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Article in *Comparative Politics* · October 2009

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# Does Democracy Check Corruption?

## Insights from China and India

*Yan Sun and Michael Johnston*

Democracy is widely expected to restrain corruption.<sup>1</sup> Democratic institutions and politics make it more likely that corruption will be discovered and publicized, allow citizens and political oppositions to make an issue of corruption, and facilitate recourse ranging from public hearings to voting the scoundrels out. Other claimed advantages of democracy include horizontal accountability via independent judiciaries and various checks and balances; a free press; social attitudes and sanctions, the latter often implemented through private associations, supporting legal rules; and widespread commitment to the rule of law.<sup>2</sup> Indeed, global corruption rankings show a visible, if imperfect, tendency for democracies to cluster at the “less corrupt” end of the rankings while undemocratic societies dominate the other extreme.

But to the extent that such rankings make sense—a debatable matter—is it really democracy that accounts for the differences? Democracy is not only institutions and practices but also an outcome, reflecting deeper influences that also shape corruption; to analyze societies in terms of whatever democratic aspects they seem to lack might be to miss forces that actually *are* at work. Do comparisons confound democracy with affluence, strong civil societies, and other developments? If so, poor democracies might have few advantages, and specific points of vulnerability, in dealing with corruption.<sup>3</sup>

One test of such propositions is to examine a poor democracy’s corruption problems. The case in question should be well established, with democratic institutions that have had time to work their effects,<sup>4</sup> and should be compared with one or more undemocratic states of similar social scale. We should consider not only the overall gravity of corruption but also differences in kind. Economic underdevelopment should be examined not just as a contextual factor, but rather in terms of opportunities and institutions that influence corruption and democracy alike.<sup>5</sup>

This article compares two challenging but appropriate cases: India, a large but poor democracy, and China, a large undemocratic state. The similarities between the two countries include their vast populations and territories and undeniable political, economic, and cultural importance; severe “principal-agent” problems arising from their size; particularistic cultures that can buttress nepotism and personalism; the legacies of centralized economies; and now economic liberalization and rapid growth. Both economic centralization and overall levels of development affect corruption in complex and reciprocal

ways. China had the more centralized economy for many years but began liberalization first, proceeded with it faster, and is now the wealthier country. India's economy was quite centralized in its own right, at least until 1992, and less integrated with the world.<sup>6</sup>

Does democratic India have any clear advantage in corruption control? Democracy by itself does not lead to significantly less, or more, corruption. India seems to do neither strikingly better nor worse in corruption terms than China, either recently or over time. Rather, the corruption-checking benefits of democracy depend critically upon economic development. A developed economy provides resources and key institutions protecting legitimate activities and delineating permissible ways of pursuing and using wealth. Further, a developed economy offers alternatives to corrupt exploitation. India's case suggests that a poor democracy, lacking those features of development, may be vulnerable to disruptive and exploitative styles of corruption that are difficult to check or uproot. These findings are not only of theoretical interest with respect to corruption and democracy; they call for a reassessment of widely accepted ideas about corruption control and liberalizing reforms.

"Democracy" here refers to institutions and processes through which those who govern can be held accountable to citizens—chief among them, regular competitive elections, structural guarantees of rights, and the rule of law. By this standard India has been a democracy for most of the past sixty years, while China has not. At the same time, India has increasingly lapsed into "illiberal democracy": an elected polity where liberties and rule of law are secure in theory but violated in practice, as a result of religious intolerance, massive corruption, and a disregard for the rule of law. China, economically liberalizing but politically authoritarian, is a "liberalizing autocracy."<sup>7</sup>

"Corruption" is defined here in terms of indigenous official and scholarly ideas. Authoritative Indian and Chinese sources both emphasize the core idea of "the misuse of public office for private gains,"<sup>8</sup> ideas also found in Nye's formal definition, the one most widely used in the English language literature.<sup>9</sup> While boundaries between the public and the private may have been well defined in India's British-inspired system and China's former centralized command, economic liberalization and political decentralization have set them in flux, introducing contrasts and gray areas we can neither ignore nor gloss over through definitions. Thus, to realistically reflect what is seen as corruption in practice we rely on indigenous reports, outside analyses that draw upon them, and well-regarded studies of those countries in the secondary literature.

## **Democracies, Economies, and Corruption: Questions of Balance**

Huntington has drawn attention to issues of balance among political and economic processes, telling us much about how a given democracy functions—or fails to do so.<sup>10</sup> While democracy, steered by accountability to popular preferences, theoretically should restrain corruption, on a day-to-day level effective democracy depends upon a balance among many factors: liberty and order, elite autonomy and accountability, politics and markets, and self-interest versus the rights of others, to name some dimensions. Political

and economic participation must be both protected and restrained by sound, legitimate institutions. Open politics and economies can help sustain each other, but there must be limits as to how, and how far, each may intrude upon the other. Control of corruption involves not the simple presence or absence of democracy, but rather a variety of questions about the ways wealth and power are sought, used, and exchanged, and about the framework of institutions—state, political, and social—within which those processes take place. Accountability cannot be created simply by putting elections and other institutional hardware in place. It can also be difficult to sustain. In practice most democracies have institutional shortcomings and social expectations of varying intensity that make corruption control more difficult.<sup>11</sup>

Thus, despite the apparent synergy between lively, competitive politics and economies in most established democracies, matters can be quite different for a poor democracy. Underdevelopment is not just an absence of affluence; it also reflects a scarcity of legitimate alternatives for gain, and pervasive vulnerability to exploitation. Equally important, if less noted, is the weakness of key economic institutions—property rights, banking, contract enforcement mechanisms, orderly taxation, and more. Micro-coordination through informal social linkages can fill some gaps; still, many things taken for granted in advanced economies—including information, orderly procedures, contract enforcement, and the ability to safeguard gains—are lacking in poor societies regardless of regime types. All too often they become commodities marketed by venal officials.<sup>12</sup>

### Contrasting Imbalances

In 1996 one of us used those issues of balance to compare corruption cross-nationally, not in extent but rather in variations in kind.<sup>13</sup> One dimension was the *balance between the accessibility and autonomy of political elites*—whether or not politicians are vulnerable to interest group pressures. In well-institutionalized democracies, private interests have significant political influence but officials can still formulate and implement policies authoritatively. But where accessibility significantly exceeds autonomy, officials are vulnerable to private demands. Where elite autonomy exceeds accessibility, accountability is weak and officials exploit private interests. The second dimension was the *balance between political and economic opportunities*—whether it is relatively easier to win power or to get rich. Huntington argues that where political opportunities are more abundant than those for accumulating wealth, individuals are likely to abuse power in search of wealth. Where economic opportunities exceed the political, however, people tend to use wealth to seek power.<sup>14</sup> The key issue in either case is the *relative balance* of opportunities, not whether wealth or power are easily attained in some absolute sense. The first scenario is frequent in modernizing societies, while the second is more common in mature democracies.

Where neither citizens nor officials dominate, and where political and economic opportunities are in balance, corruption can be restrained and alternatives to it are plentiful. But if elite autonomy and accessibility, and/or power and wealth, are out

of balance, several distinctive corruption scenarios result. In what we call Type 1 cases, elite accessibility exceeds autonomy, and economic opportunities exceed political ones. Here interest groups—particularly business interests—are strong, and political elites vulnerable. The result is the use of money, legally (via political contributions) and otherwise (bribes), to seek influence over political elites. In Type 2 cases, entrenched elites manipulate political access (a scarce and therefore valuable commodity) for economic gains (rent seeking). Relatively extensive economic opportunities create numerous bidders for access, but elites control the extent and direction of rent seeking. In Type 3 cases, elite accessibility, numerous political opportunities and economic scarcities combine to produce insecure elites. Vulnerable to pressure, relying on patronage to solidify their power, yet unsure of long-term power, elites amass gains as quickly as possible.<sup>15</sup> Corruption in such settings is often unstable and rapacious. In Type 4 cases, well-entrenched elites control political competition and material rewards through a monopoly over patronage, leading to machine-style corruption.<sup>16</sup>

Table 1 elaborates on this analysis, placing the four varieties of corruption into the context of different regime types: (1) interest group bidding in mature democracies; (2) centralized corruption (joint monopoly) marked by collusion among multiple businesses interests and government figures, with the latter dominating the former; (3) fragmented patronage leading to decentralized, disruptive corruption in weak democracies; and (4) a bi-gemony of political elites and economic oligarchs sharing rent extraction—not a situation in which business and government figures collude in pursuit of specific goals, but rather a bilateral monopoly over patronage enabling them jointly to dominate whole societies in autocratic fashion.

Types 2 and 3 are at issue for India and China. Both feature extensive rent seeking, but with a key difference in the structure of extraction: China, a liberalizing autocracy, experiences *joint monopolies* in its corrupt processes, while democratic India contends

**Table 1** Systemic Imbalances and Corruption

Political versus Economic opportunity	State versus Society Strength	
Corruption Pattern	Elite more accessible than autonomous	Elite more autonomous than accessible
Economic greater than political opportunity	1. <i>Decentralized elite/ interest group bidding</i> Liberal democracies	2. <i>Joint monopoly/ competitive bidding</i> Developmental states; liberalizing autocracies; <b>China</b>
Political greater than economic opportunity	3. <i>Fragmented patronage/ decentralized corruption</i> Illiberal Democracies; <b>India</b>	4. <i>Bi-gemony/ monopolistic corruption</i> Illiberal autocracies

with *independent monopolies*. Shleifer and Vishny illustrate that distinction and its implications by an analogy to toll gates along a road. Each toll collector is a monopolist able to allow or deny passage. But while joint monopolists might cooperate in charging moderate tolls to maintain a profitable traffic flow, independent monopolists—restrained by neither competition nor collusion—will tend to charge tolls so high as to drive traffic onto other routes, spoiling business for all. China’s joint-monopoly situation imposes constraints on corruption that India lacks.<sup>17</sup>

Our theoretical and empirical distinctions—between kinds of imbalances and patterns of corruption—find support in leading studies of corruption. In Kang’s analysis of South Korea and the Philippines, relatively balanced competition between political and economic elites in South Korea was the reason why corruption there did not spiral out of control as it did in the Philippines.<sup>18</sup> Hutchcroft categorizes capitalist systems based on the relative strengths of state and society and the motivational logic of elites. In his view, the developmental states in East Asia that practice “statist capitalism” are more production oriented than the “bureaucratic capitalism” or “booty capitalism” of patrimonial administrative or oligarchic states in South East Asia.<sup>19</sup> Rose-Ackerman distinguishes among competitive, bilateral monopolies and kleptocracy models of corruption by asking whether a range of officials and private interests participate, a ruler and a few private interests jointly dominate, or a ruler monopolizes, a country’s corruption. She finds the latter two models the most disruptive, economically and administratively.<sup>20</sup>

### **India, China, and Corruption in Asia**

How corrupt are China and India? Available evidence suggests no distinctly superior performance by either. Consider Transparency International’s Corruption Perception Index (CPI) which, given criticisms on grounds of validity, precision, and variability, we regard only as suggestive of broad contrasts, not as a definitive measure.<sup>21</sup> To judge by the CPI, most Asian states have significant corruption. China and India, while not the worst cases, are not perceived favorably in terms of corruption control either. Democratic India has actually fared somewhat worse over the years.

Do such figures, based in most years primarily on surveys of foreign business executives, realistically reflect domestic corruption? On balance they likely do better in China, where the presence and variety of foreign executives are much greater than in India. Diaspora executives, who oversee the bulk of China’s FDI, are often from surrounding regions and familiar with informal practices in Chinese cultural settings. They are thus vulnerable to and adept at illicit exchanges with Chinese officials, and at the same time have extensive experiences by which to judge the extent and significance of such activities.<sup>22</sup> In India’s case, the offshore sector is still limited to a few industrial enclaves and less exposed to the informal practices of the larger society, thus creating a more amenable—yet less typical—business environment for diaspora and foreign executives.<sup>23</sup>

**Table 2** Scores of Asian States on TI CPI, 1997–2008

Country and abbreviation	TI CPI 2008	1997-2008 average*	Country and abbreviation	TI CPI 2008	1997-2008 average*
Singapore	9.2	9.21	Mongolia	3.0	2.96
Hong Kong	8.1	7.96	Vietnam	2.7	2.57
Japan	7.3	6.88	Nepal	2.7	2.60
Taiwan	5.7	5.62	Indonesia	2.6	2.11
South Korea	5.6	4.55	Pakistan	2.5	2.38
Malaysia	5.1	5.05	Philippines	2.3	2.76
China	3.6	3.36	Bangladesh	2.1	1.53
Thailand	3.5	3.33	Laos	2.0	2.45
India	3.4	2.95	Cambodia	1.8	2.05
Sri Lanka	3.2	3.27	Myanmar	1.3	1.62

Note: For Pakistan, average is for 1995-99 and 2001-2008; for Bangladesh, 2001-2008; for Sri Lanka and Myanmar, 2003-2008; for Mongolia and Nepal, 2004-2008; for Laos and Cambodia, 2005-2008.

Source: Transparency International Corruption Perception Indices, 1995–2008, [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi](http://www.transparency.org/policy_research/surveys_indices/cpi), accessed on July 7, 2009.

Does a lower level of development account for India’s somewhat poorer scores? In sections below, connections between economic underdevelopment and problems of corruption control are emphasized. But possible connections exist at the perceptual level too. Extensive corruption is by now widely associated with development problems. Might those asked to judge India fall back on the notions that corruption hurts development, India is less developed, and therefore it must be more corrupt? We do not know. Still, even after six decades of nearly continuous democracy, India is not seen as successful in terms of corruption control.

This assessment is reinforced when one looks at democracy’s anticorruption record in Asia. Japan and Taiwan, to a lesser extent, are relatively well regarded, but Thailand, the Philippines, Bangladesh, and intermittently democratic Pakistan do not score well. Three of the five top-ranked governments in Table 2—Singapore, Hong Kong, and Malaysia—have never been full democracies; a fourth, Taiwan, became democratic only recently. The only long-standing democracy in that top group, Japan, is distinguished by a tradition of modified one-party politics. The simple correlation between the mean TI scores in Table 2 and the index of authoritarian versus democratic government in the 2007 Polity dataset, on which India scores 9 and China –7, is an unimpressive +.241 (N=19, p=.16).<sup>24</sup> Undemocratic societies tend to receive low CPI scores, as Table 2 also suggests, but the more democratic countries’ scores range from the lowest to the highest in the group. Looking at democratization trends does not improve matters. Change in Polity scores between 1990 and 2007—an arbitrary interval but suggestive of cumulative democratic trends—correlates at only +.033 (N=19, p=.446) with CPI averages. Democratic change (denoted by positive values) does not by itself point to significant gains in perceived corruption control.

Perceptions and causality are slippery things, but in a time when the promotion of democratic good governance is high on the international agenda, these results should be of considerable concern. Many anticorruption strategies rely heavily on democratic ideas, such as a strong civil society, free press, independent judiciaries, and so forth. But if the democracy/good governance connection does not work, or if democracy in a setting of low economic development has marked corruption vulnerabilities, then hopes of reform through democratization may be premature or even harmful.

### **Economic Scarcity and Corruption**

What do those ideas suggest about democratic India and authoritarian China? That poverty makes corruption control more difficult is a commonplace observation, but we have yet to explore in detail what economic underdevelopment does to democracy's ability to maintain accountability, restrain rent seeking, and check official self-dealing in private markets.

Statistically, affluence is a far better predictor of CPI scores than the democracy measures discussed above. CPI averages correlate at +.93 (N=20, p=.000) with GDP per capita for 2007. That relationship does not just rediscover democracy under another name: while the range of poorer, high-corruption Asian societies includes several authoritarian regimes, such as Myanmar and Vietnam, it also features countries at least intermittently democratic, such as Bangladesh and Pakistan, and sustained democracies, such as India and Thailand. By contrast, two of the most affluent societies in the region, Hong Kong and Singapore, both with strong anti-corruption records, are not democracies. Affluence is likely both a contributing cause and a result of effective corruption control. But economic development is complex, requiring sound institutions of its own—institutions that might reinforce democratic processes and create alternatives to corruption while fostering affluence.

Economic development might affect the corruption/democracy relationship in several ways. One is a “make ends meet” argument, as Palmier observes in his study of South Asia: “Poor pay is a powerful pressure towards corrupt gains, if only to make ends meet....Public servants not paid enough to fulfill their usual obligations are only too likely to take advantage of whatever opportunities may arise for unauthorized gains.”<sup>25</sup> One study of corruption in the Philippines is appropriately titled, “What Are We in Power For?”<sup>26</sup> Sachs proposes that corruption in poor countries be measured against their poverty levels—a “relative corruption” idea he applies to Africa.<sup>27</sup> These connections can become systemic, as poverty encourages corruption which in turn makes for underdevelopment.<sup>28</sup> Another linkage, You and Khagram argue, is that income inequality increases corruption because the rich have greater motivation and opportunities to engage in graft in order to advance their privileges and interests, while the poor are more vulnerable to extortion. They find that while authoritarian countries may have greater corruption on average, the effect of inequality on corruption is greater in democracies.<sup>29</sup>

In some societies, Ghana for example, an official of a certain rank is expected by many people to have a house, a car, and other possessions commensurate with that



status, and may also be obliged to help people “back home.”<sup>30</sup> Ironically, to the extent that democracy gives individuals of modest status access to official roles—a good thing in most respects—incentives to corruption may thus grow. Corruption, moreover, widens the inequality between those with access to power and those without, turning that access into a marketable commodity,<sup>31</sup> while leaving those low in the stratification system with few alternatives for attaining their goals.<sup>32</sup>

Empirical studies of India confirm the central role of these economic incentives. Years ago Myrdal wrote of “the low real wages of officials, especially those at the lower and middle levels” as encouraging pervasive corruption.<sup>33</sup> The Indian Government’s Third Pay Commission (1970–1973) concluded that while higher salaries would not guarantee integrity, “it can be confidently stated that the payment of a salary which does not satisfy the minimum reasonable needs of a government servant is a direct invitation to corruption.”<sup>34</sup> Wade places “acute scarcities” atop his list of causes for India’s bureaucratic graft.<sup>35</sup> Palmier ranks poverty among three top causes for India’s corruption, the other two being ample opportunities for abuse and ineffective policing. Quah both demonstrates the value of high official salaries in Singapore and shows that across a range of Asian countries India’s official pay scales are the lowest.<sup>36</sup> Pavarala, interviewing elites in the 1990s, found that a majority of bureaucrats, industrialists, and judges blame economic deprivation for political and bureaucratic corruption, especially at lower levels.<sup>37</sup> Schenk points to the uniquely corrosive nature of India’s poverty: “the embedding of scarcity in a system of morally based inequality and in a set of tight dependency relations” both perpetuating and sanctioning patrimonial relations.<sup>38</sup>

Economic scarcities rooted in China’s central planning did create incentives for bureaucratic abuse in the Spartan era of Mao Zedong. But corruption was relatively insignificant compared with the reform era.<sup>39</sup> In this later period, both structural factors and, in more developed areas, illicit market-style connections between officials and business have encouraged abuses.<sup>40</sup> Still, poverty remains a leading source of corruption in poor regions by perpetuating a lack of economic alternatives.<sup>41</sup> There the issue revolves more around the state’s coffers and everyone’s dependence upon them: perpetrators prey on public funds and on official posts as sources of black income. In poor rural regions, the sale of office has become the most serious source of corruption in recent years. The appointment of ill-qualified office buyers and the diversion of development funds help create a vicious cycle of underdevelopment and corruption with both nondevelopmental and antidevelopmental consequences.<sup>42</sup>

### **Systemic Influences on Corruption**

Material deprivation likely inhibits corruption control anywhere, but systemic aspects of underdevelopment may well be particularly harmful in a democracy. In Table 1 China is categorized as a Type 2 “developmental state” or “liberalizing autocracy,” where corruption tends toward competitive bidding among joint monopolies integrating both official and economic interests. India fell into Type 3, “illiberal democracy,” with more

fragmented patronage and decentralized corruption. What does that difference mean in specific terms?

First, China offers more economic opportunities than political ones, while India provides more political opportunities than economic ones. China liberalized its economy earlier and more extensively, creating a larger and more vibrant nonstate and non-agricultural sector. Waves of Chinese officials have quit their posts to “jump into the sea of business.” Those remaining seek shares and other forms of participation in business ventures.<sup>43</sup> India’s liberalization, in addition to its later start, has met internal barriers in the form of strong unions, lower classes resisting privatization, and large agrarian regions little affected by liberalization. In contrast to the plethora of Chinese township and village enterprises (TVEs), FDI-invested firms, and other nonstate enterprises, India’s private enterprises are mostly owned by a small clique of upper classes and castes.<sup>44</sup> India’s famed IT and other offshoring industries employ a tiny fraction of its labor force, with a huge contribution to overall growth but limited spillover effects in the entire economy.<sup>45</sup>

India’s myriad government institutions, electoral processes, and political parties—each at federal, state, and local levels—provide many more political opportunities than China’s one-party state, even when the structural deterioration of the Chinese Communist Party (CCP) is taken into account. Moreover, the Indian bureaucracy draws its members at various levels from many classes and castes. Elections offer political advancement to rural elites, transforming the social base of the political elite from upper and upper-middle class, mostly urban backgrounds during the pre-independence and early post-independence days to more rural backgrounds recently.

Such openness does not always support accountability. Big landlords constitute 50-60 percent of the members of state parliaments and bring their feudal mores of favor exchanging with them.<sup>46</sup> As in rural China, a constant and open “market for public office” exists among bureaucrats and politicians eyeing the posts and promotions available at set prices.<sup>47</sup> Though local officials go to considerable lengths to maintain boundaries between themselves and the citizenry, access is marketed by middlemen and touts (some of the *au courant* now calling themselves “consultants”) who have a stake in making sure people continue to view government as remote and unresponsive.<sup>48</sup> The 2007 Global Integrity Report shows that the most corrupt areas in India were government accountability (sixty-five out of one hundred points), civil service regulations (sixty-six points), and oversight and regulation (sixty-nine points).<sup>49</sup>

In China far fewer desirable political opportunities exist than economic ones. Elections open up political paths at the local level only. Access to higher positions depends on steady promotion and real or manipulated performance evaluations, and therefore upon cultivation of patrons. State offices and managerial posts in state firms are still desirable, but for wealth rather than power. Less substantive party positions, meanwhile, have become unattractive.<sup>50</sup> The party has difficulty recruiting and retaining talented people for positions such as branch party secretary in urban settings because those posts compete with far more lucrative jobs in the expanding economy. Most nonstate businesses do not have enough willing party members to form party branches

or to conduct regular activities because party identification has become irrelevant to professional advancement. The market for public office is found more in poor and inland regions where economic alternatives are scarce.<sup>51</sup>

India differs from China, too, in terms of elite accessibility versus autonomy—the second dimension of Table 1. India's economic problems encourage patronage; accessibility of elites by private interests makes such practices fragmented. Scholarship on clientelism identifies causal connections between democracy and corruption by suggesting that voters seek extrabureaucratic material benefits from political patrons.<sup>52</sup> The latter, who seek power amid weak institutions, intense political competition, and scarce economic opportunities, use patronage to maintain power. They build personal followings, not broad-based parties, yet find them hard to control and expensive to maintain; followers, for whom loyalty depends on benefits that may be a matter of survival, shift quickly among competing patrons.

Thus, efforts by Indian politicians to create broad organizational support often fail because “the ordinary voter has an extremely narrow view of public responsibility and is not willing to give time and effort without the promise of immediate material reward.”<sup>53</sup> Wade finds the Indian electorate “primarily swayed by material and particularistic inducements” with “people vot[ing] for whom they think can give them the most favor...” Institutional weakness makes it difficult for policy-oriented parties to “deliver” in the first place; the expectations and material needs of the electorate make it even more difficult for such parties to survive.<sup>54</sup> Thus governments purchase short-term backing, or engineer defections in parliament, through payoffs. Money can even recruit “muscle,” that is, through violent or criminal groups that extort contributions, scare off opponents, and intimidate voters.<sup>55</sup> The result is what Fareed Zakaria calls a “bandit democracy”:

“Every year elections are rigged, ballot boxes are stuffed. The winning party packs the bureaucracy—sometimes even the courts—with its cronies and bribes opposition legislators to defect to its ranks. The tragedy for the millions of new lower-caste voters is that their representatives, for whom they dutifully vote en masse, have looted the public coffers and become immensely rich and powerful while mouthing slogans about the oppression of their people.”<sup>56</sup>

Democracy under such conditions—far from unique to India—does not so much fail to check corruption as encourage distinctive varieties of it, while rewarding expectations that undermine reform.

China's centralized and noncompetitive structures, by contrast, tend to produce joint-monopoly corruption. China has devolved many powers to local levels, yet decision making within each level remains in the hands of the chief executive of a state agency or public enterprise. The result is localized centralization: local chief executives become the main locus of favor exchanges, especially in less developed and inland regions and at lower levels where monitoring is weakest. Such local joint monopolies over both power and material favors amount to “local predatory states” in the worst cases.<sup>57</sup> At the same time, joint monopoly corruption may be less disruptive for development.<sup>58</sup> Two efficiency effects can exist, relative to a fragmented patronage system:

at one end, bidders for government favors, rather than squandering resources on multiple agencies or agents, need bribe only the principal power holders. At the other, middle- and lower-level officials do not need personal followings in an authoritarian system. They therefore control who gets access and benefits, and on what terms. The likely outcome is not necessarily more or less corruption, but rather corruption that is more predictable. Predictable corruption can be factored into plans by firms and citizens. While it is in no way beneficial, evidence suggests that the more unpredictable a given level of corruption becomes the more harmful it is in economic terms.<sup>59</sup>

Chinese corruption does not just consist of illicit public-private transactions. It can also involve theft directly from public coffers. Many projects and some key sectors remain in state hands, becoming ready targets for bureaucratic predators through privatization programs, land allocation, developmental assistance, relocation funds, infrastructure projects, administrative funding, banking, transportation, etc. Local monopolies can often operate more or less unchecked. Such activities not only disrupt development but also reinforce the nexus of power and material gain underlying joint monopolies.<sup>60</sup>

Another contrast lies in access to policymaking by private interests. Indian politicians depend on campaign financing from the business world both to fund elections and tighten their grip on constituencies.<sup>61</sup> Changing technologies intensify that dependence: in the old days when parties operated as political machines, mobilization through public sector patronage might have been sufficient, but now reliance upon television commercials and pollsters makes contributions more important. Campaign contributions, a former Central Vigilance Commissioner of India writes, “greatly affect the motivations and actions of the politicians who benefit from them.”<sup>62</sup>

The degree to which campaign finance corrupts depends, of course, more upon the nature of the institutional regime regulating it than upon the existence of democracy itself. Before economic liberalization, business contributed out of “its dependence on government for licenses and permits to establish and operate its businesses and also for patronage and protection,” exercising influence both through formal lobbying and informal, decentralized contacts with state agencies and political parties. The result was huge returns by way of fiscal and industrial policies.<sup>63</sup> Liberalization has cut regulation at higher levels, but not at all levels; in fact, it has expanded corruption by marrying economic liberalization to electoral politics. India’s cliques of tycoons and contractors have new opportunities to influence decisions at the highest levels, including policy on divestiture of government investments, preferred buyouts of state assets, provision of subsidized finance, selective termination of government monopolies in service sectors, investment in new public projects, and other lucrative deals.<sup>64</sup> The combination of weak institutions, insecure elites, and economic scarcity makes a poor democracy all the more vulnerable to corruption through campaign finance.

In China fundraising is not an issue for elites, or an access opportunity for business groups, at higher levels. Much corruption occurs mainly in implementation phases at local levels after central decisions have been made, although it is also on the rise at policymaking levels. It has become common for localities to have offices in the capital to lobby central ministries for projects and financing; industrial groups also seek and

win national policy advantages.<sup>65</sup> Whereas in India every politician and political party needs to raise campaign funds (and most will pocket some personally as well), in China it is the bureaucrat who accepts kickbacks. In India business groups seek patronage from national politicians through contributions, but in China it is still impossible to reach politburo members, top state executives, or national legislators that way. In China a different process has been on the rise—corruption carried out collectively by a public agency.<sup>66</sup> For example, a state agency, rather than an individual official, might accept a kickback from funding recipients; usually the spoils are shared within the agency, while individual culpability is avoided.<sup>67</sup>

### Convergence in Corruption

So far we have asked why India's democracy is ineffective at checking corruption, while China controls (as opposed to reducing) it in a variety of ways. Some factors, however, produce comparable levels of corruption regardless of the presence or absence of democracy.

Consider, for example, relationships between politicians and bureaucrats. In the wrangling between political and administrative figures, a democracy should have advantages. Periodic elections should keep politicians in check, who should in turn watch over bureaucrats. India's tradition of sharp formal distinctions between politicians who formulate policies and bureaucrats who implement them should be an added advantage. Nonetheless, since imperial times the Indian bureaucracy has been a major locus of political power in its own right. The problem is collusion between bureaucrats and politicians. Wade's earlier observation still rings true today. Indian politicians compel the bureaucracy to acquiesce in their nefarious activities by controlling appointments to "cushy jobs."<sup>68</sup> Bureaucrats, in turn, seek political backing "to escape unwanted places and unpopular posts" as well as to share spoils. A *quid pro quo* relationship thus exists. Politicians supply opportunities and protection while bureaucrats dispense official favors and patronage.<sup>69</sup> Economic liberalization has reoriented but not fundamentally weakened such connections. Instead of the myriad regulatory controls at the discretion of bureaucrats, favor dispensing now manifests through "arbitrary award of contracts, sanctioning of deals and investment projects without competitive bidding and transparency. The 'license permit raj' has been replaced by the 'tender raj'."<sup>70</sup>

China has sought to separate party and state functions in local governments and public firms. Rather than ending the overconcentration of power, however, they have produced confusion.<sup>71</sup> Supposedly, party organizations and officials have given up routine administrative and managerial functions but retain control over key personnel matters and oversight. But formal party oversight has become ineffective in most cases, while party-bureaucracy collusion continues. One problem is that party officials are usually not decision makers in managerial functions, where substantive power lies and illicit deals occur. Another is that the appointment of personnel below top ranks now falls within the prerogatives of the administrative/managerial strata, as do routine decision powers. Yet another is that party posts are no longer desired by the best and

brightest professionals, as noted earlier. In small state firms where party officials are internally appointed, they may even face dismissal by managers. Their posts are often taken over by managerial personnel, encouraging collusion while rendering oversight impossible. In less developed and rural regions, collusion between party officials and administrative chiefs is similar to that in India. The former engage in “sale of office” and protection, the latter in “buying of office” and the distribution of favors. Local “corruption networks” draw layers of officials and private bribers into clusters. The last decade has seen a surge of “cluster cases” in China, especially in poor areas.<sup>72</sup>

In the end India’s weak state, with its mix of elite accessibility, political opportunities, and economic scarcity, has simply produced distinctive types of corruption—not less of it—when compared to China’s stronger state, elite autonomy, scarce political opportunities, and greater economic opportunities. These overall contrasts help us understand why a poor democracy has not outperformed a developmental autocracy in terms of corruption control. Economic underdevelopment, it seems, undermines democracy’s anticorruption properties not just through material scarcity, but also because it is both effect and cause of weaknesses of key economic institutions and guarantees. Those factors encourage corruption that is extensive, fragmented, and therefore disruptive in form.

Does corruption undermine the legitimacy of governments, in the Indian case, or of the basic regime in either society? If so, we might expect it to be checked via democratic (India) or liberalizing (China) reactions against official abuse. But such effects are weak at best in both cases. In India anti-incumbency sentiments can run high, yet when the electorate ousts one corrupt government it has no option but to bring in another. The futility of voting the scoundrels out highlights again the importance of structural and institutional factors in the Indian system. As one finance bureaucrat observes,

“corruption does not adversely affect the legitimacy of particular governments [because] there does not seem to be any difference from one party to the other. Whoever comes to power indulges in corruption, people feel. There is a total apathy towards the political system among the public. The general opinion is that there is no difference between Tweedledum and Tweedledee.”<sup>73</sup>

Not surprisingly, the public has little trust in government generally, and the net impact of corruption on legitimacy of particular parties is inconsequential.<sup>74</sup> A highly fractured society such as India’s also weakens “rational public opinion” as group identities, educational disparities, and other socioeconomic contrasts influence political awareness.<sup>75</sup>

Still another factor neutralizing India’s democratic processes is the cooptation of opposition groups into collusive networks of political and bureaucratic corruption. Like ruling parties, opposition leaders too depend on private contributions.<sup>76</sup> They are readily available for defection at a price and easily persuaded to look the other way on corruption matters. The judiciary, though independent, has lost effectiveness as an instrument against corruption since the Nehru era; decisions to prosecute rest with the executive branch, which authorizes few cases to proceed. Long delays, manipulation of processes, and dubious judicial appointments make it all the more difficult for media and citizen critics to demand accountability.<sup>77</sup> Political leaders have little

reason to blow the whistle, effective legal action is unlikely, and independent revelations have little effect.

In China the monopoly of the CCP means it takes the major blame for the corruption of its rank and file. The CCP regime may tolerate few domestic critics, but it still suffers when frequent comparisons are made against the relatively clean and egalitarian Mao era on the one hand, and mature liberal democracies on the other. The former comparison undermines the contemporary CCP's credibility from the left while the latter chips away from the right. Farmers and downsized workers of state enterprises have expressed pent-up frustration through riots; surveys reflect their deplorable transformation from the core social base of the CCP to the prime victims of inequality and corruption since the 1990s.<sup>78</sup> Land grabs by rural officials have become common, while in state enterprises mismanagement and insider privatization lead to bankruptcies and the loss of jobs.<sup>79</sup> Critics abroad, and some intellectuals at home, point to the CCP monopoly as the root cause of corruption.

Compounding the liabilities for the CCP is public awareness of corruption, despite a dearth of transparent politics. Word of mouth is a potent channel of communication in a communal culture. Corruption stories are reinforced by first-hand experience with state agencies, most of which charge excessive fees for routine services. Both the party and the media publicize details of major corruption cases once they are exposed.<sup>80</sup> The media, with the CCP's blessing, increasingly report abuses by local cadres.<sup>81</sup> The judiciary—politically dependent but increasingly compromised by commercial interests—is another major liability for the party. Criticizing corruption is not equated with attacking the party and remains morally and historically legitimate in Chinese society. Chinese people, after all, staged the famous Tiananmen protests against corruption long before the colorful revolutions of post-Soviet republics.<sup>82</sup>

Nevertheless, regime legitimacy has not been critically undermined by corruption in post-Mao China.<sup>83</sup> As in India, one reason is sheer pervasiveness. Corruption has become mostly materially based, more accessible, and less exclusive than in the early years of economic reform, and is ironically less divisive. Contemporary corruption, moreover, is no longer seen as directly caused by central policies, but more as errant behavior by local officials. In fact, when local protesters complain about localized injustices, they are more likely to demand that central policies be upheld and not distorted, not that they be changed. Another key reason may be that the top national leadership remains clean and visibly devoted to national development. The “princeling party”—children of top leaders including Deng Xiaoping and CCP head Zhao Ziyang—was tarnished during the “official profiteering” of the 1980s and became a main complaint of Tiananmen protesters. But the leaders themselves were credibly clean and willing to ban family members from doing business. The children of many top leaders remain prominent, but the success of many other ordinary individuals has defused a politically explosive issue. Below the top leadership, a handful of provincial governors and party secretaries, several deputy central ministers, and an increasing number of deputy provincial governors have been brought down by scandal. But the effect of such exposures on regime legitimacy is mixed, undermining the party's credibility yet serving, via periodic

crackdowns, to remind all concerned of the limits of wanton transgressions. For different reasons, neither one-party China nor democratic India appears likely to experience sweeping political change as a consequence of corruption.

## **Conclusion**

Democracy in a poor, developing country has not clearly proven more successful at tackling corruption than an authoritarian developmental state. This finding contributes to our understanding about the variability of democracy and how regime types interact with the dynamics of corruption in developing settings. More important, it indicates the limits of democratic corruption control. In India accessible elites and economic pressures growing out of scarcity sustain corruption and weaken accountability, in political and bureaucratic arenas at all levels. Closed politics and autonomous elites, along with vigorous economic growth, may shield the top levels of China's regime from the worst corrupting pressures, shifting the emphasis to political and bureaucratic processes at lower levels.

It is tempting to ponder the implications of these findings for an age in which democracy is widely promoted as improving governance, controlling corruption, and promoting development. Third wave democratization since the 1970s, economic liberalization since the 1980s, and revolutions in the former socialist world since the early 1990s all have led to a simultaneous, if halting and uneven, proliferation of markets and democracies. Clearly democracy as a set of values has immense inherent appeal. But as an instrumental strategy for good governance its record is decidedly mixed in developing and transitional countries. Economic liberalization and democratization seem to encourage the opening up not only of official processes, but also of corrupt ones.<sup>84</sup> The combination may "set the world on fire"—or unleash a "Godfather" decade or two.<sup>85</sup> We do not know whether corruption will continue to breed illiberal democracies, and vice versa, in developing regions.

Liberal autocracies, on the other hand, often fare no worse in terms of controlling corruption, and have effectively achieved developmental goals. Zakaria's observation is sobering:

[O]ver the past fifty years almost every success story in the developing world has taken place under a liberal authoritarian regime....It is difficult to think of a Third World democracy that has achieved sustained growth rates....Those that have gone down the path of reform are quickly stymied by the need to maintain subsidies for politically powerful groups....[F]or all its democratic glories, [India] has slipped further and further behind on almost every measure of human development: life expectancy, infant mortality, health, literacy, and education....Surely it is time to ask whether democracies such as India, so lauded by Western intellectuals, are working for their people.<sup>86</sup>

Thus for liberalizing China and for other developing economies too, the governance reform priority may be to build the "liberal" part of liberal democracy: rule of law, constitutionalism, protection of property and other rights, separation of powers, and



media openness. But given widening social inequalities under economic liberalization, hurried moves to open up politics and elite accessibility may enhance the influence of the already privileged *nouveaux riches*, contributing to further corruption in newer forms. To the extent that such trends limit political access for less powerful groups, they may simply create new forms of tyranny, ironically fueled by democratic and market liberalization. As India shows, economic underdevelopment is a dilemma of institutional weakness as well as of massive poverty, turning the very openness of democracy into a liability in accountability terms. A poor and unregulated democracy, it seems, can undermine liberty and the rule of law while prolonging the cycle of underdevelopment and corruption.

A final thought has to do with sequencing of reforms. Cross-sectional comparisons suggest that economic growth is a better platform for democracy than democracy is for growth.<sup>87</sup> That idea dates back at least as far as the modernization theories of the 1960s, but the connections are complex. One reason democracies do not do markedly better at growth is that many have mature economies given to moderate expansion, while undemocratic societies include development states as well as economically dysfunctional kleptocracies. For corruption control and for governance more broadly, success is more likely if an economic base is built first, with democracy following more gradually. That is a recommendation friends of democracy might find difficult to make, but one that we believe is supported by the cases under consideration here.

The difficulty, of course, is that events have a way of forcing our hand. The transitions of the past generation suggest that political change is often sharp, discontinuous, and dramatic (if, unfortunately, likely to stall out later on), while economic reform is slower, uneven, and impeded by the rapid decompression of politics and government. Few would stand in the way of citizens for whom long-denied freedoms have finally arrived. Still, development is as much a process of establishing key institutions and orderly economic arenas, as of “freeing” people to enrich themselves. How wealth is created, and the distributions that result, matter immensely. A government, democratic or otherwise, that delivers a significantly better life to citizens while staying out of the political clutches of an affluent few can earn credibility. In that sense, basic social services, a regulatory framework, and the taxes required to sustain both should not be seen as a drag on the economy or as luxuries to be deferred. They are, instead, the price of credible governance—indeed, necessities if democratization is not to become an invitation for economic interests to turn politics into an auction.

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