

China versus India:

Why Does a Poor Democracy Not Do Better on Corruption?

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Why does a poor democracy not do better on corruption?



One question Myron Weiner often asked during the last two decades of his scholarly life was, why has India not eliminated poverty, while some other Asian countries have done so despite comparable income levels in the 1950s and 1960s?¹ A contemporary student of Indian politics has turned this question into a more generic query by asking “why have *long-standing democracies* of the developing world failed to eliminate poverty?” The point is not why these democracies have avoided the worst outcomes, as Amartya Sen has famously suggested,² but why the democratic record isn’t better, especially in comparison with East Asia’s authoritarian systems?³

One can ask a similar question of the long-standing democracies of developing Asia: Why isn’t their record on corruption better, when compared with East Asia’s authoritarian systems (Table 1)? Three of the five top-ranked governments in Asia on Transparency International (TI)’s corruption index, Singapore, Hong Kong and Malaysia, have not been full democracies, while a fourth, Taiwan, has only been a recent democracy. Only two of the top ten-ranked Asian governments the TI index may be characterized as long-standing democracies, Japan and Sri Lanka. Most of the other long-standing democracies rank among the bottom ten in Asia: India, the Philippines, Bangladesh and the intermittently democratic Pakistan. These democracies also rank

¹ Ashutosh Varshney, “Why Haven’t Poor Democracies Eliminated Poverty?” in Varshney ed., *India and the Politics of Developing Countries* (Sage Publications: 2004), 205. A long-standing democracy is defined as one under democratic rule for over half of the time since the 1940s.

² Amartya Sen, “Food and Freedom,” *World Development*, 17 (6), 1989.

³ Varshney’s own finding points to a structural source inherent in poor democracies: the electoral preference of the large numbers of poor voters for direct methods of poverty reduction (state distribution and transfers), instead of indirect methods (growth oriented market strategies. See his “Why Haven’t Poor Democracies,” 204-223.

poorly in the world, with Bangladesh at the very bottom of the global corruption ranking every year since it has been ranked by the TI since 2001 (Appendix 1). While it is true that the performance of authoritarian systems covers the whole range of outcomes and there are more of these systems among worst performers, this does not in itself explain away the dismal performance of poor democracies. It is also a question that has received little attention: while democracy is often assumed to be the necessary (and superior) guarantee against corruption, there is little examination of why poor democracies do not actually deliver.

Yet this question, like the one raised by Weiner about India's anti-poverty record, should be of great normative concern to those who value democracy and who would like to see democracy perform superiorly.⁴ This is especially so when democracy is being promoted as the cure for all that is ill in developing countries. Moreover, in so far as corruption obstructs equal access to political and economic decisions, corruption is itself deeply undemocratic. Poor democracies do not lack the structural mechanisms that help constrain corruption: re-election pressures, competitive party systems, intra-government checks and balances, free media and free speech that make open and transparent government possible. The Westminster parliamentary democracy, of which India is one, is also supposed to be the least corrupt structurally among the variety of parliamentary and presidential democracies. Its plurality voting system tends to produce national parties and reduces extortions by individuals, factions and small parties with narrow interests and constituencies.⁵ Why then does India not do better than China on corruption?

One of the advantages of comparing China and India is that one can hold many variables constant and clearly identify the difference made by the nature of the polity. Both countries face severe "principal-agent" problems because of the huge difficulties of monitoring officials over a vast territory by the political center. Both countries liberalized their economies from the starting point of central planning. Because state intervention and economic liberalization are both associated with greater corruption, China should in fact be expected to do worse than India, since China has had both a far more

⁴ Varshney, "Why Haven't Poor Democracies?", 207.

⁵ Susan Rose-Ackerman, "Political corruption and democratic structures," in A. K. Jain, ed., *The Political Economy of Corruption* (New York and London: Routledge, 1998).

Table 1 Scores of Asian States on TI's Corruption Perception Index, 1995-2005
(Perfect score = 10)

Country/Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average score
1. Singapore	9.26	8.80	8.66	9.1	9.1	9.1	9.2	9.3	9.4	9.3	9.4	9.15
2. Hong Kong	7.12	7.01	7.28	7.8	7.7	7.7	7.9	8.2	8.0	8.0	8.3	7.73
3. Japan	6.72	7.05	6.57	5.8	6.0	6.4	7.1	7.1	7.0	6.9	7.3	6.72
4. Taiwan	5.08	4.98	5.01	5.3	5.6	5.5	5.9	5.6	5.7	5.6	5.9	5.47
5. Malaysia	5.28	5.32	5.02	5.3	5.1	4.8	5.0	4.9	5.2	5.0	5.1	5.47
6. South Korea	4.29	5.02	4.29	4.2	3.8	4.0	4.2	4.5	4.3	4.5	5.0	4.37
7. Sri Lanka	n/a	-	-	-	-	-	-	3.7	3.4	3.5	3.2	3.45
8. Laos											3.3	3.3
9. Thailand	2.79	3.33	3.06	3.0	3.2	3.2	3.2	3.2	3.3	3.6	3.8	3.24
10. China	2.16	2.43	2.88	3.5	3.4	3.1	3.5	3.5	3.4	3.4	3.2	3.13
11. Mongolia	n/a	-	-	-	-	-	-	-	-	3.0	3.0	3.0
12. Philippines	2.77	2.69	3.05	3.3	3.6	2.8	2.9	2.6	2.5	2.6	2.5	2.85
13. India	2.78	2.63	2.75	2.9	2.9	2.8	2.7	2.7	2.8	2.8	2.9	2.79
14. Nepal	n/a	-	-	-	-	-	-	-	-	2.8	2.5	2.65
15. Vietnam	n/a	-	2.79	2.5	2.6	2.5	2.6	2.4	2.4	2.6	2.6	2.5
16. Cambodia											2.3	2.3
17. Pakistan	2.25	1.0	2.53	2.7	2.2	-	2.3	2.6	2.5	2.1	2.1	2.2
18. Indonesia	1.94	2.65	2.72	2.0	1.7	1.7	1.9	1.9	1.9	2.0	2.2	2.1
19. Myanmar	n/a	-	-	-	-	-	-	-	1.6	1.7	1.8	1.8
20. Bangladesh	n/a	2.29	2.3	-	-	-	0.4	1.2	1.3	1.5	1.7	1.4

Source: Transparency International's Corruption Perception Index, 1995-2005.

centralized economy to begin with and more extensive liberalization subsequently.⁶ Still another variable is the level of development, which affects the level of corruption by helping to shape incentives and alternative avenues to wealth.⁷ Such incentives, however, also need to interact with the opportunities and constraints provided by the polity to effect corruption. This is also where the two cases should have the greatest potential to diverge: the nature of the polity affects the capacity of political elites to resist private demands and exert control over the extent and direction of rent seeking.⁸

I hypothesize, therefore, that a combination of greater economic pressures as well as greater political opportunities, yet weaker state strengths (defined as elite autonomy), explains India's failure to do better than China on corruption. Conversely, higher economic development yet more constrained political opportunities, combined with greater state strengths, help explain China's better record on corruption.

Poorer Economy, Worse Corruption

The correlation between poverty and corruption has long been observed. One reason is the "make ends meet" argument. Students of corruption in developing countries regularly cite conditions of poverty as the leading incentive and stimulus in these countries.⁹ Leslie Palmier's observation is classic, "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."¹⁰ One study of corruption in the

⁶ For economic liberalization's contribution to corruption, see Marshall Goldman, *The Privatization of Russia: Russian Reform Goes Awry* (New York and London: Routledge, 2003); Vadim Volkov, *Violent Entrepreneurs: The use of force in the making of Russian capitalism* (Ithaca, NY: Cornell University Press, 2002); Kurt Weyland, "The Politics of Corruption in Latin America," *Journal of Democracy*, 9 (April 1998):108-121; Yan Sun, *Corruption and Market in Contemporary China* (Ithaca, NY: Cornell 2004). See also fn 66.

⁷ Robin Theobald, *Development, Underdevelopment and Corruption* (Durham, NC: Duke University, 1990).

⁸ Robert Wade, *Governing the Market* (Princeton, NJ: Princeton University, 1990): 333-42 and Paul Hutchcroft, "Booty Capitalism in the Philippines," in MacIntyre, ed., *Business and Government in Industrializing Asia* (Ithaca, NY: Cornell University Press, 1995), 221; and Hutchcroft, *Booty Capitalism: the Politics of Banking in the Philippines* (Ithaca, NY: Cornell University Press, 1998).

⁹ E.g., Colin Leys, "What is the problem with corruption?" *Journal of Modern African Studies*, 3/2, 1967; Shahid M. Alam, "Anatomy of Corruption: An Approach to the Political Economy of Underdevelopment," *American Journal of Economics and Sociology*, 48:4 (Oct. 1989), 441-56; Leslie Palmier, *The Control of Bureaucratic Corruption: Case Studies in Asia* (New Delhi: Allied Publishers 1985), 271; or Peter Ward, ed., *Corruption, Development and Inequality* (New York and London: Routledge, 1989).

¹⁰ Palmier, *ibid.*

Philippines is appropriately titled, “What are we in Power for?”¹¹ Jeffrey Sachs, adviser to the United Nations on the Millennium Development Goals, proposes that corruption in poor countries should be measured against their poverty levels, since poverty is such an important cause of their pervasive corruption. This leads to his idea of “relative corruption” for Africa.¹² Another reason for the linkage between poverty and corruption is the real and perceived inequality in a society. Corruption both widens the inequality between those with access to power and those without, and leads to a “structural strain” on the part of those placed low in the stratification system. The latter feel compelled to use deviant means to attain goals they deem as unjustifiably denied them.¹³

Studies of Indian corruption confirm these economic perspectives. Gunnar Myrdal writes of “the low real wages of officials, especially those at the lower and middle levels” as contributing to pervasive corruption in post-colonial India.¹⁴ The Third Pay Commission in India (1970-1973) recognized the link between low salaries and corruption by concluding that while high salaries would not guarantee officials’ honesty and 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.”¹⁵ Wade places “acute scarcities” on the top of his long list of causes for India’s bureaucratic graft.¹⁶ Leslie Palmier ranks poverty above ample opportunities for abuse and ineffective policing among his three top causes of corruption for India. Singaporean scholar Jon Quah lends support to this argument with a comparison of salary levels for top politicians in several Asian countries, among which Indian politicians are most poorly paid.¹⁷ Indian scholar Vinod Pavarala, in his survey of Indian elites in the 1990s, suggests that a majority of bureaucrats, industrialists and judges he interviewed blame economic compulsions of people for corruption in the political and bureaucratic

¹¹ J. V. Abueva, “What are we in Power for? The Sociology of Graft and Corruption,” *Philippine Sociological Review* 18/3-4 (July-Oct. 1970), 203-208.

¹² Jeffrey Sachs, *The End of Poverty* (Penguin Press, 2005).

¹³ Leys, “What is the problem with corruption?” and S. K. Das, *Public Office, Private Interest: Bureaucracy and Corruption in India* (New Delhi: Oxford University Press, 2001), 110

¹⁴ Gunnar Myrdal, “Corruption as a Hindrance to Modernization in South Asia,” in Arnold J. Heidenheimer et al., *Political Corruption: A Hand Book* (New Brunswick: Transaction Books, 1989), 414, 415.

¹⁵ Cited in S. K. Das, *Public Office, Private Interest* (New Delhi: Oxford University Press, 2001), 105.

¹⁶ Wade, “The Market for Public Office,” 486.

¹⁷ Jon S. T. Quah, *Curbing Corruption in Asia: A Comparative Study of Six Countries* (Singapore: Eastern University Press, 2003), 58-77.

strata, especially at the lower levels.¹⁸ Most illuminatingly, Hans 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." This embedding helps to sanction and perpetuate patrimonial relations.¹⁹

Few studies on Chinese corruption, by contrast, have emphasized poverty as a primary cause. Most highlight structural causes for the reform period. In the Spartan era of Mao, corruption was relatively insignificant. To the extent that poverty is a factor in poorer regions, I have shown that the lack of development and economic opportunities makes a major impact on the incentives and forms of corruption in poor regions. Those forms are usually non-developmental, anti-development, and create a vicious cycle for poor regions.²⁰

At the aggregate level, a comparison of the corruption rankings and development rankings of 20 Asian states confirms a close correlation between the two. Though neither system performs significantly better, China still consistently pulls ahead of India. Table 1 shows the Corruption Perception Index (CPI) of 20 Asian states by the Berlin based Transparency International (TI) from 1995-2005. The CPI is a robust index that combines several measures of political corruption for each country. The annual scores are based on a scale of 10 to 0, with 10 being the perfect score. (Global country ranks of these states are in Appendix 1) Table 2 shows the annual scorings of 20 Asian states by the Hong Kong based Political and Economic Risk Consultancy Ltd. (PERC). In both the TI and PERC surveys, China has scored better than India. Though not significantly better, two differences still stand out. First, China's scores show signs of steady improvement while India's does not. In fact India was ranked the second most corrupt country in Asia by PERC for six consecutive years from 1999 to 2004, better only than Indonesia. Second, China's scores are closer the middle-range countries in Asia, while those of India edge towards the bottom tier.

¹⁸ Vinod Pavarala, *Interpreting Corruption: Elite Perspectives in India* (New Delhi: Sage Publications, 1996), 110-111.

¹⁹ Hans Schenk, "Corruption ... what corruption? Notes on bribery and dependency in urban India," in Peter Ward, ed., *Corruption, Development and Inequality* (New York and London: Routledge, 1989).

²⁰ Yan Sun, *Corruption and Market*, ch. 4.

Table 2 **PERC Survey Scores for Corruption in 12 Asian States:
1995-2005**

Country/Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average
Singapore	1.20	1.09	1.05	1.43	1.55	0.71	0.83	0.90	0.38	0.50	0.65	0.94
Hong Kong	2.80	2.79	3.03	2.74	4.06	2.49	3.77	3.33	3.61	3.60	3.50	3.25
Japan	2.00	1.93	4.60	5.00	4.25	3.90	2.50	3.25	4.50	3.50	3.46	3.54
Taiwan	4.20	5.53	5.96	5.20	6.92	6.89	6.00	5.83	n/a	6.10	6.15	5.88
Malaysia	4.60	5.00	5.80	5.38	7.50	5.50	6.00	5.71	6.00	7.33	6.80	5.97
South Korea	4.00	5.16	7.71	7.12	8.20	8.33	7.00	5.75	n/a	6.67	6.50	6.64
Thailand	5.90	6.55	7.49	8.29	7.57	8.20	8.55	n/a	8.75	7.33	7.20	7.58
Philippines	6.60	6.95	6.50	7.17	6.71	8.67	9.00	8.00	7.67	8.33	8.80	7.67
China	7.30	8.00	8.06	6.97	9.00	9.11	7.88	7.00	8.33	7.33	7.68	7.88
India	7.00	6.86	8.20	7.40	9.17	9.50	9.25	9.17	9.30	8.90	8.63	8.49
Vietnam	n/a	7.78	8.00	8.25	8.50	9.20	9.75	8.25	8.83	8.67	8.65	8.59
Indonesia	7.30	7.69	8.67	8.95	9.91	9.88	9.67	9.92	9.33	9.25	9.10	9.06

Scores are scaled from 0 to 10, with 0 being the highest grade possible and 10 the lowest.

Source: Political and Economic Risk Consultancy Ltd. (Hong Kong)

Table 3 **Human Development Index for 20 Asian States: 1995-2005**

Country/Year*	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average
1. Japan	3	3	7	8	4	9	9	9	9	9	11	7.36
2. Hong Kong	24	22	22	25	24	25	24	23	26	23	22	23.63
3. Singapore	35	34	26	28	22	24	26	25	28	25	25	27.09
4. South Korea	31	29	32	30	30	31	27	27	30	28	28	29.36
5. Malaysia	59	53	60	60	56	61	56	59	58	59	61	58.36
6. Thailand	58	52	59	59	67	76	66	70	74	76	73	65.00
7. Philippines	100	95	98	98	77	77	70	77	85	83	84	85.82
8. Sri Lanka	97	89	91	90	90	84	81	89	99	92	93	90.45
9. Maldives	118	107	111	95	93	89	77	84	86	84	96	94.55
10. China	111	108	108	106	98	99	87	96	104	94	85	99.64
11. Indonesia	104	102	99	96	105	109	102	110	112	111	110	105.45
12. Mongolia	113	110	101	101	119	118	116	113	117	117	114	112.64
13. Viet Nam	120	121	121	122	110	108	101	109	109	112	108	112.82
14. Myanmar	132	133	131	131	128	125	118	127	131	132	129	128.82
15. India	134	135	138	139	132	128	115	124	127	127	127	129.64
16. Pakistán	128	134	139	138	138	135	127	138	144	143	135	136.27
17. Laos	138	138	136	136	140	140	131	143	135	135	133	136.82
18. Cambodia	153	156	153	140	137	136	121	130	130	130	130	137.82
19. Bangladesh	146	143	144	147	150	146	132	132	139	138	139	141.45
20. Nepal	151	151	154	152	144	144	129	142	143	140	136	144.18
Number of countries ranked	174	174	175	174	174	174	162	173	175	177	177	173.55

*Year of report, which usually lags the year of data by two years.

Source: United Nations Development Programme Annual Global Report

Table 3 shows the human development index (HDI) of 20 Asian states from the UNDP's annual global reports from 1995-2005. The HDI is a rather comprehensive indicator that combines a number of measures, including public health, literacy, education, and real incomes. Just as India ranks lower than China in corruption scores, it also ranks lower in human development index. The correspondence between a country's CPI and HDI is rather evident on Table 4, which contrasts the CPI and HDI rankings by combining data from Tables 1 and 3. Together, Tables 1-4 reveal several general trends that shed particular light on the Chinese and Indian cases.

Table 4 CPI versus HDI of 20 Asian States:
Country Ranks in Asia, 1995-2005

Countries/ Areas	CPI Rank	HDI Rank	Major gap*	Countries/ Areas	CPI Rank	HDI Rank	Major gap
Singapore	1	3		Mongolia	11	12	
Hong Kong	2	2		Philippines	12	7	x
Japan	3	1		India	13	15	
Taiwan	4	n/a		Nepal	14	20	x
Malaysia	5	5		Vietnam	15	13	
South Korea	6	4		Cambodia	16	18	
Sri Lanka	7	8		Pakistan	17	16	
Laos	8**	17	x	Indonesia	18	11	x
Thailand	9	6		Myanmar	19	14	x
China	10	10		Bangladesh	20	19	

* Disparity is larger than 5.

** CPI is available only for 2005.

First, low levels of corruption appear to be strongly associated with high levels of economic development. And conversely, high levels of corruption appear to be strongly associated with low levels of development. As evident on Table 4, the CPI corresponds quite well with the HDI for most countries, China and India included. India has not done better because it is a democracy, nor has China done worse because it is not one. Second, from the data here, democracy per se is not a strong factor in determining the level of corruption in Asia. Democracies with low levels of development are just as likely to be among the more corrupt countries as other poorer countries and can even be more so: India, the Philippines, Bangladesh, and the some time democratic Pakistan. Bangladesh

has been the most corrupt country in the world every year since ranked on the TI index, even though its HDI is not at the bottom of the world. The Philippines is among the few countries in Asia whose poor corruption ranking is incompatible with its significantly higher level of development.

Thirdly, strong states, rather than democracy per se, appear to be strongly associated with low levels of corruption. Three of the five top-ranked governments on the CPI, including the top two, are not full democracies: Singapore, Hong Kong and Malaysia. They have successfully reduced corruption under what Fareed Zakaria calls “liberal autocracies.”²¹ The “liberal” part includes especially the rule of law, which may come with or without democracy. The illiberal democracies, which may be used to describe Asia’s poor democracies, perform far worse on corruption than do Asia’s liberal autocracies. Illiberal autocracies, on the other hand, have done worst overall. Two of the three countries that score far worse on corruption than their HDI would indicate are illiberal autocracies: Indonesia and Myanmar, as shown in Table 4. The type of strong states thus makes a difference. While the strong states of East Asia have managed to limit corruption, the strong states of Southeast and South Asia have not. That is, liberal autocracies have outperformed both illiberal democracies and illiberal autocracies.

In short, comparisons of the aggregate levels of corruption in China and India do not suggest that their different political systems have made much difference. Like most other Asian states, their corruption levels may be more easily expected from their levels of development than from differences in political arrangements.

*Poorer Economy, Open Politics,
Worse Corruption*

If their political systems do not seem to have a significant impact on the *levels* of corruption in each case, what difference do they actually make? That is, why has India’s political system not managed to do better than China’s, given its superior elements? The answer lies in the strength of the state, i.e., the relative autonomy of political elites, and the type of political and economic opportunities available in each society.

²¹ Fareed Zakaria, *The Future of Freedom* (New York and London: W.W. Norton, 2004).

The strength of the state is a strong determinant of corruption because the relative autonomy of political elites is critical for shaping the corruption scenario in a political setting. Corruption takes many forms, and the dominant patterns in modern political and economic systems take the form of illicit exchange between state power and societal interests. If democracy or the lack thereof is characterized by different relationships between the state and society (aside from institutional differences), then these different relationships should have an important impact on the types of corruption resulted.

According to Robert Wade, the shortest answer to why the abuse of public power is limited in East Asia is that the region's states are relatively "hard." That is, if the position of a state in relation to its society can be thought of as varying along a continuum from decentralized and constrained by social groups—or "soft," to centralized and relatively insulated from society—or "hard." Because hard states have the capacity to resist private demands, they are able to exert control over the direction of the society and economy.²² That continuum is characterized by Michael Johnston as a dynamic balance between the accessibility and autonomy of political elites. Where access to political elites significantly exceeds their autonomy, officials are vulnerable to private influence (legitimate or not) and find it difficult to resist private demands. Where elite autonomy exceeds accessibility, officials may exploit private interests with relative ease. Where the political and societal forces are well balanced, private interests have significant political influence but officials can formulate and carry out policies authoritatively.²³

Compounding the above set of balance is a second set, that between political opportunities (power) and economic ones (poverty or wealth). Samuel Huntington has pointed to imbalances between economic opportunities (wealth) and political ones (power) as a major source of corruption. According to this argument, where opportunities for positions of political power exceed those for accumulation of wealth, individuals are likely to use the former to achieve the latter. Where economic opportunities exceed the political, however, people will tend to use wealth to pursue political power. The first scenario is frequent in modernizing societies while the second commonplace in mature

²² Wade, *Governing the Market*, 333-42.

²³ Michael Johnston, "Public officials, private interests and sustainable democracy: when politics and corruption meet," in Kimberly Ann Elliott, ed., *Corruption and the Global Economy* (Washington DC: Institute of International Economics, 1997).

democracies such as the United States.²⁴

In alternative scenarios, where political and economic paths to advancement are both numerous and open enough, temptations for the exchange of public power and private wealth can be reduced. Here officials and private interests can influence each other but also resist exploitation by the other. Where power and wealth are sufficiently balanced, moreover, neither end of the resources must chase the other so that corruption is also controlled. Where neither elite autonomy and accessibility nor power and wealth are balanced, or both, a variety of corruption scenarios will result. These scenarios are summarized in Table 5, adapted from Michael Johnston.²⁵

The four quadrants on Table 6 represent four broad types of state/society relations, political/economic opportunities, and corruption patterns. In the upper left quadrant, elite

Table 5 Systemic Imbalances and Political Corruption

**Balance of economic/
Political opportunity**

State and Society Balance

	Elite accessibility greater than autonomy	Elite autonomy greater than accessibility
Economic greater than political	1. Decentralized elite/ interest group bidding Liberal democracies	2. Joint monopoly/ competitive bidding Local China LDP Japan Military South Korea
political greater than economic	3. Fragmented patronage/decentralized corruption India Philippines Pakistan	4. Bi-gemony/ monopolistic corruption Indonesia Myanmar Maocos' Philippines

accessibility exceeds elite autonomy and economic opportunities exceed political ones. Here interest groups are strong while political elites vulnerable. The result is the use of

²⁴ Samuel Huntington, *Political Order in Changing Societies* (New Haven, CT: Yale University Press, 1968), 59-71.

²⁵ Johnston, "Public officials," 68-74. My lower right quadrant differs significantly from Johnston's.

economic resources (campaign financing and such) by interest groups to seek influence from political elites, a scenario typical of liberal democracies. In the upper right quadrant, entrenched elites enjoy hegemony and are able to manipulate political access (a scarce and valuable commodity) for economic gains (rent seeking). While greater economic opportunities entail a range of competitive bidders (bribers) for political access, elites are able to control the extent and direction of rent seeking. This is the scenario in East Asia.

In the lower left quadrant, elite accessibility, political opportunities and economic scarcities combine to produce insecure elites vulnerable to rent seeking and patronage politics. Common in illiberal democracies, this is the most politically unstable of the four categories and conducive to out-of-control corruption. In the lower right quadrant, the ruler and a few private interests share rent extraction, through a monopoly over patronage, constituting a system of bi-gemony between elites and oligarchs.²⁶

Two additional categories stand at the extremes. At one end, where political opportunities are limited and elite autonomy dominates, while political and economic paths are both rewarding, little corruption results. This is the situation for Asia's liberal autocracies, Singapore and Hong Kong. At the other end, where elites enjoy personal autocracy under economic scarcities, kleptocracy results. This occurs frequently in failed states.

China and India fall under the upper right and lower left quadrants respectively. The two cases contrast in both sets of systemic imbalances. China offers more economic opportunities than political ones, while the opposite is true of India. China has liberalized its economy earlier and more extensively, creating a larger and more vibrant non-state and non-agricultural sector. Waves of Chinese officials have quit their official posts to "jump into the sea of business." Even those remaining in official posts seek shares and other forms of participation in business ventures. India's liberalization, on the other hand, has been limited by its strong unions and lower classes that resist privatization, and a huge agrarian sector little affected by liberalization. In contrast to the plethora of Chinese township and village enterprises (TVEs), FDI-invested firms, and other non-state

²⁶ Ibid., 70-73; Rose Ackerman, *Corruption and Government: Causes, Consequences and Reform* (New York and London: Cambridge University Press, 1999); and Paul Hutchcroft, "The Politics of Privilege: Assessing the Impact of Rents, Corruption, and Clientelism on Third World Development," *Political Studies*, XLV (1997).

enterprises, India's private enterprises are mostly owned by a small clique of upper classes and castes.²⁷ India's famed IT and other offshoring industries employ a tiny fraction of its total labor force, with a huge contribution to India's economic growth but limited spillover effects over the entire economy.²⁸

Politically, India's myriad of government institutions (executive, legislative, judicial and bureaucratic), electoral processes, and political parties—each at federal, state and local levels—provide more open and extensive political opportunities than in China's one-party state. While the Indian bureaucracy draws its members from the urban, upper-caste and middle professional classes, those from lower classes, lower-middle classes and lower castes occupy clerical and other lower-level jobs in the lower administrative hierarchy. The electoral process has opened the political path to rural elites, transforming the class character and social base of Indian politicians from upper and upper-middle classes and professional backgrounds during the pre-independence and early post-independence days to rural and agricultural backgrounds more recently. Big landlords constitute nearly 50-60% of the members of parliament at state levels, who bring their feudal mores of favor exchanging into the parliament.²⁹ A constant and open “market for public office” has also existed among bureaucrats and politicians eyeing official posts and promotions, which are available at fixed rates.³⁰

In China, by contrast, far fewer desirable political opportunities exist than economic ones. The ruling party has stumbled into major difficulties in retaining and recruiting people for party positions, because these positions are no longer regarded as prestigious or lucrative. State offices and managerial posts are still desired, but the access is more closed and depends much on performance criteria and steady promotion. The electoral process available at the local level opens the political path only at that level. A “market for public office” does exist, but more in poor regions with few economic alternatives than in developed ones with multiple attractive alternatives.

²⁷ Pavarala puts the percent of local enterprises owned by upper castes in Andhra Pradesh at nearly 80%, in his *Interpreting Corruption*, 33.

²⁸ Stephen Cohen, *India as Emerging Power* (Washington DC: Brookings: 2001), 105.

²⁹ *Ibid.*, 100.

³⁰ Robert Wade, “System of Administrative and Political Corruption: Canal Irrigation in South India,” *Journal of Development Studies* 18 (April 1982), 287-328.

In a poor democracy, the combination of elite accessibility and meager economic opportunity can contribute to a fragmented patronage system leading to extreme corruption. The clientelism literature establishes a causal relation between democracy and corruption by suggesting that clients or voters desire patronage politics because it supplies extra-bureaucratic material benefits.³¹ In such a political setting, political elites are not only accessible but they seek power amid weak institutions, intense political competition, and scarce economic opportunities. They therefore depend on building personal patronage systems to seek and maintain power. Yet because material rewards are scarce and political opportunities more plentiful, patronage politics is fragmented. Elites build personal followings, rather than broad-based parties, and find them hard to control due to a chronic shortage of material rewards yet availability of political alternatives for followers. Such patronage politics may also involve more sinister groups that resort to intimidation and violence.³²

These characteristics have indeed afflicted India's political system. Efforts by politicians to create broad organizational support have often failed 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."³³ Robert Wade finds the Indian electorate "primarily swayed by material and particularistic inducements and "people vote for whom they think can give them the most favor, in a particularistic way." And a cohesive, policy oriented political party would be unlikely to survive in this type of electorate.³⁴ Material rewards can also purchase stability for government, through bribing members of parliament. That is, money can be used to alter the arithmetic of elected representatives by engineering defections in parliament. Money can even be used to recruit "muscle," i.e. violent or even criminal groups that extort contributions, scare off opponents, or intimidate voters, a process that has "criminalized" Indian politics at the local level.³⁵ The result is frequently referred to as the "criminalization" of Indian politics, or what Fareed Zakaria calls a "bandit democracy:" "Every year elections are rigged,

³¹ Cited in Oskar Kurer, "Why do voters support corrupt politicians?" in Jain, ed., *The Political Economy of Corruption*, 68.

³² Johnston, "Public Office," 73.

³³ Cited in Oskar Kurer, "Why do voters support corrupt politicians?" 68-69.

³⁴ Robert Wade, "The Market for Public Office: Why the Indian State is not Better at Development," *World Development* 13 (1985), 479, 486-87.

³⁵ Robert Hardgrave and Stanley Kochanek, *India: Government and Politics in a Developing Nation*,

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.”³⁶

China’s centralized and non-competitive structures, on the other hand, tend to produce joint monopoly in the corruption process. Though the Chinese system has been decentralized by devolving power to local levels, decision making at each level remains centralized—usually in the chief executive of an agency. Corruption largely plagues the chief executive office in small cities and at county levels and down. At the demand end of corruption, expanding economic opportunities have produced multiple bidders for government favors, from various non-state sectors. Since officials do not depend on these bidders to maintain power, they have control over who gets access and benefits on the basis of material and/or affective considerations.³⁷ Thanks to centralized structures, bidders also need not squander resources on multiple state agencies. This centralized corruption results in a lesser degree of rent seeking, relatively less dissipation and potentially less detrimental outcomes from the standpoint of development.³⁸

In short, a weak state (elite accessibility), combined with political opportunities and economic scarcities, produce in India decentralized structures in the corruption process, encouraging independent monopoly or fragmented rent seeking and a greater dissipation of rents. A stronger state (elite autonomy), along with economic opportunities and political scarcities, produces in China more centralized corruption with a lesser degree of rent seeking.

Post-liberalization Record

Economic liberalization has been widely observed to have increased corruption in emerging markets, from the post-socialist to the developing world.³⁹ The breakdown of

³⁶ Fareed Zakaria, *The Future of Freedom*, 109.

³⁷ Yan Sun, *Corruption and Market*, ch.5.

³⁸ Andei Shleifer and Robert W. Vishny, “Corruption,” *Quarterly Journal of Economics*, 58 (3), (1993), 599.

³⁹ See fn 6. Cf. also fn 66.

hierarchal administrative control, coupled with expanding economic activities, has multiplied both the incentives and opportunities for profiteering by officials. Most of those economies, however, have liberalized from previously authoritarian systems. India is among the few countries that have liberalized in an established democracy. Nonetheless, it has not shown a better record in thwarting corruption.

Corruption has surged under economic liberalization in both China and India. Both the TI and PERC indices show that corruption in China peaked in the mid-1990s, a cumulative effect of the fuller transition to the market since 1992. As anti-corruption efforts caught up, after a usual lag, corruption levels have leveled off since the late 1990s. Likewise, the same indices suggest that corruption increased in India in the late 1990s, a likely cumulative effect of liberalization since the early 1990s. Many of the causes for surging corruption are similar in the two cases: decentralization and deregulation of a highly regulated and allocative economy, privatization of state enterprises, and expansion of new economic activities. As India's centralized economy and its bureaucratic state were so often blamed for severe corruption in the past, it has come as a surprise that corruption has actually increased under liberalization. The liberalization of the economy has meant the liberalization of corruption.⁴⁰

Theoretically a democracy should have the structural mechanisms to deter such a scenario. In authoritarian China, increased corruption has often been blamed on loosened control from above and weak oversight from below. If discipline was enforced by a hierarchal command system under socialism, decentralization helped to devolve decision power to lower-level officials, without effective alternative checks on them: e.g., separation of powers, opposition politics, independent courts, competitive elections or a free media. These problems should not formally exist in India's political system. The system is already decentralized vertically—at the national, state and local levels of a federal system—and horizontally, among various branches of the government and political parties, as well as between politicians and bureaucrats. Outside the political system, independent media and civil groups should serve as further checks against abuse

⁴⁰ E.g., Lal, *Corruption: Functional Anarchy*, esp. chapter 7; N. Vittal, *Corruption in India: The Roadblock to Prosperity* (New Delhi, Academic Foundation 2003), chapter 2. Vittal served as India's Central Vigilance Commissioner from the late 1990s to the early 2000s.

and as pressures for transparency. How does India then fail to provide better guarantee against corruption than China, despite more limited liberalization?

One difference is the political access or the lack thereof to policy making processes by private interests under liberalization. In India's case, though liberalization has shrunk the administrative base of corruption by cutting regulatory controls at higher levels, it has not affected corruption at policy making levels at all levels or regulatory roles at lower levels. In fact, it has expanded corruption at policy making levels by marrying economic liberalization and the democratic process. Typical of a democracy, Indian politicians depend on campaign financing from the business world, both to fund elections and tighten their grip on constituencies.⁴¹ But the sources of such funds, as a former Central Vigilance Commissioner writes, "greatly affect the motivations and actions of the politicians who benefit from them."⁴² Before liberalization, the business sector 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 through formal lobbying efforts and informal and decentralized contacts with the state machinery and political parties, and receiving huge returns by way of favorable and exclusive fiscal and industrial benefits and policies.⁴³ Economic liberalization has opened new opportunities for India's so-called blue-eyed tycoons and contractors to influence economic decision making at key junctures of power from the highest levels: policy decisions on divestment of government investment in public enterprises, preferred buyout of state assets, provision of subsidized finance, selective termination of government monopoly on service sectors, government investment in new public projects and other lucrative business deals and contacts.⁴⁴

In China, by contrast, the lack of fund raising pressures on elites or political access for business groups at higher decision levels, entails that corruption occurs mainly at the implementation and local levels, after central decisions have already been made. Granted, it has become common for localities and sectors to have offices in the capital to lobby central ministries for projects and financing, and industrial groups' lobbying has

⁴¹ Lal, *Corruption: Functional Anarchy*, 144.

⁴² Nagarajan Vittal, "Corruption and the State: India, Technology, and Transparency," *Harvard International Review* (Fall 2001), 22.

⁴³ Pavarala, *Interpreting Corruption*, 31; Lal, *Corruption: Functional Anarchy*, 144.

⁴⁴ Vittal, *Corruption in India*, 38-39.

increasingly sought and won national policy advantages.⁴⁵ The dynamic is fundamentally different, however: whereas in India every politician and political party needs to raise campaign funds (and most will pocket them personally as well), in China it is still the illicit officials who accept kickbacks; and whereas in India business groups can demand policy patronage from politicians at the national level through large-scale bribery or contribution, in China it is as yet impossible to induce politburo members, top state executives, or national legislators this way.

One paradoxical consequence of political access to central policy making, or the lack thereof, may be the impact on a key issue in current debates about the potential and prospects of China and India as emerging economies. Thanks to influence-peddled lobbying (in part or in major part), Indian businesses have been able to demand “a level playing field” and fend off policies favoring foreign investors. One Indian anti-corruption official views this as a negative consequence, because the real dynamics of the policy is patronage politics, which would be available to Indian or foreign industrialists, for a price.⁴⁶ An added impact may be India’s well-known deficit in attracting foreign investment, although Indian analysts generally blame the overall severity of corruption in their country for that failure. By contrast, although China’s domestic industries have also begun to lobby for leveling the playing field with foreign investors, they have not been successful thus far. If indeed, India’s indigenously led growth holds long-term advantages over China’s FDI-led growth,⁴⁷ then corruption at higher decision levels in India would seem to bear out one important benefit of elite accessibility.

Another difference between the two cases is how the collusion of India’s politicians and civil service bureaucracy on one hand, and China’s party-state on the other had, have fared under liberalization. Despite a long tradition of a sharp separation between politicians who formulate policies and bureaucrats who implement them, the Indian bureaucracy has become a major locus of political power thanks to the imperial past of a patrimonial bureaucratic state, the colonial legacy of a permanent bureaucracy,

⁴⁵ Scott Kennedy, *The Business of Lobbying in China* (Cambridge, MA: Harvard University Press, 2005).

⁴⁶ Lal, *Corruption: Functional Anarchy*, 184.

⁴⁷ See Yasheng Huang and Tarun Khanna, “Can India Overtake China?” *Foreign Policy* (July-August 2003).

and the more recent past of government intervention and allocation in the economy.⁴⁸ The bureaucracy's collusive ties with politicians have become a significant source of corruption. As Wade has observed, Indian politicians compel the bureaucracy to acquiesce in their nefarious activities by controlling a system of rewards and punishments (appointments to or transfer out of "cushy jobs").⁴⁹ Bureaucrats, in turn, seek political patronage "to escape unwanted places and unpopular posts" as well as to share spoils.⁵⁰ A relationship of quid pro quo thus exists between politicians and bureaucrats: the former supply opportunities and protection while the latter dispense official favors. These motives and ties are unabated, though reoriented, under liberalization. Instead of the myriad of 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.'" ⁵¹ Rather than serving as checks on politicians, honest bureaucrats are more likely victimized by the former with suspensions and transfers.

In the Chinese case, a key reform under liberalization has been to separate the party and the state. Rather than deterring the kind of corrosive collusion in the Indian case, however, the separation may have paradoxically worsened corruption by weakening party supervision of state agencies and firms. Under the separation, higher party organizations retain the power of appointment and promotion of key officials at state agencies and firms, while party branches parallel to the latter perform routine oversight functions. However, several problems prevent effective party oversight. Appointment of administrative personnel below the top ranks falls outside the prerogatives of party organizations. They now fall within the administrative strata. Party officials are often not involved in decision making at administrative and managerial levels, where substantive power lies and provides more occasions for illicit deals. Party posts are also not desired by the best and brightest, who dismiss them as unskilled, non-professional, and dead-end career paths. In small state firms where party officials are appointed within the firm, they

⁴⁸ Wade, "System of Administrative and Political Corruption," 286-321; Dennis Encarnation, "The Indian Central Bureaucracy: Responsive to Whom?" *Asian Survey* 19/11 (Nov. 1979), 1126-45; and Das, *Public Office, Private Interest*, passim.

⁴⁹ Wade, "The System of Administrative and Political Corruption," 286-321 and "The Market for Public Office," 467-489.

⁵⁰ P.C. Alexander, *The Perils of Democracy* (Bombay: Somaiya Publications, 1995).

⁵¹ Lal, *Corruption: Functional Anarchy*, 184-191.

may even face job dismissal by managers. In less developed and rural regions, collusion between party officials and administrative chiefs is more likely, as the former engage in “sale of office” while the latter in “purchase of office.”⁵²

Still another difference in the two cases lies in the relationship between incentives for private seeking and those for growth seeking. In China these incentives may be linked for local officials, thus helping to offset some negative effects of corruption. In a comparative analysis of local elite support for economic reform in China and India, Chibber and Eldersveld find that Chinese local elite have been more supportive, because institutional changes introduced by reform has transformed incentives faced by local elite. Local elite are important to the day-to-day process of economic reform in China because they serve as the key link between the state and society: the party and bureaucratic structure provide them with influence over local areas and the weakness of organized interests further enhances their power. The new incentives that have generated local elite support for reform include the decentralization of fiscal authority, the ability of local elite to retain revenues through local enterprises, and the political decentralization that accompanied economic reform.⁵³

Thus, not only are local elite more powerful politically but they retain control over resources at the local level. As their legitimate authority over the new economy has expanded, so have their avenues for illicit material gains from local economic activities. In another words, both formal and informal incentives have changed for the Chinese cadre. Evaluation and promotion criteria for local elites provide another formal incentive against out-of-control private seeking in China. As the state of economic development has become the top criterion in cadre evaluation, local elites have had to make sure that

⁵² Yan Sun, *Corruption and Market*, chapter 5.

⁵³ Pradeep Chibber and Samuel Eldersveld, “Local Elites and Popular Support for Economic Reform in China and India,” *Comparative Political Studies*, 33 (3) (April 2000): 350-373. For more discussions of these incentive changes, see Susan Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional Change* (Cambridge University Press, 2001); Gariella Montinola, Q. Yinqi and B. Weingast, “Federalism Chinese style: The political basis for economic success in China,” *World Politics*, 48 (1) (1995): 50-81; Jean Oi, “Fiscal reform and the economic foundations of local state corporatism in China,” *World Politics* 45 (10) (1992): 99-126; Oi, “The role of local state in China’s transitional economy,” *China Quarterly* 144 (1995): 1132-49; Jonanthan Unger, *The Transformation of Rural China* (Armonk, NY: M.E. Sharpe 2002); and Louis Putterman, “On the past and future of China’s township and village-owned enterprises,” *World Development* 25 (10) (1997): 1639-55.

roads are built and projects completed, rent seeking and compromised quality aside. Fear of detection is a further incentive to limit corruption within bounds.

In India, however, the formal and informal incentives for local or higher-level elites have not changed significantly for the bulk of the economy. The agricultural sector, which accounts for 2/3 of the working population and 30% of the GDP, remains virtually untouched, as does India's large state sectors that occupy the so-called commanding heights of the Indian economy. By contrast, China's TVEs (township and village enterprises) and reformed state enterprises, now under share holding, have made up the bulk of the bribe givers in market related corrupt activities, providing local officials with new and expanding opportunities for rent seeking. In India, market related lobbying and bribery involve largely the largest businesses with reach to the highest executive and legislative powers, including the Prime Minister's Office. For the most part, the collusive networks of spoils sharing between the ruling politicians and civil servants seem too entrenched, well-oiled and efficient to be broken, with all actors involved—ministers, legislators, bureaucrats and anti-corruption officials—having a stake in protecting the networks and their proceeds.⁵⁴

Thus, though the nature of state intervention has been transformed, from permits to contracts, the nature of the Indian state has not: political actors still manipulate rent seeking opportunities from within the collusive networks to benefit themselves. This is a main reason why infrastructure projects do not get built or completed in India: politicians, bureaucrats and contractors collude to manipulate the tendering processes, nestling public funds, and leaving public projects with perennial time overruns and cost overruns.⁵⁵ The collusive and sharing system has made sure that detection and discipline are almost unlikely, leaving little liabilities for those involved.⁵⁶

In all, India's political system fails to provide better guarantee against corruption than China has, overall, despite more limited liberalization. However there may be paradoxical consequences in each case: growth oriented corruption at local levels in

⁵⁴ Das, *Public Office, Private Interest*, ch.7, esp. 192-195; and Jayal and Pai, eds., *Democratic Governance in India*, 135-137.

⁵⁵ Ibid. and Pavarala, *Interpreting Corruption*, 155, Vittal, *Corruption in India*, 42-43; Das, *Public Office, Private Interest*, 192-195.

⁵⁶ Das, *Public Office, Private Interests*, 193.

China may have helped to mitigate the worst effects of corruption, while growth oriented corruption at high levels in India may have served a similar purpose under liberalization.

Corruption and Regime Legitimacy

If scarcities, democratic processes and institutions combine to produce greater corruption in India than in authoritarian China, what about the popular side of political input? Should not India's bottom-up mechanisms of oversight serve as checks on abuse of power, better than China's top-down ones? After all, as Diamond, Linz and Lipset observe in their work on democratic experiences of developing countries, the consequences of corruption on legitimacy are more corrosive for democratic regimes than for authoritarian ones. This is so because certain essential elements of a democracy, e.g., competitive elections, an independent judiciary, a parliamentary opposition, and a free press, make corruption highly visible.⁵⁷ These elements have also made the strongest arguments for transforming corrupt, authoritarian regimes.

In reality, rampant corruption has not served as an issue in delegitimizing a particular regime or the democratic system in general in India. One reason is the low level of trust the public has had towards the government no matter who or which party is in power, with the net impact of corruption on legitimacy of particular parties in power being inconsequential.⁵⁸ 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."⁵⁹ Another reason is a lack of public awareness and a low level of mobilization of public opinion regarding corruption, thanks to high illiteracy rates and incoherent public opinion. The latter situation is the result of a highly fractured society based on caste considerations, which renders "rational public opinion" difficult.⁶⁰

⁵⁷ Larry Diamond, J.J. Linz and S. M Lipset, eds, *Politics in Developing Countries: Comparing Experiences with Democracy* (Lynne Rienner Publishers, 1990).

⁵⁸ Pavarala, *Interpreting Corruption*, 151.

⁵⁹ From an Indian Administrative Service officer in the finance ministry, cited in Pavarala, above., 151.

⁶⁰ Lal, *Corruption: Functional Anarchy*, 145-46; Pavarala, *Interpreting Corruption*, 151-152.

Still another reason is the cooptation and incorporation of the political opposition into the so-called collusive and sharing network of political and bureaucratic corruption. Like ruling parties, opposition parties too depend on private capital for campaign funds and self-seeking.⁶¹ Since they are readily available for defection at a price, they are also easily compromised to look the other way on corruption matters. The judiciary, though independent, has lost much of its effect as an instrument against corruption since the end of the Nehru era. Besides the general erosion of good leadership, a key reason is that the power of sanctioning discipline and prosecution rests with the executive branch, which has authorized few cases for prosecution. Long delays, manipulation of judicial processes, and corrosion of judicial appointments further compound the problem. In the degraded political environment, the media and civil critics have also found it difficult to have their criticisms taken seriously or to demand accountability.⁶²

Ironically, the monopoly of the Chinese Communist Party also means it has to take sole blame for the corruption of its rank and file. While the CCP does not have to face political and media critics at home, the same position also deprives it of an opportunity to show that political opposition might not do any better in disciplining itself or its cadre. Moreover, the CCP does face comparative assessment against two different alternatives: the relatively clean and egalitarian Mao era on one hand, and the examples of mature democracies on the other. The former legacy helps to undermine the legitimacy of the reform era CCP from the left, while the latter, from the right. Farmers and down-sized workers of state enterprises have expressed their anger and frustration through riots and surveys over their deplorable transformation—from being the main social base of the CCP's regime legitimacy to the prime victims of inequality and corruption since the 1990s.⁶³ Critics abroad and some intellectuals at home, meanwhile, see one-party monopoly as the root cause of corruption and look to a multiparty system and parliamentary democracy as fundamental solutions.

Moreover, a lack of democratic mechanisms has not prevented public awareness of the corruption problem in China. Word of mouth is a potent channel of communication

⁶¹ Das, *Public Office, Private Interest*, 194; Lal, *Corruption: Functional Anarchy*, 144-45.

⁶² Das, *above*, 174-75, 192-95; Zakaria, *The Future of Freedom*, 109-110.

⁶³ Li Huibin and Xue Xiaoyuan, eds., *Investigative Reports on China: Changes in Socioeconomic Relations and the Building of the Party* (Social Science Documents Press, 2003); in Chinese.

in a communal culture. Corruption stories are further reinforced by first-hand experiences with corrupt management or state agencies. Both the party and the media do publicize details of major corruption cases once they are exposed. The media increasingly also publicize ongoing abuses by local cadre, a development sanctioned by the CCP itself. Criticizing corruption is not itself equated with attacking the party and remains morally and historically sanctioned in Chinese society. It was the Chinese people, after all, long before the “colorful” revolutions of post-Soviet republics, who staged the famous Tiananmen protests against official corruption. The judiciary, though improving, remains politically dependent and has seen its local branches compromised by commercial interests.

Yet despite these liabilities, regime legitimacy has not been seriously undermined by widespread corruption in post-Mao China. An important reason is that the top leadership at the national level has been clean and devoted to national development. The children of Deng Xiaoping and Zhao Ziyang were tarnished during the “official profiteering” of the 1980s, a main complaint of Tiananmen protesters. But the leaders themselves were credibly clean and firmly willing to ban family members from doing business. Below the top leadership, several deputy ministers of central ministries and just one minister have been stained by it.⁶⁴ Four governors and one provincial party secretary have fallen due to corruption. All but one ruled in regions remote from central control.⁶⁵ Finally, contemporary corruption is no longer seen as caused by central policies, but by errant officials at local levels. In fact, when local protesters and rioters complain about localized injustices, they are more likely to demand that central policies be upheld and not deviated and distorted.

In short, the Chinese state is not itself organized for rent capture, nor is it dependent upon the exchange of official favors for political survival. Both conditions would likely pose serious legitimacy problems for a one-party authoritarian regime. The second condition—dependence on political and pecuniary exchanges—is a major cause

⁶⁴ The head of the newly created and lucrative Ministry of Land Resources. Another fallen official above this rank was a deputy chair of the National People’s Congress when he was exposed and eventually executed for corruption in 2000. But his misdeeds occurred prior to his promotion to the center, in Guangxi Autonomous Region.

⁶⁵ Hainan, Yunnan, Guangxi, Guizhou and Liaoning (later Hunan). Hainan was a free economic zone, while Yunan and Guangxi were ethnic regions with greater autonomy.

of corruption in the Indian context. But the universal practice among all political parties, interestingly, helps to defuse the legitimacy problem in India as well.

Conclusion

Democracy in a poor, developing country has not been more successful at tackling corruption than an authoritarian developmental state. The reasons are a combination of the sources of corruption that characteristically affect democracies on one hand, and those that typically afflict developing countries on the other. Though the socialist legacy and economic liberalization are compounding factors in the Indian case, they are even more so in the Chinese case and thus cannot account for India's comparative deficit. A summary of the major determinants of corruption in the two cases appears in the table below.

Table 6 Sources of Corruption in China and India: A Summary

Sources of corruption	Areas	China	India
Scarcities	basic livelihood	regional	x
	low salaries	regional	x
Political regime (national-level)	electoral	0	x
	legislative	0	x
	executive	0	x
Bureaucracy	policy implementation	local	x
Local states	electoral	m	x
	executive	x	x
	legislative	0	x
Socialist economy	bureaucratic command	m	x
	state enterprises	x	x
Economic liberalization	policy making	m	x
	privatization	x	x
	deregulation	x	x
	new regulatory activities	x	x

x = major factor; m = minor factor; 0 = insignificant

In this age of democracy promotion and economic liberalization, it is inevitable to ponder the implications of the finding here for controlling corruption and improving

governance in late developing countries. The so-called “third wave” of democracy since the 1970s and the market oriented economic strategy since the 1980s have led to a simultaneous proliferation of markets and democracies in the developing and post-socialist world.⁶⁶ Yet not only has economic liberalization but democratization itself been invariably associated with the liberalization or democratization of corruption.⁶⁷ The combination has either set the “world on fire” or unleashed a “Godfather’s decade” or two.⁶⁸ Will widespread corruption continue to breed “illiberal democracies” and vice versa, in developing countries?

“Liberal autocracies,” on the other hand, have already shown better track records in controlling corruption or containing it within a scope, and acting autonomously enough to achieve developmental goals. Zakaria’s observation is sobering: “[But] over 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 like those of the countries listed above. Those that have gone down the path of reform are quickly stymied by the need to maintain subsidies for politically powerful groups. ... for 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.”⁶⁹

For China, thus, and perhaps for other developing economies, the priority should be to build the “liberal” part of democracy: rule of law, constitutionalism, protection of property and other rights, separated power, and media openness. Given the widening

⁶⁶ Just as Varshney asks about the implications of his findings for the era of market oriented reforms, see his “Why Haven’t Poor Democracies Eliminated Poverty?” 222.

⁶⁷ Yan Sun, *Corruption and Market*; Goldman, *The Privatization of Russia*; Weyland, “The Politics of Corruption in Latin America;” Roberto Pablo Saba and Luigi Manzetti, “Privatization in Argentina: The implications for corruption,” *Crime, Law and Social Change* 25 (1997) 353-69; David Watt, Rachel Flanary and Robin Theobald, “Democratization or the Democratization of corruption? The Case of Uganda” *Corruption and Democratization* (Frank Cass 2004); J. O’Rourke, “The Godfather Decade - An encounter with Post-Soviet Corruption,” *Foreign Policy* (Nov/Dec. 2000); Arian Karatnycky, “Meltdown in Ukraine,” *Foreign Affairs*, 80/3, Moises Naim, “The Corruption Eruption,” *Brown Journal of World Affairs*, II/2 Summer 1995; Raymond A Hinnebusch, “The Political Economy of Economic Liberalization in Syria,” *International Journal of Middle East Studies* 27 (1995), 305-320.

⁶⁸ Amy Chua, *The World on Fire: How Exporting Free Market Democracy Breeds Ethnic Hatred and Global Instability* (Anchor, 2004) and O’Rourke, “The Godfather Decade.”

⁶⁹ Zakaria, *The Future of Freedom*, 251-252.

social inequalities under economic liberalization, procedural democracy, by opening up political opportunities and elite accessibility, is only more likely to enhance the influence and interest peddling of already privileged nouveau riches groups, thereby contributing to yet new forms of corruption. These new forms, moreover, will be most likely at the policy and legislative making levels, nationally, provincially and locally. To the extent that corruption itself is undemocratic, as it limits political access for less powerful groups, increased corruption at the policy and law making levels will simply create new forms of tyranny. As the Indian case illustrate, a poor and unregulated democracy can undermine genuine liberty and rule of law.

Appendix 1 **Country Rank of Asian States on TI's Corruption Perception Index, 1995-2005**

Country/Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Average country rank
1. Singapore	3	7	9	7	7	6	4	5	5	5	5	5.73
2. Hong Kong	17	18	18	16	15	15	14	14	14	16	15	15.6
3. Japan	20	17	21	25	25	23	21	20	21	24	21	21.6
4. Taiwan	25	29	31	29	28	28	27	29	30	35	32	29.4
5. Malaysia	23	26	32	29	32	36	36	33	37	39	39	32.9
6. South Korea	27	27	34	43	50	48	42	40	50	47	40	40.7
7. Sri Lanka	n/a	-	-	-	-	-	-	56	66	67	78	-
8. Thailand	34	37	39	61	68	60	61	64	70	64	59	56
9. Laos											77	-
10. China	40	50	41	52	58	63	57	59	66	71	78	57.7
11. Mongolia	-	-	-	-	-	-	-	-	-	85	85	-
12. India	35	46	45	66	72	69	71	71	83	90	88	66.9*
13. Philippines	36	44	40	55	54	69	65	77	92	102	117	68.3*
14. Nepal	-	-	-	-	-	-	-	-	-	90	117	-
15. Pakistan	39	53	48	71	87	n/a	79	77	92	129	144	81.9
16. Vietnam	-	-	43	74	79	76	75	85	100	102	107	82.3
17. Cambodia	-	-	-	-	-	-	-	-	-	-	130	-
18. Indonesia	41	45	46	80	96	85	88	96	122	133	137	88
19. Myanmar	-	-	-	-	-	-	-	-	129	142	155	-
20. Bangladesh	-	51	-	-	-	-	91	102	133	145	158	-
Number of countries ranked globally	41	53	52	85	99	90	91	102	133	145	158	95.4

* Discrepancy with Table 1 due to the number of countries ranked in various years. Raw scores on Table 1 more indicative of ranking.
Source: Transparency International's Corruption Perception Index, 1995-2005.