

The Logic of Anticorruption Enforcement Campaigns in Contemporary China

ELIZABETH A. QUADE*

Corruption is endemic and pervasive in contemporary China, yet serious attempts at anticorruption enforcement have been periodic in nature. What explains the timing of anticorruption campaigns? Available data, from 1981 to 1997, suggests a plausible correlation between changes in macroeconomic policy and the intensification of anticorruption enforcement. Four major anticorruption campaigns—in 1982, 1986, 1989 and 1993—coincided with the end of an inflationary peak and the beginning of a macroeconomic austerity period. This article establishes a causal link between anticorruption campaigns and economic austerity rounds, proposing that the aforementioned anticorruption campaigns have been used primarily to combat economic overheating and not corruption itself. That is, during the era of reform, anticorruption enforcement campaigns have functioned as a viable mechanism for reducing over-investment and in so doing, decreasing inflation.

Corruption: an operational definition

Corruption is notoriously difficult to define, and cases in contemporary China are no exception. Chinese criminal statutes define ‘corruption’ (*fubai*) very generally as a sub-category of economic crime. In Articles 155 and 185 of the Chinese criminal code, a distinction is drawn between the economic crimes of ‘corruption’ and ‘bribery’:¹ ‘The former involves officials taking advantage of their positions to directly embezzle or take illegal possession of public property under their care . . . The latter involves their taking advantage of their positions to seek gain for others in return for payment of some kind’.² In order to establish a working definition, both of the aforementioned sub-categories—‘corruption’ and ‘bribery’—are encompassed within the operational definition of ‘politico-bureaucratic corruption’. ‘Political-bureaucratic corruption’ can be defined narrowly as ‘the abuse of public office for private gains’ including ‘bribery extortion, fraud, trafficking, embezzlement, nepotism, and cronyism’.³ This

*Elizabeth A. Quade received her M.Sc. from the School of Oriental & African Studies, University of London and B.Sc. from the University of Wisconsin, Madison.

1. Gordon White, ‘Corruption and the transition from socialism in China’, *Journal of Law and Society* 23(1), (1996), p. 151.

2. *Ibid.* See also Andrew Wedeman, ‘The intensification of corruption in China’, manuscript (2004), p. 4.

3. *Ibid.*, p. 4.

definition is broad enough to encompass old, recent, and emerging patterns of corruption in the People's Republic of China (hereafter PRC), yet, it is specific enough to be encompassed by Articles 155 and 185 of the criminal code. Analytically, this implies that the conception of corruption, which includes bribery, presented herein, and the Chinese state's conception of economic crime are equivalent.

Main arguments

Ting Gong has argued that the explosion of corruption in mainland China is a policy outcome of economic reforms.⁴ In this article I will extend Ting Gong's claim, arguing that each of the reform era's four anticorruption enforcement campaigns are economic policy outcomes. In other words, both the emergence of corruption and the periodic, concerted attempts to slow its growth are by-products of economic policy decisions.

This article provides an analysis of the link between corruption, inflation, and economic growth. In so doing, three questions are addressed. First, is there a relationship between campaign-style anticorruption enforcement and economic austerity rounds, and if so, what is the logic? Second, what can anticorruption enforcement campaigns tell us about the nature of central–local relations in contemporary China? And lastly, what theoretical model of China's political economy best accounts for my empirical findings?

Overview

The Chinese Communist Party (hereafter the CCP) has been fighting corruption since its inception. During the economic reform period (1978–1993) the CCP's approach to anticorruption enforcement evolved in two distinct phases. Prior to 1989, the party took a defensive stance toward corruption, reacting only so as to quell public opinion outcries.⁵ The Tiananmen incident in 1989 marked a turning point in the party's approach to corruption. Since Tiananmen, the party's strategy has shifted, becoming more proactive, and worked broadly toward shoring-up regime legitimacy.⁶

Inflation is another phenomenon affecting regime legitimacy. Like corruption, the CCP has been dealing with bouts of inflation since it assumed power. However, unlike corruption, during the reform period, the CCP's policy responses to inflation were direct and swift.⁷ Controlling inflation appears to have been consistently treated as a top priority, while anticorruption enforcement was comparatively less important.

Anticorruption campaigns

Melanie Manion has shown that anticorruption enforcement campaigns are a special policy choice distinct from routine anticorruption enforcement.⁸ Campaigns are

4. Ting Gong, *The Politics of Corruption in Contemporary China: An Analysis of Policy Outcomes* (Westport: Praeger, 1994).

5. Bruce Gilley, *Tiger on the Brink: Jiang Zemin and China's New Elite* (Berkeley: University of California Press, 1998), p. 157.

6. *Ibid.*

7. Yasheng Huang, *Inflation and Investment Controls in China: The Political Economy of Center Local Relations during the Reform Era* (Cambridge: Cambridge University Press, 1999), p. 14.

8. Melanie Manion, 'Corruption by design', manuscript (2002), p. 235.

characterized by ‘short periods of intensified enforcement during which corrupt officials can no longer count on the routine substitution of party disciplinary action for criminal punishment’.⁹ Manion identifies five such campaigns—1982, 1986, 1989, 1993, and 1995—all of which can be identified empirically on the basis of their ‘integrally related set of enforcement peaks, report peaks, and confession peaks’.¹⁰ From 1979 to 1999, anticorruption campaigns were in action roughly 10% of the time—approximately 28 months—with routine anticorruption enforcement in place for the remainder of the time.¹¹

Anticorruption campaigns share several common features. At the start of each campaign, top party and government leaders note the forthcoming intensification of the anticorruption struggle by shifting the emphasis of their discourse from economic growth to corruption control.¹² ‘They often refer explicitly to the exhortation issued by Deng Xiaoping in 1982 to work with “two hands”’, that is, to battle economic crime all the while upholding economic reforms.¹³ When a campaign is launched, there is a marked shift in rhetoric from a single-minded focus on economic growth to a serious interest in anticorruption enforcement.¹⁴ Conversely, when announcing the conclusion of an anticorruption enforcement campaign, top leaders espouse a rhetoric which is more balanced, thus de-emphasizing the party’s struggle against economic crime.¹⁵

Each campaign was accompanied by an increase in State media publicity of corruption control topics. Attempts are made, usually very early in the campaign, to encourage corrupt officials to offer confessions.¹⁶ Within the party itself, generalists at the center intensify their demands on the Party Discipline Inspection Committees and the Procuratorates to achieve results by substantially increasing the number of criminal corruption cases.¹⁷

While other accounts¹⁸ mirror Manion’s, it should be said that at least some scholars classify anticorruption campaigns differently. For example, Yang Shuang describes seven or eight major anticorruption ‘actions’ (*xingdong*).¹⁹ Another scholar, Zengke He, refers to only four anticorruption campaigns suggesting that the most recent campaign, launched in 1993, lasted through to 2000.²⁰ Certainly alternative classification schemes exist, and each may well have its own merits; however, this analysis will follow Manion in assessing anticorruption campaigns on the basis of empirical, and not anecdotal, evidence thus providing a tractable quantitative measure of anticorruption enforcement policy choices.

9. *Ibid.*, p. 295.

10. *Ibid.*, p. 296.

11. *Ibid.*, pp. 235–236.

12. Melanie Manion, *Corruption by Design* (Cambridge: Harvard University Press, 2004), p. 162.

13. *Ibid.*

14. *Ibid.*

15. *Ibid.*

16. *Ibid.*, p. 168.

17. *Ibid.*

18. See for example Wedeman, ‘The intensification of corruption in China’, p. 25.

19. For Yang Shuang (1996) see Manion, ‘Corruption by design’ (2002), p. 235.

20. Zengke He, ‘Corruption and anti-corruption in reform China’, *Communist and Post Communist Studies* 33(2), (2000), pp. 267–268.

Anticorruption enforcement tactics

At present, the PRC has more special anticorruption/disciplinary agencies than any other country in the world.²¹ In addition, there is an abundance of anticorruption laws and inter-party regulations. 'In 1997 alone, six new national anticorruption laws and disciplinary regulations were promulgated.'²² Despite the proliferation of laws and regulations, periodic campaign-style anticorruption enforcement proved to be a necessary and successful short-term strategy for reining in corrupt officials.

Over the last two decades, the tactics employed to combat corruption have changed markedly. From the early 1980s up until 1995, anticorruption enforcement was carried out via campaign-style mass mobilizations.²³ In 1995, the party shifted its focus, placing a new emphasis on institutional methods and less on campaign-style mass mobilizations.²⁴ However, such institutional methods are not, as of yet, fully developed. Chinese anticorruption specialists think of the current phase of enforcement—including both routine work and focused clean-up campaigns—as transitional.²⁵ One such specialist describes the transitional phase this way:

From relying on mass movements to fight corruption [in the Maoist period] to relying completely on institutions and the legal system as the norm, there is a transitional period. We are currently in this transitional period. The anticorruption effort at this stage cannot rely on mass movements. Yet, as the new anticorruption institutions are not yet fully established, [the effort] cannot completely rely on the legal system. The fundamental characteristic of appropriate anticorruption measures in the transitional period is the combination of routine work and focused 'clean ups'.²⁶

The central leadership relies on two permanent agencies, the Party Discipline Inspection Committees and the procuratorates, for anticorruption enforcement.²⁷ In order to compensate for institutional deficiencies, during the period from 1981 to 1995, both routine and campaign-style anticorruption enforcement were utilized.²⁸ Routine anticorruption enforcement is the responsibility of the party, and more specifically, the Party Discipline Inspection Committees (PDICs). The overwhelming majority of cases handled by the party's supervisory system resulted in administrative, and not criminal, punishment.²⁹ Indeed it is rare for cases to be passed along from the Party Discipline Inspection Committees to the criminal system: 'On average, Provincial Supervisory Bureaus turned only 6% of those found guilty of disciplinary infractions over to the legal system'.³⁰ From 1979 to 2000, roughly 3 million party members were investigated and punished by the party for

21. Xiaobo Lu, *Cadres and Corruption: The Organizational Involvement of the Chinese Communist Party* (Stanford: Stanford University Press, 2000), p. 225.

22. Thomas P. Bernstein and Xiaobo Lu, *Taxation without Representation* (Cambridge: Cambridge University Press, 2003).

23. Lu, *Cadres and Corruption*, p. 223.

24. *Ibid.*

25. Manion, 'Corruption by design' (2002), pp. 121 and 122, citing a senior researcher at the Central Discipline Inspection Commission (CDIC), the communist party anticorruption agency.

26. Manion, 'Corruption by design' (2002) quoting Li (1993), p. 688.

27. Manion, *Corruption by Design* (2004), p. 120.

28. Manion, 'Corruption by design' (2002), p. 229.

29. Wedeman, 'The intensification of corruption in China', p. 14.

30. *Ibid.*

some form of corruption-related misconduct, while only 830,000 officials faced legal charges for criminal corruption.³¹ In other words, only one in four officials found guilty of corruption faced legal punishment. If one were to exclude anticorruption campaign years, the probability of any given corrupt official facing criminal punishment would be even less.

Because economic crimes committed by officials are both illegal and a violation of party discipline, the offense of corruption itself falls into the jurisdiction of two agencies—the PDICs and procuratorates. While substantial jurisdictional overlap exists between the PDICs and the procuratorates, resulting, to be sure, in information sharing and investigative collaboration, ‘the involvement of procuratorates in most cases of criminal corruption depends on the initiative of the party organization’.³² Institutionally, in the context of anticorruption enforcement, ‘the investigatory jurisdiction of procuratorates is practically a subset of that of discipline inspection committees’.³³ Party Discipline Inspection Committees ‘exercise leadership over both party and government anticorruption agencies through the *nomenklatura* system’, which, in effect, grants party committees authority over party and government officials one level down.³⁴

Interestingly, it was during the periodic anticorruption enforcement campaigns that China’s legal system became more relevant. During such campaigns, party committees spearhead efforts to bring about legal punishment by bringing ‘corrupt officials to the agencies charged with enforcing the law’.³⁵ This has the affect of temporarily overburdening China’s nascent legal system, thus requiring that judges hear many more cases of official corruption than would be typical during a period of routine corruption enforcement. Nonetheless, campaigns were highly publicized, and by expanding legal punishment during high publicity periods, the Chinese Communist Party was able to bolster the legitimacy of its nascent legal system—albeit temporarily.

The puzzle

What explains the timing of anticorruption campaigns? Available data, from 1981 to 1997, suggest a plausible link between changes in macroeconomic policy and the intensification of anticorruption enforcement. About the time when macroeconomic austerity policies are introduced to combat inflation, the Party’s anticorruption enforcement efforts are stepped up. Four major anticorruption campaigns³⁶—in 1982, 1986, 1989 and 1993—coincided with the end of an inflationary peak and the beginning of a period of macroeconomic austerity. At the tail-end of each inflationary bout, the number of criminal corruption and anticorruption enforcement cases investigated were at peak levels. Once levels of inflation were brought under control, the number of cases investigated decreased dramatically (see Table 1).

31. Manion, ‘Corruption by design’ (2002), p. 181.

32. Manion, *Corruption by Design* (2004), p. 130.

33. *Ibid.*, p. 128.

34. *Ibid.*, p. 125.

35. Manion, ‘Corruption by design’ (2002), p. 228.

36. Following Manion, *Corruption by Design* (2004) and also Wedeman, ‘The intensification of corruption in China’.

Table 1. Anticorruption enforcement campaigns and economic austerity rounds (years)

Economic austerity rounds	1983 ^a	1986–1987 ^a	1989–1991 ^b	1993 ^c
Anticorruption enforcement ^d	1982	1986	1989	1993

Notes: ^aHuang, *Inflation and Investment Controls*, p. 14.
^bNaughton, *Growing Out of the Plan*, p. 274; and Huang, *Inflation and Investment Controls*, p. 14.
^cLardy, *Integrating China into the Global Economy*, pp. 16–17; and Huang, *Inflation and Investment Controls*, p. 14.
^dAnticorruption enforcement statistics are from Manion, ‘Corruption by design’ (2002), Figure 3.1.

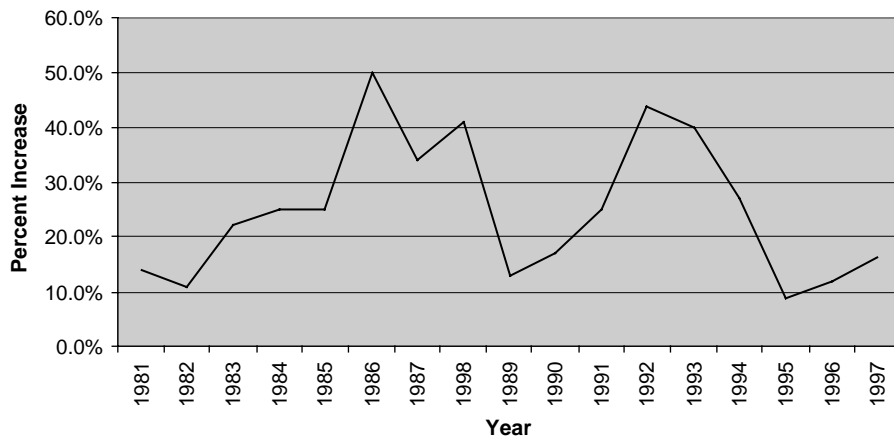


Figure 1. Percent increase of currency over year previous, 1981–1997.
 Sources: Figures are from Lardy, *China’s Unfinished Economic Revolution*, p. 13. Therein Lardy cites the following sources: State Statistical Bureau, *Chinese Statistical Yearbook 1995* (Beijing: China Statistical Publishing House, 1995), p. 574; *Statistical Yearbook 1996*, p. 616; and ‘Materials on Chinese financial statistics in 1997’, *Jinrong shibao* [Financial News], (23 January 1998), p. 2.

Figure 1 illustrates the fluctuations in the amount of currency in circulation during the 1981–1997 period. Peaks correspond with periods of high inflation, and troughs correspond with periods of low inflation. The amount of currency in circulation is both a tractable, and reliable, indicator of inflation. It is worth noting how prominent the increases and decreases in the amount of currency in circulation are.

The graph in Figure 2 illustrates fluctuations in economic crime cases filed and investigated by the procuratorates. Note how, from 1980 to 1994, the peaks and troughs mirror the inflationary peaks and troughs shown in the previous figure.

In order to get at inflation, the central government needed to get at corruption. As Jiang Zemin put it, ‘if we want to overcome financial chaos and cool down the feverish economy, we must combat corruption and encourage honesty in politics’.³⁷ To understand why this was so, it is first necessary to elucidate the fundamental causes, and institutional backdrop, of inflation, as it existed during the reform era.

37. Gilley, *Tiger on the Brink*, p. 207.

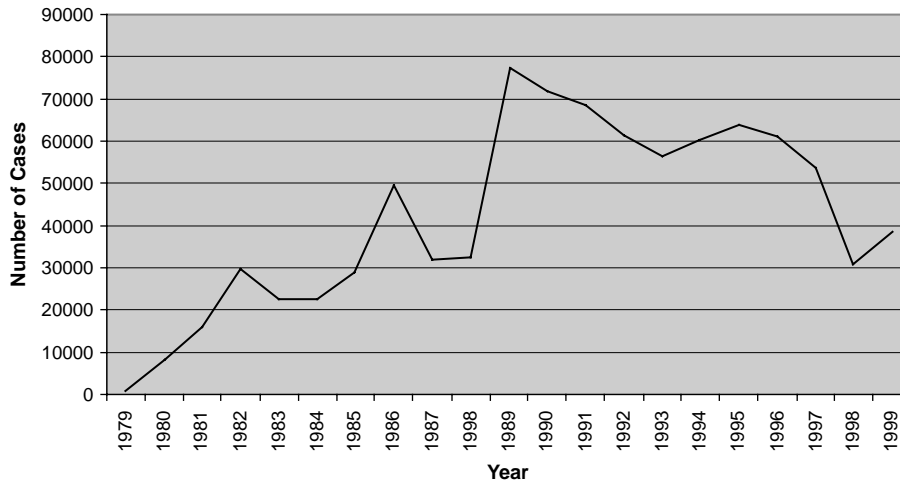


Figure 2. All economic crime cases filed and investigated by procuratorates, 1979–1999.

Sources: Figures for 1979–1989 are from Manion, *Corruption by Design* (2004), Figure 3.1. Figures for 1990–1999 are from yearbooks published by the procuracy: *Zhongguo jiancha nianjian* 1990 (1991, p. 410); *Zhongguo jiancha nianjian* 1991 (1992, p. 327); *Zhongguo jiancha nianjian* 1992 (1993, p. 342); *Zhongguo jiancha nianjian* 1993 (1994, p. 417); *Zhongguo jiancha nianjian* 1994 (1995, p. 550); *Zhongguo jiancha nianjian* 1995 (1996, p. 382); *Zhongguo jiancha nianjian* 1996 (1997, p. 396); *Zhongguo jiancha nianjian* 1997 (1998, p. 486); *Zhongguo jiancha nianjian* 1998 (1999, p. 506); *Zhongguo jiancha nianjian* 1999 (2000, p. 511); *Zhongguo jiancha nianjian* 2000 (2001, p. 646).

Inflation

From 1979 to 1998, the Chinese government imposed five rounds of economic austerity—in 1981, 1983, 1986–1987, 1989–1991, 1993–1998—to combat inflation and cool the overheated economy. Each round differed in severity and approach but all followed a similar logic of recentralizing investment authority and then reducing aggregate demand by cutting the rate of local-level (provincial) investment growth.³⁸ Like corruption, inflation is a national problem, and is perceived by central policy makers as such. Its effects have been, and continue to be, felt across regions and across the urban–rural divide.³⁹ For the purposes of this analysis, regional and urban–rural differences are not poignant enough to prove consequential.

The causes of the reform era inflationary periods were manifold, but four factors stand out. First, because the performance of local officials is primarily evaluated in terms of economic growth, there were pressures for excessively high investment growth from local governments and state enterprises. Second, because China's central bank was nominally but not factually independent, political leaders, especially officials at the local level, were able to influence monetary policies, resulting in an excessive currency supply. Third, there was an accumulation of foreign reserves and large capital inflows, both of which have tended to cause

38. Huang, *Inflation and Investment Controls in China*, pp. 2, 14.

39. Christopher Tong and Xiaobin Zhao, 'Impact of inflation on Chinese economy: growth, investment, and regional development', *Journal of Contemporary China* 5(13), (November 1996), p. 308.

inflation. And lastly, there were price reforms which caused increases in the overall price level.⁴⁰

In reform era China, inflation was primarily due to the investment component of aggregate demand, and not consumption or external shocks.⁴¹ As such, inflation in China is a monetary phenomenon:⁴² 'Unlike market economies, where inflation is usually caused by private and public consumption, CPEs [centrally planned economies] are more prone to investment-driven inflation'.⁴³ Inefficient state-owned enterprises, irrational development of the property market, and excessive investment in fixed assets all have a direct impact on the monetary system, and in turn, inflation.⁴⁴ Over-investment has several structural causes including the decentralization of investment power and incentives for local governments given to spur economic growth at all cost.⁴⁵ The key sector, with regards to over-investment, is China's banking system.

Banks, decentralization, and local protectionism

China's central bank, the People's Bank of China (hereafter PBOC), is nominally independent. However, in practice from 1984, when the PBOC became the official central bank, through until the late 1990s, the PBOC was 'so beholden to local interests that it was often hardly acting like a central bank at all'.⁴⁶ At that time, the PBOC was subject to dual leadership from both provincial and local governments because the bank itself was geographically and fiscally decentralized, with major branches located in provincial capitals and larger cities. Prior to 1993, when then Vice-Premier Zhu Rongji implemented his 16-point austerity program, 'the provincial branches of the central banks responded primarily to provincial level political leaders rather than central bank headquarters in Beijing'.⁴⁷

When deciding whether or not to grant a loan, Chinese banks use a decision making process which is markedly different from that which a typical commercial bank would use. It is, for example, typical for Chinese banks to extend credit entirely at the behest of governmental authorities.⁴⁸ Throughout the reform period, provincial party officials had considerable influence in determining who was selected to head the PBOC's provincial branches, thus enabling them to exert considerable influence in lending decisions.⁴⁹ Those in charge of central bank

40. Renhong Wu, 'China's macroeconomy: review and perspective', *Journal of Contemporary China* 7(19), (November 1998), p. 447.

41. Huang, *Inflation and Investment Controls in China*, p. 14.

42. Tong and Zhao, 'Impact of inflation on Chinese economy', p. 307; see also Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993* (Cambridge: Cambridge University Press, 1996); and Nicholas R. Lardy, *China's Unfinished Economic Revolution* (Washington, DC: The Brookings Institute, 1998).

43. Huang, *Inflation and Investment Controls in China*, p. 2.

44. Tong and Zhao, 'Impact of inflation on Chinese economy', p. 307.

45. Victor Shih, 'Factions matter: personal networks and the distribution of bank loans in China', *Journal of Contemporary China* 13(38), (February 2004), p. 14.

46. Dali L. Yang, 'Economic transformation and state rebuilding in China', in Barry J. Naughton and Dali L. Yang, eds, *Holding China Together* (Cambridge: Cambridge University Press, 2004), p. 127.

47. *Ibid.*, pp. 90–91.

48. Lardy, *China's Unfinished Economic Revolution*, p. 83.

49. Dali L. Yang, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford: Stanford University Press, 2004), p. 81.

branches very often ‘succumb to pressure from powerful local officials; the bankers needed the local governments’ assistance in their work and their personal interests, including welfare for family members and postbanking jobs for themselves, [and] also benefited from rapport with local officials’.⁵⁰ This meant that large amounts of credit were available for local projects and especially for state owned enterprises (SOEs).

While it is true that the Chinese state shed many of its small and mid-sized state owned enterprises (SOEs), even as late as 1998, what remained of the sector ‘still controlled more than 70 percent of all the fixed assets and 80 percent of all working capital used in manufacturing’.⁵¹ As Nicholas Lardy emphasizes, ‘much of the lending from Chinese banks was made to state enterprises’ and a high percentage of such loans were in-fact nonperforming.⁵²

According to one World Bank study:

The decentralized financial network was overly generous (under political prodding) in responding to the demands for credit from enterprises . . . Unless the intense investment hunger can be blunted and provinces induced to adhere to common development goals, the demand for credit will remain strong as will the political pressure on banks to grant credit even if it means violating [credit] ceilings.⁵³

Analysis

There is broad agreement amongst China’s policy makers and economists that economic reforms can only be implemented when inflation is not serious. Yet once economic reforms are under way, policy makers have often struggled to rein in the explosive investment, especially at the local level.⁵⁴ However, after inflation has been brought under control, the Chinese government typically takes bold reform initiatives.⁵⁵ Such policy sequencing is smart, both economically and politically, in that each economic austerity round brings with it the promise of future reform initiatives.

The central government has been able to reduce inflation whenever it committed itself firmly to a program of economic austerity. When inflation is over the limit, directives will be given by the central government to slow all kinds of investments, and the consequence is a sudden contraction of the economy and fall in GDP.⁵⁶ ‘In 1983, 1986, and 1989, the central government explicitly stated that it would hold provincial officials personally responsible for investment excess within their jurisdictions.’⁵⁷ Table 2 illustrates the sizable difference in investment growth rates between periods of economic austerity and periods of inflation.

50. Yang, ‘Economic transformation and state rebuilding in China’, p. 83.

51. Nicholas Lardy, *Integrating China into the Global Economy* (Washington, DC: Brookings Institute Press, 2002), p. 15.

52. Lardy, *China’s Unfinished Economic Revolution*, pp. 90–91.

53. Cited in Yang, *Remaking the Chinese Leviathan*, p. 81.

54. Huang, *Inflation and Investment Controls in China*, p. 11.

55. *Ibid.*, p. 318.

56. Tong and Zhao, ‘Impact of inflation on Chinese economy’, p. 308.

57. Huang, *Inflation and Investment Controls in China*, p. 10.

Table 2. Average provincial growth rates by investment categories among Chinese provinces under two macroeconomic policy regimes (two measurements, percentage)

Period	Central projects	Local projects
<i>Austerity</i>		
Unweighted averages	6.32	1.75
Weighted averages	7.45	3.81
<i>Inflationary</i>		
Unweighted averages	22.40	25.63
Weighted averages	18.26	24.29

Notes: Weights refer to the provincial shares of national NMP. Figures are from Huang, *Inflation and Investment Controls in China*, Table 7.2, p. 219.

While corruption did not directly cause the bouts of inflation, evidence suggests that it was intertwined with several of the factors that did, including excessive credit supply of the banking sector. The number of economic crime cases (filed and investigated) tends to peak at just about the same time as inflation is beginning to be brought under control. Such evidence suggests that anticorruption enforcement is one lever which the central government uses to bring over-investment, and thus inflation, back under control. Surely anticorruption campaigns are not the only lever, but they are a notable policy option nonetheless.

Despite reform era economic decentralization and the subsequent decline of the center's economic strength, in terms of political and bureaucratic power, the center remained strong.⁵⁸ As Yasheng Huang so aptly phrased it, 'when the central government really means business and holds coherent policy preferences, local officials comply, sometimes at a huge cost to their own interests'.⁵⁹ During center instigated economic austerity rounds, some local officials comply, others do not. Anticorruption enforcement campaigns are used as a mechanism to rein in the non-complying local officials.

Why are anticorruption campaigns themselves effective? Put differently, what ensures that the campaigns are carried out in accordance with the center's directives? Several scholars—including Yasheng Huang,⁶⁰ Christine Wong,⁶¹ and Susan Shirk⁶²—conclude that despite fiscal and economic decentralization, the center was never at risk of losing control of the reform program, precisely because it never relinquished control over personal policy or the *nomenklatura* system. During anticorruption enforcement campaigns, local officials, especially judges and prosecutors, carry out central directives because their political and professional futures will be determined by the center through personal policy and the *nomenklatura* system.

58. *Ibid.*, p. 4.

59. *Ibid.*, p. xx.

60. Huang, *Inflation and Investment Controls in China*.

61. Christine Wong, 'Central-local relations in an era of fiscal decline: the paradox of fiscal decentralization in post-Mao China', *China Quarterly* 128, (1991), pp. 691–715.

62. Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993).

Case study: the ineffective 1988 economic austerity round

Interestingly, there exists a telling example of an economic austerity round which failed to achieve its objective. At the tail-end of 1987 and throughout 1988, the center attempted, unsuccessfully, to cool China's economy and rein-in inflation.⁶³ This attempted economic contraction *was not* accompanied by an anticorruption enforcement campaign. Without a complementary anticorruption policy, industry grew, unrestrained, at a rate of 20.8%.⁶⁴

The 1988 policy outcome stands in marked contrast to the outcomes generated when economic contraction policies were accompanied by anticorruption enforcement campaigns, including the economic austerity rounds which both preceded and followed the 1988 debacle. The preceding economic austerity round, in 1986, was accompanied by an anticorruption enforcement campaign, enabling the center to reduce the industry growth rate from 21.4% in 1985 to 11.7% in 1986.⁶⁵ Similarly, the failed 1988 economic austerity round was followed by the successful 1989–1991 economic austerity round, which, like its 1986 predecessor, was accompanied by an anticorruption enforcement campaign. The result was that industrial growth was reduced to a reasonable 8.9%.⁶⁶

Case study: the 1993 anticorruption enforcement campaign

In practice, from 1989 to 1993 Jiang Zemin was somewhat constrained in his approach to corruption by his political superior Deng Xiaoping. Then, in 1993, at the tail-end of an explosive economic boom, Deng conferred full control of the corruption issue to Jiang. The 1992–1993 economic boom increased local autonomy and disobedience to such a point where it became a threat to national economic stability. For Jiang Zemin and Zhu Rongji the task was to bring regional governments and the financial system into line by imposing national macroeconomic controls.⁶⁷

At this time, Jiang began planning a new campaign against official corruption: 'The reasoning, on which Jiang and Zhu concurred, was that there was a close interrelationship between the runaway economy and abuses of power in many localities'.⁶⁸ Unchecked regional power was closely related to the unrestrained financial system. Just prior to the 1993 campaign, Jiang Zemin remarked, 'If we want to overcome financial chaos and cool down the feverish economy, we must combat corruption and encourage honesty in politics'.⁶⁹ And indeed, in mid-1993 when China's economic policy switched to austerity, there was a surge in anticorruption enforcement. Jiang Zemin announced the anticorruption campaign in a speech at the CDIC Second Plenary Session.⁷⁰

63. *Ibid.*, p. 150.

64. Industry growth rate statistics from the 1990 *Statistical Yearbook*, p. 415 as cited in Shirik, *The Political Logic of Economic Reform in China*, p. 150.

65. *Ibid.*

66. *Ibid.*

67. Gilley, *Tiger on the Brink*, p. 204.

68. *Ibid.*, p. 207.

69. Jiang Zemin quoted in Gilley, *Tiger on the Brink*, p. 207.

70. Manion, 'Corruption by design' (2002), p. 190.

Evidence suggests that this surge in anticorruption enforcement had little to do with Jiang Zemin's now total policy control over the issue of corruption. Rather, anticorruption enforcement was one prong of a multi-pronged attempt to cool an overheated economy. Like previous anticorruption campaigns, the 1993 campaign was essential to reducing inflation. Dali Yang surmised that China's leaders 'came to see anticorruption as a stone that can kill two birds in that anticorruption can help improve the economic environment and win political support'.⁷¹ This may in-fact be true, but nonetheless does not necessarily disprove the proposition that, at least during the era of reform, economic austerity rounds required anticorruption campaigns in order to ensure their success.

Theoretical models of China's political economy

There are two competing theoretical conceptions of China's political economy relevant to this analysis: the rational center model and the institutional interests model.⁷² Both models represent 'ideal types'. The rational center model emphasizes the role of the center, and in so doing assumes that the center is in-fact a rational actor whose priority is to maximize national interests. According to this model, the center is able to maximize national interests through policy making and resource allocation. Chinese leaders, from Mao to Jiang, have repeatedly invoked the analogy of a 'giant chess-board' when explaining the central leadership's 'constant push for national interests', where the center's policy choices are made to maximize national interests.⁷³

The second ideal type model, the institutional interest model, focuses on interest-based resource distribution. It grants considerable analytical weight to the fragmented nature of the Chinese decision making process and to interest groups, who, as the model would have it, exert considerable influence on policy makers.⁷⁴ Susan Shirk⁷⁵ and Victor Shih⁷⁶ are two examples of such analysis which have been influential in the scholarly literature.

The findings presented herein suggest that, during the era of reform, neither the rational center model nor the institutional interests model holds at all times. Instead, the findings support Fubing Su and Dali Yang's conclusion⁷⁷ that the center is indeed capable of putting the interest-based resource distribution arrangement on hold temporarily. Both Su and Yang⁷⁸ and Yasheng Huang⁷⁹ note that the central leadership tends to tighten its control when it perceives serious political challenges or threats. As Su and Yang tell us, 'it is only in periods of political calm that the institutional interest model comes into play, suggesting that the center becomes more tolerant of special interests and lobbying in these times'.⁸⁰ Of course proponents of

71. Yang, *Remaking the Chinese Leviathan*, p. 221.

72. Fubing Su and Dali Yang, 'Political institutions, provincial interests, and resource allocation in reformist China', *Journal of Contemporary China* 9(24), (July 2000), pp. 217–218.

73. *Ibid.*, p. 216.

74. *Ibid.*, p. 219.

75. Shirk, *The Political Logic of Economic Reform in China*.

76. Shih, 'Factions matter'.

77. Su and Yang, 'Political institutions, provincial interests, and resource allocation in reformist China'.

78. *Ibid.*, p. 228.

79. Huang, *Inflation and Investment Controls in China*.

80. *Ibid.*

the rational center model could counter by insisting that all policy shifts are explained by the rational center maximizing the national interest. Yet, even if this may be true in some sense, it is perhaps too crude to be considered a gainful theoretical model for understanding central–local relations in China.

Concluding remarks

In this article, I established a causal link between anticorruption campaigns and economic austerity rounds, showing that anticorruption campaigns are one strategy the central government implements to reduce over-investment, and in so doing, inflation. During economic austerity periods, some local officials comply with the center’s directives, but others do not. Anticorruption enforcement campaigns enable the center to rein in non-complying local officials. My findings suggest that neither the rational center model nor the institutional interests model of central–local relations for China holds at all times. Instead, my findings support the observation that the central leadership tends to tighten its control when it perceives a serious threat to national economic stability.⁸¹

81. See Su and Yang, ‘Political institutions, provincial interests, and resource allocation in reformist China’; and also Huang, *Inflation and Investment Controls in China*.

Copyright of Journal of Contemporary China is the property of Routledge and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.