large sums of money are needed, it is often faster and easier to steal it than to earn it. Loyalty here is meant in the sense of some degree of support for a ruling regime. The most “loyal” supporters are those who are inside of the ruling elite itself. The next level of “loyalty” is among people and organizations

who have influence and can deliver something the ruling regime wants or needs. The “loyalty” of most of the people is situational, and in many countries, irrelevant.

2. Greed. The yearning for self enrichment is almost universal, and very many people are more than happy to succumb. Greed works well at all levels of government, both from the top down and from the bottom up. Just as you can’t cure stupid, you can’t fully cure greed. The general public in a country usually regards greed as tolerable if legal, but highly immoral when violating public trust. Yet, there is a seemingly endless stream of those who are illegally and implacably greedy, and they are endlessly daring and innovative.

The worst organizations are those where the corruption starts at, or comes to involve those at the very top. When this is apparent, it seems to generate a contagion. People at the lower ranks begin to say “If them, why not me? If the top people can break the rules, then there really are no rules. They got theirs; now I’m going to get mine!”

A special aspect of the virtues of greed comes from dealings with international organizations, both public and private, who are willing to make grants or loans, to support other governments for both humanitarian and economic development motivations. This is often viewed as “free money” and the temptations to take advantage of some naïve motivations to fleece the unwary is usually irresistible.

3. Special interest politics. Most people assess governments in terms of their structural integrity and their body of laws, and yet reality often is that these elements are largely irrelevant. Some of the most corrupt governments in the world have beautifully crafted Constitutions, and bi-cameral legislatures, and elected presidents, and Supreme Courts, supposedly enforcing a body of formally enacted enabling legislation. But all of this can be, and often is, meaningless. Constitutions can be largely ignored. Laws may be blatantly violated, even by the governments that enacted them. The Rule of Law is never enough because the laws them-

selves can be corrupt and pathological, so to “obey the law” is to enforce pathology.

So what does drive the functioning of government? It is the ubiquitous influence of special interest politics. Whole governments, such as those of China, Indonesia, and the former Iraq, or the present Iran or Russia or Nigeria are largely the sum of all of the consequences of what special interests in the country can extrude for themselves out of the political system. Special interests are not designed to advance the general public interest, but to advance the narrow interests of some person or group. No government, not even the tightest of dictatorships, is free from this form of political pressure, certainly not the United States governments at all levels.

These special interests are not just private businesses. Special interest groups include advocates of civil rights, environmental protection, minority citizens, small businesses, school teachers, unions, the poor, illegal immigrants, lawyers, states, counties, cities, police, the military – in fact, almost everybody but “the general public.” These special interests seek money or preferment, or protection, or services or advantage over opponents.

It is not surprising then that reality is that a disturbingly large number of these special interest accommodations are seen as pathological and/or merely corrupt. In many countries, it is almost “normal” for special interest groups to trade money and other support for the ruling elite in exchange for lucrative and often illegal special treatment. Bribes are offered and accepted. Contracts are “swung”. Land acquisition deals are manipulated. Taxes are manipulated or forgotten. Debts are forgiven. Regulations are ignored. Unions and teachers groups are given advantages in the workplace. Local governments – states, provinces, counties, districts, cities, villages – are the winners of large grants of money. What is more, it is the serious ambition of special interest groups to get their preferment locked into laws which can be stoutly defended so that their advantage goes on forever.

4. Criminal involvement. Organized crime has morphed into politics and prospered, in many countries despite hundreds of thousands of police and spies trying to prevent it.

Another major way in which the Chinese government has sought to retain control of the economy is to continue the policy of state ownership and control of almost all land. This gives the government control of who is allowed to use the land, and thus it has control over the location and pace of development of housing, factories, businesses of all kinds, shopping centers, and various forms of transportation. As this form of government control was decentralized to provinces and municipalities, it quickly got out of hand, and became an evergreen source of corruption. All potential land users found that “who do you know” and “how much will you pay” had become the criteria on which land use permits were determined. The continued use of land also rested on willingness to continue some form of “kick-back” forever. In addition, public officials became dictatorial and perverse in throwing people off land holdings to make way for economic development, and there is now a rising tide of public indignation against such abuse, especially since the government often failed to provide adequate compensation or movement of displaced persons to other locations. Banks of course were part and parcel of these abuses. Government corruption often extended to forcing banks to lend to favored developers including local governments and SOEs, usually with totally inadequate security, and without regard to actual risk or asset quality. When it came time for the borrowers to repay their loans, they often declined to do so, and relied on their political allies to protect them. As a result of these practices, China’s banks have outstanding loans of in excess of 145% of GDP – the highest ratio in the world.

In addition, provincial and municipal governments played the same pathological game, often forcing banks to “lend” money to finance popular public infrastructure such as roads,

schools, sanitation facilities and public buildings. It is estimated that more than \$100 billion of illegal loans have been made, with very little prospects that local government will ever repay them.

5. The tyranny of regulation

One of the most perplexing arenas of governance is that of public regulation, which has been a “growth industry” in almost every country. Regulation can be one of the most valuable means by which governments deploy their power, to protect the public and to advance the common good. Almost every country benefits now from proper regulation of health protection, public safety, environmental protection, and modulation of the functioning of the economy. But regulation knows few limits; there almost no ground rules to define where regulations exceed reasonable limits and become instruments of oppression and petty tyranny. All regulations are forms of coercion, demand enforcement, and contribute to government power and control.

There are two types of government authority that are interlocked: regulation and administrative operating procedures. In most governments great care is taken to distinguish between the two since regulations are derived from laws and may themselves have the force of law. They usually involve serious enforcement powers including search, seizure, arrests and prosecution. Administrative procedures however are used internally in government agencies to direct administrative operations, and they can usually be changed freely when needed, and they are seldom enforceable by law.

The entire process of providing a stronger basis in law for government regulatory power must be considered in the context of the compelling philosophy of centrist control. Each new law creating regulatory authority is, in fact, an addition to the reach and authority of the government. While the power to regulate is growing, legal restraints on the arbitrary exercise of government power often remain

weak in practice.

Regulations can usefully be thought of in two groups - economic regulation, and health and safety or “social” regulation. In China as elsewhere, economic regulations have fallen out of favor since they tend to inhibit economic development freedom. In most countries, but not so much in China, health and safety regulations are a “growth industry” and have strong public support and popularity. But in China, preoccupation with economic regulations meant that many health and safety regulations have been neglected. However, the SARS scare and huge public disgust seriously harmed the government’s reputation and has led to new concentration on matters of public health.

Regulation has become one of the most powerful tools by which governments enforce their will. The power to regulate can be given to almost every government agency, and it is used to redirect institutional and individual behavior by defining what is prohibited and what is allowed. The proliferation of regulations is so great in some countries that nobody including those who write them and enforce them understands them all, much less understanding their consequences, which can be enormous. It is unsettling but illuminating to recognize how each regulatory authority can be made either pathological or corrupt or both.

These problems of destructive regulation are ubiquitous, and they are at their worst in China. Some countries believe that regulations can be used to simply force organizations to pay their workers more money, with no recognition of the economic realities of the organization. For example, a minimum wage regulation may be set so high that many smaller businesses can’t comply and are driven out of business or forced into the informal economy. Labor standards may require such exceedingly expensive compensation for released workers that companies avoid hiring them in the first place.

There is virtually no serious intellectual reasoning that helps to define the limits of regula-

tion. Almost nothing in society and life is unregulated, and nobody can say when it should stop and at what level. The basic questions are the hardest to answer: how safe is safe? How safe is safe enough? What, in society should be left essentially unregulated? When and why does regulation become excessive and pathological? For the regulatory mind, the answer seems to be Never!

Governments have proved universally and notoriously unable to regulate themselves. State owned enterprises and other government monopolies in China are far greater threats to public wellbeing than private monopolies ever were, and many are deliberately exempt from regulatory controls. Laws intended to protect the public are often drawn too broadly, giving too much room for perverse interpretation, and the abuse of power. Political leaders can and do violate even well defined regulations. Many regulations contain the power to allocate valuable resources such as land use rights or TV broadcasting rights, and this has proved to be an enormous source of corruption.

Each regulatory authority defined in some enabling statute has precipitated an inevitable wave of second and third level regulations generated by the responsible regulatory agency, so voluminous and complicated that nobody can understand them all. This allows politicians and bureaucrats to play the game, much favored in China, of “selective” application of the regulations they choose to enforce. Most regulations are highly technical and complex, and it very difficult to find a basis for challenging those that are felt to be unnecessary or perverse. This is the major source of power for the government interpreters of these regulations, and of potential corruption in governments. Once put into place, regulations tend to be “forever”, and even in moderate and respected governments, enforcement can be a very corrosive role since it is used to make people or institutions do things that they may not want to do.

There are no effective policy, political or even intellectual limits on the theoretical pow-

er of governments to regulate. There is such a thing as “the regulatory mentality” and there is a tendency for regulators to expand and extrapolate the range and depth of their regulations. Abuses of regulatory power have created a growing feeling that governments can and do go too far, and there are no effective means to limit the expansion of such power. Regulation is intensely bureaucratic: complicated, technical hard to understand, and often lacking adequate justification for its creation. Enforcement is usually costly and time consuming, requiring long time delays, and excessive paperwork. And regulations, once imposed can prove to be highly rigid, difficult to change, and almost immortal.

But most of the time, the power of the government is so strong that a pathological regime can easily use regulation as a form of tyranny designed deliberately to enhance its own power. It is also possible to avoid the consequences of regulations that would quash corruption such as prohibitions against bribery, influence peddling, money laundering, concealment of assets, extortion, malfeasance, misfeasance, and others.

6. China’s corrupted environment

Consider the judgments of official sources and expert opinions [1] both in China and from the outside, about China and the environment:

- Agricultural runoff is “the worst in the world”
- Soil erosion is “the worst in the world”
- Desertification is “the worst in the world”
- Air pollution: China is the world’s largest producer of carbon dioxide
- China has 16 of the 20 world’s most polluted cities
- China suffers from “the worst river water cessation in the world”
- The Yellow River is the most silt clogged in the world
- China is the world’s largest user of coal, the world’s largest producer of carbon dioxide, and acid rain falls in one third of the country

- Almost every river in the country is heavily polluted
- 25-40% of all mercury emissions in the world come from China
- Only 20% of waste water is treated
- In the last half century, 332 Chinese dams have failed, including “the worlds worst dam disaster” – the Banqiao and Shimanan dams in Henan Province which collapsed and killed an estimated 80,000 to 200,000 people.

Finally, anything that can be done can and will be done illegally. Consider water poisoning, air pollution, soil pollution, food poisoning, illegal fisheries, untreated chemicals, oil spills, excessive use of insecticides and pesticides and herbicides, heavy metals in the water supply, poisonous chemicals in air and water. Add illegal logging and fires; poaching and illegal hunting; uncontrolled handling of trash and garbage; poor sanitation, and trash full of toxic wastes, especially medical. Bribery and other forms of corruption deal with all of these things. Almost all developing countries in the Muslim world are riddled with corruption. Estimates suggest that as much as 40% of scarce funds destined for water management (or anything else) are dissipated in some form.

The most “modern” of China’s environmental disasters is in the air. The amounts of dangerous chemicals pumped into the air are now staggering. China is now the world’s largest producer of carbon dioxide. Air pollution also includes excessive and illegal levels of sulphur dioxide, chlorofleurocarbons, smoke, dust and soil. Even the government’s own State Environmental Protection Administration (SEPA) admits that this is true, and that air pollution is getting worse, not better. It is typical that the Chinese government has a full array of nicely drafted laws and regulations “controlling” air pollution, and there are standards setting limits for every form of emission. But two thirds of China’s cities that have been tested cannot meet these standards, or similar standards set by the World Health Organization. Nor does

anybody seem to have a clue how this pollution can be brought under control. On the contrary, the whole vast tide of industrialization and urbanization is guaranteed to make matters very much worse very fast. One needs only to think about the millions of new automobiles and trucks and airplanes, and the development of an additional 562 new coal fired power plants, and the addition of many thousands of new or expanded industrial facilities to realize what is making air pollution worse.

Finally, and most typically, these environmental disasters pose ever increasing threats to the health of China's citizens. An estimated 190 million Chinese have had illnesses connected with drinking contaminated water. Cities and villages alike have suffered from repeated epidemics of diarrhea, and heightened rates of cancer, tumors, poisoning from lead, mercury and other heavy metals. Air pollution alone is said to have been the cause of up to 300,000 deaths. Once again, China's record is worse than any other country on earth. Beijing has six times higher air pollution rates than New York. Past dust storms are so persistent and severe that many people in cities wear face masks against dust and chemicals. There are huge worker time losses from lung diseases, blood infections, heart diseases, strokes and diabetes. There are about 24 million cars today, but in 20 years there may be upwards of 100 million, most of them in already choked cities. 60-90% of rain in Guandong province is acid rain, and farmland losses would equal the farm land in Britain, Germany and France combined.

“Since 1990, according to a report posted **on the web site of China's central bank**, corrupt Chinese officials – about 18,000 of them – have collectively funneled some \$120 billion out of the country. That figure is equivalent to China's entire education budget between 1978 and 1998. Beyond the sheer financial loss, corruption has also led to extremely poor food safety records, since officials are paid not to enforce regulations. A 2007 Asian Development Bank report estimated that 300

million people in China suffer from food-borne diseases every year. In addition, corruption leads to bridge and building collapses that kill, and chemical factory spills that poison China's environment – and their cover-ups.

China: Since 1989, the CCP has not adopted any genuine political reforms, relying on the high rate of growth to maintain its rule. That means that the only period of real reform was in the period from 1976 to the late 80's. This highlights the bravery of Deng Zao Ping.

The one absolute essential for curbing perverse political power is to generate and focus public attention on the activities of the political leadership. The public will always be concerned; the real question is whether such concern can develop real leverage on the political leaders. This is not mission impossible; there are in fact many ways in which this leverage can be built. Even in absolute tyrannies, there are tides running which offer opportunities for reformist action. Old tyrants die, and regimes change. Legislatures and judges find windows of opportunity to change pathological laws or call culprits to account. Internal conflicts between elements of the elite may split the regime and open up further opportunities. And even tyrannies can be overthrown, either by internal forces, or by external pressures.

7. And now: china's new wave of anti-corruption reform

A far reaching campaign began in China following the conclusion of the 18th National Congress of the Communist Party of China (CCP) in 2012. The campaign, ordered by President and Party General Secretary Xi Jinping is emerging as the largest organized anti-corruption effort in the history of Communist rule. The campaign will be executed largely under the direction of the Central Commission for Discipline Inspection under its Secretary Wang Qushan, along with appropriate military and judicial organs, and it has organized the backing of most of the current and past leaders of the Party. What seems most remarkable is that the campaign has visibly

broken the old immutable rule guaranteeing immunity from criminal proceedings against top Party officials that has been the norm since the end of the Cultural Revolution. Consider the perverse history: senior and even mid level officials were untouchable, and it is proving difficult to sell the idea that the Party, that perpetuated that stance can now pretend that they are rescuing the country from “it”. Part of the answer lies in the pattern of blaming everything on somebody else – notably local government officials, and the new campaign is already returning to this popular theme.

Part of the reality of corruption is that it tends to become an entrenched and highly secretive and protective group system where, with the big guys steal big, the little guys feel entitled to steal small. Then, all band together out of fear and the necessity to resist investigation all up and down the structure. President Xi has recognized this and taken it seriously when he speaks about “killing tigers and swatting flies”.

In a sense there is so much corruption within the Party because there is so much Party. The CCP has at least 90 million members and they take their membership very seriously, and millions of Party members serve directly in political and managerial positions throughout every aspect of Chinese life. Relationships between governments in China are surely heavy contributors to the national enthusiasm for corruption. The centrist elite of the CCP are arrogant, demanding, oppressive and often disturbingly unfair, and it uses its top to bottom Party structure to enforce its will on local officials and businesses. This in turn is widely resisted by these people who dodge and spin and conceal, avoid responsibility and perform to suit themselves. One of the great sins of the system is what American public administrators call the “unfunded mandate”, where the central government pushes responsibilities for large and expensive programs down onto local governments without providing any funds to carry them out.

Thus, President Xi faces a huge quandary:

what is real and illegal corruption vs. the endlessly muddled and confusing fumbling of China’s extraordinarily complex government and society? Are local government defenses against a horrible and oppressive central government corrupt or merely conflicting? If people steal to eat, is this worth the wrath of the CCP? The nature of “corruption” is heavily defined by these kinds of combat between political levels, and sometimes tigers bite back and flied are not so easy to swat. One is reminded about the ancient Chinese slogan, “The mountains are high and the Emperor is far away.”

It is essential to understand that the one single most compelling motive within the Chinese government is the implacable, immutable preservation of the wellbeing and power of the CCP – not the people, not even the country, but the Party. Note for example that the official Constitutional definition of the role of the People’s Liberation Army is not to protect the country or the people but to protect the Party. Over time, the Chinese world has experience many changes in its economy and its culture, much of it for the better. What has never changed is the absolute control of the CCP. It has weathered the fallout from these changes, but it has never shaken the feeling that, at some point, such change will become so liberating within the country that citizens will commit the unforgivable sin of starting to think for themselves, and will begin to ask “who needs the dictatorial Communist Party? To stave off this dread question, President Xi appears to be attempting a broad new strategy. He appear to be betting that he can assume the rule of the moralist force in the country for himself and the Party and use it to accuse the corrupt of moral failure and a lack of moral righteousness. He quotes Confucius as having said “Govern with virtue and keep order thru punishments.” Thus, the stated nature of public sin and the causes for punishment are now heavily loaded with a wide range of human error – lying, cheating, gambling, drunkenness, absenteeism, nepotism, illegal favoritism and – horrors! – “responding to the letters of peo-

ple.” Civil servants are subject to extraordinary interventions in their lives in the name of the anti-corruption campaign. They must report plans to travel abroad, make changes in investments make any large purchases, marry or divorce or do “anything else deemed important to the Party to know.”

Authorities say that more than 100,000 officials have been punished so far. While this seems impressive, it is within a Party population of more than 90 million, and it is not clear how many of the one hundred thousand are tigers rather than flies. Still, there are reports of widespread confusion, muddling and fear, and in one of the funniest of recent utterances is a quote reported in the official party newspaper the People’s Daily, quoting the Hebei Province Party Secretary who warned “I am afraid that too much punishment of senior officials can harm the stability and development of the local economy.” This is like saying “closing down street level drug sales can cause youth unemployment”, or “more crime provides valuable

employment opportunities for more police.”

Still, the current anti-corruption campaign, for all of its lurching and staggering, has been more prolonged and far-reaching than doubters expected, and quite a few really large tigers have been slain. It is a reflection of the fact that the Party, probably for the first time, really fear the depth of public disapproval, and the fear that it will scale up to outrage or even public reaction. The degree of success has had the counter-productive consequence of officially revealing to the public the depth of corruption that existed and been concealed over decades of Party rule, and it may still lead to the public conclusion that what is now demanded is not just a change of policy but a change of government. Right now, President Xi seems to have the public behind him, but increasingly, the length of the campaign is showing how difficult and complicated it is to unravel the enormously complex workings of the Chinese governing system.