

# Anticorruption Campaigns and the Intensification of Corruption in China

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*Despite repeated crackdowns, over the past two decades corruption in China has become steadily more 'intense' as the amounts of corrupt monies and the number of senior cadres implicated in corruption have increased dramatically, leading many to view China's 'war on corruption' as half-hearted and ineffectual. In this article, I analyze the efficacy of China's campaign-style anticorruption strategy using a combination of formal modeling and empirical data. The analysis suggests that while this sort of strategy may succeed in keeping corruption 'under control', it is likely to do so by deterring low-level corruption, but not high-level, high stakes corruption, and may encourage inflation of the size of bribes. The article thus concludes that campaign-style enforcement may have actually contributed to the 'intensification' of corruption.*

## Introduction

Every so often, the Chinese government announces that it has launched a new offensive in its war against corruption. With harsh rhetoric and strong words, campaigns<sup>1</sup> typically unfold as the Chinese press reports a litany of cadres arrested, convicted, jailed, and—particularly in recent years—shot. Ultimately the campaign ends with the requisite claims of success and statistics showing a dramatic increase in the number of cadres arrested and convicted. Soon thereafter, however, new scandals

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1. Use of the English term 'campaign' is problematic in this context because the equivalent Chinese term 'yundong' has a very particular political meaning. To many Chinese, the term *yundong* denotes a Maoist-style mass campaign. Contemporary anticorruption drives, even though they include calls for increased public involvement, are not mass campaigns. Instead, they rely on short bursts of hyper enforcement by state and party agencies, wherein the 'masses' are asked to report corrupt cadres but are not allowed to take on an active or leading role, as was the case in a Maoist campaign. Interestingly, O'Brien and Li have found evidence of a 'nostalgia' for mass campaigns, particularly among rural residents many of whom believe the regime's legalistic approach merely picks off a few of the small fry and the occasional 'big tiger' but does not really attack the underlying problem. A quarter of those surveyed, in fact, said that the mass campaign was the most effective means of rooting out corruption. Kevin O'Brien and Lianjiang Li, 'Campaign nostalgia in the Chinese countryside', *Asian Survey* 39(3), (May–June 1999), pp. 375–393; and Lianjiang Li, 'Support for anti-corruption campaigns in rural China', *Journal of Contemporary China* 10(29), (November 2001), pp. 573–586. For an analysis of Maoist campaigns see Charles P. Cell, *Revolution at Work: Mobilization Campaigns in China* (New York, NY: Academic Press, 1977).

erupt and eventually a new anticorruption campaign is announced with the now familiar rhetoric—and the same transitory results. The repeated ebb and flow of China's war against corruption have thus left many with the strong impression that anticorruption campaigns are a form of Beijing Opera in which the actors rush about the stage amid great sound and fury in a drama that ultimately signifies nothing because, after the din dies down and the actors leave the stage, corruption abides.

To an extent, the cynics are correct. Campaigns, even repeated campaigns, are unlikely to eradicate corruption and inevitably corruption will rear its head once more. In practice, however, the function of campaigns is not to eliminate corruption but rather to control it. That is, to cut the rate of corruption down to some 'acceptable' level and prevent corruption from spiraling out of control. In this more restrictive sense, according to Manion, China's strategy of 'enforcement swamping' has been successful.<sup>2</sup> Faced with an explosion of corruption during 1987–1988, she asserts, the 1989 anticorruption campaign succeeded in pushing corruption rates back below the 'tipping point' beyond which further increases would have overwhelmed the regime's enforcement resources and led to a 'crisis of corruption'.

Although we cannot measure the actual rate of corruption (ARC), proxy measures such as the revealed rate of corruption (RRC) (i.e. the number of persons charged with corruption) and the perceived rate of corruption (PRC) appear to substantiate Manion's claim that corruption has 'leveled off' (see Figure 1). After rising steadily during the period prior to 1989 and then jumping dramatically in 1989, the RRC fell steadily as the 1989–1990 campaign wound down and then remained around 60,000 a year until 1997 when a revision of the Criminal Code led to a redefinition of economic crime and a reduction in the number of cases filed. Since 1997, the RRC has remained reasonably constant at about 35,000 a year.<sup>3</sup> Transparency International's Corruption Perception Index, which polls expert opinion about levels of corruption, also shows a jump between the pre-1989 period, when China received a middling score of 4.87 out of a possible 10 in 1985 and 5.27 in 1992 to 7.59 in 1995–1996.<sup>4</sup> Thereafter, its score 'improved' during 1997 and remained around 6.5 through 2002.

A more detailed reading of the data, however, reveals that as the RRC and PRC leveled off, the 'intensity' of corruption increased significantly.<sup>5</sup> As a percentage of the total cases those involving in excess of ¥10,000, for instance, rose from 17% in 1987 to 68% a decade latter.<sup>6</sup> Whereas 652 cadres holding positions at or above the

2. Melanie Manion, 'Corruption by design: corruption control through enforcement swamping', paper presented at the American Political Science Association annual meeting, September 1999 (Atlanta).

3. Data from *Jiancha Nianjian* (Beijing: Renmin Jiancha Chubanshe, various years).

4. Transparency International did not begin publishing its index until the mid-1990s but has published retrospective scores for 1985 and 1992, thus leaving considerable gaps. Transparency Index is available at <http://www.transparency.org>. Note that I have inverted TI's score so that higher numbers correspond to worse corruption, not greater honesty.

5. Andrew Wedeman, 'The intensification of corruption in China', *China Quarterly*, No. 186 (December 2004): 895–921. Also see Ting Gong, 'Forms and characteristics of China's corruption in the 1990s: change with continuity', *Communist and Post-Communist Studies* 30(4), (September 1997), pp. 277–278; Liu Xiaobo, *Cadres and Corruption: The Organizational Involvement of the Communist Party* (Stanford, CA: Stanford University Press, 2000); and He Zengke, 'Corruption and anti-corruption in reform China', *Communist and Post-Communist Studies* 33(2), (June 2000), pp. 243–270.

6. Data from *Jiancha Nianjian*, various years.

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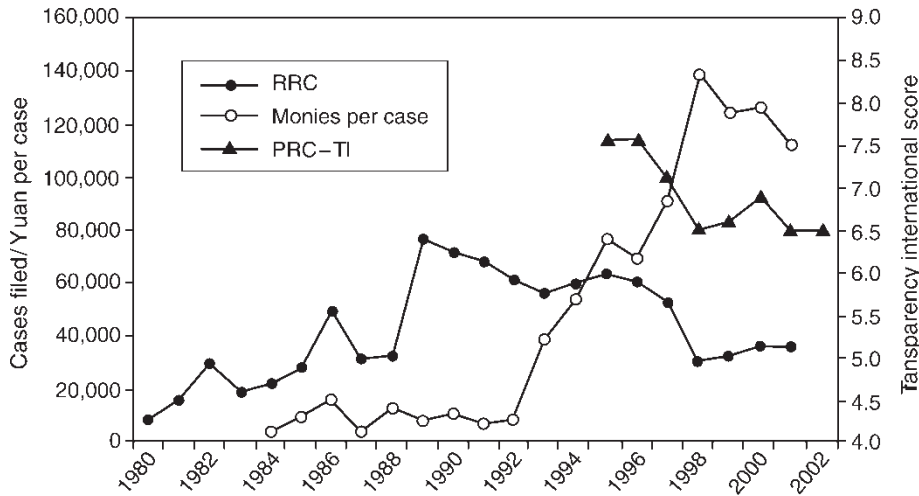


Figure 1. Rate and intensity of corruption.

county level were charged with economic crimes in 1992, 2,670 were charged in 2001. Corrupt monies reportedly recovered by the Procuratorate rose from ¥90 million in 1984 to ¥41 billion in 2000. That is, from ¥4,054 per case filed in 1984 to ¥112,492 per case filed in 2001. The number of ‘ordinary’ (i.e. those not designated as ‘major’ by the Procuratorate), which had jumped from 27,176 filed in 1988 to 57,590 during the 1989 anticorruption campaign, dropped, falling to just 16,486 filed in 1997. The ‘leveling off’ effect observed in the aggregate data is thus a function of concurrent decreases in ‘petty corruption’ and increases in more serious corruption, which suggests that a qualitative shift in the nature of corruption occurred without necessarily causing a visible quantitative increase in incidence.<sup>7</sup>

This qualitative shift can be explained as the result of a combination of structural changes associated with the deepening of reform that have decreased the opportunities for low-level, ‘petty’ corruption while increasing opportunities for high-stakes corruption and an increased emphasis by the authorities on attacking high-level corruption.<sup>8</sup> In this article, I advance an additional argument: while structural and policy changes have played a role in the intensification of corruption, recent anticorruption campaigns have reinforced the tendency toward increasing intensity. As argued in the pages that follow, the efficacy of a Chinese-style anticorruption campaign varies according to both the absolute and relative gains from engaging in corruption and, under conditions such as those found in China, this type of campaign will tend to depress the rate of low-level, low-stakes corruption much more than high-level, high-stakes corruption and may even have an ‘inflationary’ effect by pressuring corrupt cadres to demand larger bribes.

7. The picture is complicated, however, because the 1997 revision of the criminal code partially decriminalized low-level corruption by raising the bar for criminal prosecution from ¥2,000 to ¥5,000 and thus shifted more cases from the procuratorial system to the combined disciplinary–supervisory system where corrupt cadres and officials face administrative sanctions (e.g. dismissal from office, demotion, reprimand, etc.).

8. He, ‘Corruption and anti-corruption in reform China’.

To illustrate the differential effects of campaign-style enforcement, I begin by defining the function of campaigns as a form of enforcement. I then create a formal model of a Chinese-style anticorruption campaign and use that model to assess how the adoption of an enforcement strategy based on intense periodic crackdowns affects the calculus of a stylized cadre who finds himself facing a choice between whether to accept a red envelope filled with cash that has been slid across the table to him or to reject the bribe and walk out of the room. Whenever possible, I use actual data to define my parameters. Where no data exist, I estimate cut points (i.e. the point at which one option ceases to yield a higher value and the other option begins to yield the greater value) using a comparative statistics methodology and then define my parameters relative to these cut points using empirical data to set ‘reasonable’ values.

### The logic of campaign-style enforcement

In key respects, campaign-style enforcement is the poor man’s alternative to effective policing. Given that enforcement resources are costly, infinite, and subject to decreasing marginal returns, it is unlikely that a regime can afford to deploy sufficient resources to tightly monitor and control corruption. A resource-constrained regime can, however, compensate by adopting a strategy that mixes routine ‘police patrols’ with periodic crackdowns during which resources are redeployed from other areas for a burst of ‘hyper enforcement’ and ad-hoc monitoring capabilities mobilized by calling on honest officials and the public to report corruption.<sup>9</sup> Miscreants may also be offered clemency or reduced penalties if they surrender and inform on their confederates. Such moves will presumably increase the detection and capture rate, thus allowing the authorities to bring more corrupt officials to justice than would be possible using resources dedicated full time to anticorruption work. Thus for example, if a regime launches a campaign once every four years and manages to double the number of corrupt officials caught, it will achieve a 20% increase in the total number caught without having to necessarily increase its dedicated enforcement resource by an equivalent amount.

The logic of a campaign-based strategy, however, goes beyond simply achieving short-term, low-cost increases in detection rates and includes an important psychological warfare element that seeks to cow corrupt cadres and deter the wavering by inducing fear, awe, and uncertainty.<sup>10</sup> If we assume that officials ‘rationally’ decide whether to accept or reject bribes based, in part, on the risk of getting caught, by adopting a campaign-based strategy the regime forces officials to not only consider the routine risk but also the higher risk associated with crackdowns. Thus, even if an official considers the routine risk of detection sufficiently low that he is unlikely to get caught, he must also consider the higher risk associated with hyper

9. See Mathew D. McCubbins and Thomas Schwartz, ‘Congressional oversight overlooked: police patrols versus fire alarms’, *American Political Science Review* 28(1), (February 1984), pp. 165–179.

10. For analyses of the role of fear and intimidating in anti-crime campaigns see Harold M. Tanner, *Strike Hard! Anti-Crime Campaigns and Chinese Criminal Justice, 1979–1985* (Ithaca, NY: East Asia Program, Cornell University, 1999); Murray Scot Tanner, ‘State coercion and the balance of awe: the 1983–1986 “Stern Blows” anti-crime campaign’, *The China Journal* 44, (July 2000), pp. 93–125; and Susan Trevaskes, ‘Courts on the campaign path in China: criminal court work in the “Yanda 2001” anti-crime campaign’, *Asian Survey* 42(5), (September–October 2002), pp. 673–693.

enforcement. It will be difficult, at least initially, to estimate that higher risk. Whereas the official can use past precedent to at least crudely estimate routine risk,<sup>11</sup> he cannot know in advance the intensity of a future campaign. After the first campaign, the official may be able to more accurately assess the risk of getting caught during a period of hyper enforcement. Even then, however, he cannot be certain about the frequency of campaigns. Nor can he be sure that future campaigns will be of the same intensity as previous ones. Thus, even though the observed risk may be too low to deter some cadres, fear of greater risk at some undetermined point in the future may cause risk adverse officials to reject bribes.

In addition to deterring the wavering, campaigns use theatrics to intimidate the guilty and shock them into surrender. Corrupt cadres will be warned that not only will they be harshly punished if they are caught, capture is inevitable, and therefore they have no choice except surrender during an initial clemency phase. Once the clemency phase is over, the authorities may drag in suspects on whom that have little tangible proof, adopt an assumption of guilt that forces suspects to prove their innocence, randomly arrest officials, publicly denounce and humiliate those caught, release a steady drumbeat of reports about their success in rooting out ‘worms’ who thought themselves so deeply hidden that their misdeeds could never be uncovered, and play up reports of informers and back-stabbing confederates, all in an effort to convince the guilty that the ‘knock on the door’ will surely come and that when it does justice will be swift and resolute. By thus sowing fear and dread of inevitable arrest, such theatrics seek to so intimidate those who sat out the clemency phase that they now have no choice but to confess and become informants. Theatrical intimidation also targets the friends and family of corrupt cadres in the hopes that they will pressure the guilty to surrender or will turn them in.

A final rationale for adopting a campaign-based anticorruption strategy is that short-term bursts of hyper enforcement may be needed to prevent corruption from spiraling out of control.<sup>12</sup> So long as enforcement resources remain relatively infinite, an increase in the incidence of corruption and the number of officials engaged in corruption will decrease the risk any one individual will get caught.<sup>13</sup> As the risk of getting caught decreases, a vicious cycle is created because as officials observe the risk of getting caught decreasing, more of them will be tempted to resort to corruption and as more officials give in to temptation and enforcement resources become stretched thinner, the risk of detection will fall further.<sup>14</sup> If left unchecked, corruption can thus quickly spiral out of control as rising corruption swamps existing enforcement resources. Faced with the threat of a breakdown in enforcement, the authorities may not have time to acquire and field additional enforcement resources

11. It is often assumed, in fact, that in many cases cadres who accept small bribes or engage in petty graft move on to more serious acts of corruption after their misdeeds are not discovered (or are overlooked), thus leading them to believe that the risk of getting caught is very low.

12. Kate Gillespie and Gween Okruklik, ‘The political dimensions of corruption cleanups: a framework for analysis’, *Comparative Politics* 24(1), (October 1991), pp. 77–95.

13. See Mark R. Kleiman, ‘Enforcement swamping: a positive feedback mechanism in rates of illicit activity’, *Mathematical Computer Modeling* 17(2), (1993), pp. 65–75; and Francis T. Lui, ‘A dynamic model of corruption deterrence’, *Journal of Public Economics* 31(2), (November 1986), pp. 215–226.

14. See Jeans Christopher Andvig, ‘The economics of corruption: a survey’, *Studi Economici* 46(43), (1991), pp. 70–75; and Jens Christopher Andvig and Karl Ove Moene, ‘How corruption may corrupt’, *Journal of Economic Behavior and Organization* 13, (1990), pp. 63–76.

and may simply be compelled to draw in resources from other areas and resort to hyper enforcement in the hopes that they can raise the detection rate relative to the incidence of corruption sufficiently to force the latter back down to a level at which existing enforcement resources are capable of keeping corruption under control. If a reactive campaign fails to restore a balance between enforcement capabilities and the incidence of corruption, with the result that the incidence of corruption once again enters an inflationary spiral, the regime may find itself forced to mount repeated campaigns simply to keep corruption below the ‘tipping point’ beyond which its anticorruption efforts will crumble.

In many respects, therefore, a campaign-based anticorruption strategy operates on the same logic as income tax auditing in the United States.<sup>15</sup> Lacking sufficient resources to scrutinize each taxpayer’s return, the Internal Revenue Service (IRS) conducts randomized audits. Selected returns are subject to rigorous examination and the audit can include not only the taxpayer’s current return but also previously filed returns. If irregularities are uncovered, the taxpayer must not only pay the deficiency (plus interest) but can also be assessed stiff penalties. By informing taxpayers in advance that they face a chance of being audited and penalized but leaving individual tax payers uncertain about how likely they are to be audited, the IRS creates incentives for them to correctly report their income and take only legitimate deductions, even though it lacks sufficient resources to check returns closely enough to catch most tax cheats. Auditing does not, of course, prevent tax evasion or minor cheating, but presumably lowers the overall rate of evasion and cheating.

Similarly, whether used in a randomized or reaction manner, the primary function of campaign-style enforcement is more to control corruption than to eradicate it, all the rhetoric that usually accompanies them notwithstanding. Corruption is controlled by changing officials’ incentive structures by (a) temporarily increasing the risk of getting caught and the severity of punishment, (b) providing immediate incentives for surrender and confession, and (c) creating uncertainty about the future risk of detection. The short-term goal is thus to reduce the rate of corruption by capturing corrupt officials. In the long-term, however, the goal is deterrence because lowering the rate of corruption will enhance the efficacy of routine policing by improving the balance between enforcement capabilities and the rate of corruption. The key measure of the efficacy of China’s use of anticorruption campaigns is thus not simply evidence of a short-term rise in the number of cadres brought to justice but also evidence that the strategy operates in a manner that deters corruption.

### **Routine policing**

To understand the impact of anticorruption campaigns on an official’s assumptions about the expected benefits and risks of engaging in corrupt acts, we first need to delineate the enforcement process. In general, allegations of official corruption made by the public or leveled by other cadres are initially referred to the Ministry of Supervision, in the case of government officials, or the party’s Discipline Inspection

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15. See Paul J. Beck and Woon-Oh Jung, ‘Taxpayers’ reporting decisions and auditing under information asymmetry’, *The Accounting Review* 64(3), (July 1989), pp. 468–487.

Commission, in the case of party members. Because most government officials are also party members, the ministry and commission generally act in concert, with party discipline inspectors claiming primary authority.<sup>16</sup> After investigation, the case may either be dropped; dealt with administratively, in which case the accused may receive various forms of punishment including reprimand, demotion, or dismissal; or be referred to the Procuratorate, which is an arm of the judiciary, for possible criminal prosecution.

If a case is handed over to the Procuratorate, its investigators conduct an initial review of the case and decide whether to accept it (*shou'an*) for further investigation. Cases may also originate from within the Procuratorate itself, which has primary judicial responsibility for investigating and prosecuting economic crime and thus maintains its own monitoring and investigating apparatus. After investigation, the Procuratorate either drops the case or files formal charges (*li'an*). Once charges have been filed, the Procuratorate may prosecute the accused in court or decide to exempt the accused from criminal prosecution and impose non-criminal sanctions. If the case is referred to the courts for prosecution, the court reviews the case and decides whether to proceed to a trial. In some instances, a case may be returned to the Procuratorate for further investigation or with a recommendation that criminal punishment is not warranted.

This multi-staged process results in considerable reductions in the number of cases as investigation progresses from the stage of initial accusation.<sup>17</sup> Most accusations are not acted upon. Between 1988 and 1996, for example, the ratio of tips from the public to cases accepted by the Procuratorate was 2.6:1 and the ratio of tips to cases filed was 7:1.<sup>18</sup> Of the cases it accepted for investigation, the Procuratorate dropped 48% between 1985 and 1997 (see Table 1). Of the 52% of cases in which the Procuratorate filed formal charges, half were exempted from criminal prosecution. As a result, only 19% of the cases prosecutors accepted ended with criminal prosecution. In other words, four out of five cases ended without criminal penalties.<sup>19</sup> Similarly, between 1988 and 1992 over 70% of the supervisory cases ended without formal disciplinary charges being filed.<sup>20</sup>

In theory, the winnowing out of cases occurs because some of the accused are actually innocent or their infractions were too minor to merit criminal punishment. In reality, anecdotal evidence suggests that a significant percentage of cases are dropped or reduced punishments handed out because guilty cadres are protected by

16. In recent years, the two systems have in fact been effectively merged into a single non-judicial disciplinary apparatus.

17. See Melanie Manion, 'Issues in corruption control in post-Mao China', *Issues Studies* 34(8), (1998), pp. 1–21.

18. Provincial yearbooks, various years.

19. Determining the final disposition of the cases the Procuratorate forwarded to the People's Courts for trial is difficult because the court defines economic crime differently, with the courts defining offenses such as theft of public property, smuggling, and profiteering as economic crimes, even though these crimes can be committed by members of the public. (Theft of public property alone accounted for 52% of all cases tried by the court.) According to the court, between 1988 and 1992, less than 1% of those tried for economic crimes were found innocent. Of those convicted, 7% were sentenced to over 10 years, including life and capital punishment (in 1989 and 1990, these latter two categories accounted for 1.5 and 2.4% of all sentences); 22% were sentenced to between five and 10 years; 43% received less than five years; and the remaining 28% received minor sentences including penal servitude, parole, and 'public surveillance'. *Renmin Fayaun Nianjian*, various years (Beijing: Renmin Fayaun Chubanshe, 1988–1992).

20. *Falu Nianjian* (Beijing: Falu Chubanshe, various years). Seven percent of supervisory and disciplinary cases were transferred to the Procuratorate.

**Table 1.** Disposition of economic crime cases by the Procuratorate

	Economic crime cases accepted	Economic crime cases filed	Percent not filed	Cases recommended for prosecution	Cases exempted from prosecution	Percent exempted	Percent of cases accepted recommended for prosecution
1985	52,981	28,812	45.62				
1986	81,591	49,557	39.26				
1987		31,737		15,126	13,448	47.06	17.40
1988	69,622	32,626	53.14	12,112	14,992	55.31	13.39
1989	15,3639	77,432	49.60	20,569	32,795	61.46	18.54
1990	12,9088	71,881	44.32	23,936	34,527	59.06	22.04
1991	11,5393	68,437	40.69	25,435	24,764	49.33	19.29
1992	104,277	61,424	41.10	20,120	26,686	57.01	13.90
1993	115,153	56,491	50.94	16,008	16,435	50.66	21.44
1994	122,545	60,312	50.78	26,275	17,976	40.62	21.16
1995	126,453	63,953	49.43	26,758	15,263	36.32	21.71
1996	132,073	61,099	53.74	28,678	26,580	48.10	
1997	116,962	53,534	54.23				
Average			47.74			50.49	18.76

Notes: Economic crime includes graft (*tanwu*), bribery (*xinghui*), misappropriation of public funds (*nuoyong gongkuan*), tax evasion, and copyright fraud. Of these graft, bribery, and misappropriation constitute corruption, conventionally defined as the use of public authority for particularistic or personal gain. Tax evasion and copyright fraud do not. Because graft, bribery, and misappropriation accounted for 92% of all economic crime between 1989 and 1997, there is a close correlation between economic crime and corruption.

Sources: *Zhongguo Jiancha Nianjian* (Beijing: Zhongguo Jiancha Chubanshe, various years).

their superiors or are able to bring pressure on prosecutors. Either way, from the perspective of an official contemplating whether to accept a bribe or dip into the public till, the fact that many cases do not result in criminal prosecution means that if he decides to accept the bribe or embezzle state funds there is a considerable possibility that he will get away with his crime. First, of course, the crime may go undetected. Second, if the crime is detected and the Procuratorate accepts the case, there is a chance that the case will be dropped. Third, if the case progresses to the filing stage, there is still a chance that the Procuratorate will exempt the accused from criminal prosecution and the accused will escape with only an administrative punishment.

An official contemplating accepting a bribe, therefore, faces a series of ‘lotteries’—games of chance in which the outcome is probabilistic—that determine whether his crime will end in a criminal punishment.<sup>21</sup> The cadre’s choices and lotteries can be expressed in the form of a decision tree (see Figure 2).<sup>22</sup> The official has a choice between accepting or rejecting a bribe. If the cadre is honest and rejects the bribe, there is a possibility that he will be falsely accused of corruption anyway (Node A). This possibility exists because the complex nature of the Chinese state is such that information is apt to be contaminated and ‘noisy’.<sup>23</sup> Investigators may, for instance, falsely charge honest cadres with corruption based on unsubstantiated allegations or misinterpreted evidence. Honest cadres may also find themselves accused of corruption by malicious rivals and enemies or by colleagues who have been arrested for corruption and are seeking to reduce their sentences by currying favor with prosecutors. If a false accusation is made, the honest cadre’s case may be dropped, because investigators decided he is in fact innocent. It may, however, be filed (Node B). If the case is filed, then there is a chance that the accused will be exempted. There is also a chance that the innocent cadre will be hauled into court for criminal prosecution (Node C).<sup>24</sup> If the cadre accepts the bribe, on the other hand, he faces a lottery in which there is a chance that his crime will go undetected or that it will be detected and he will be accused of graft (Node D). If accusations are made, then there is a chance that his case may be dropped (Node E). If the case is not dropped, there is a chance that the accused may be exempted (Node F).

21. For purposes of analysis, I assume a risk-neutral cadre. Obviously some cadres will be more prone to accept risks than others and hence less likely to be deterred from committing corruption than others by the expected probability of getting caught. Because my primary purpose herein is to evaluate the impact of a shift from a strategy based on routine policing to one based on oscillations between routine policing and hyper enforcement, the assumption of risk neutrality seems valid.

22. Chinese law differentiates between three forms of corruption (*fubai*): graft (*tanwu*), embezzlement (*nuoyong gongkuan*), and bribery (*xinghui*). Graft occurs when an official uses their office to ‘misappropriate, steal, swindle or use other illegal means to acquire state property’. Embezzlement occurs when ‘state personnel take advantage of their office to misappropriate public funds for their personal use ... or misappropriate large amounts of public funds without returning the money within three months ...’. Bribery occurs when ‘state personnel take advantage of their office to demand money and things from other people or if they illegally accept money and things from other people and give favors to the latter ...’. Private citizens who give money and things to officials in return for favors, are guilty of giving bribes. See Criminal Law of the People’s Republic of China, amended March 1997, Charles D. Paglee, *Chinalaw Web*, available at <http://www.qis.net/chinalaw/prclaw60.htm>.

23. See Andrew Wedeman, ‘Incompetence, noise, and fear in central–local relations in China’, *Studies in Comparative International Development* 34, (2001), pp. 59–83. The slack created by high levels of structural noise also create conditions in which monitoring is apt to be highly imperfect and hence conducive to corruption.

24. Because 99% of those prosecuted are convicted, I have omitted an additional Node for a trial.

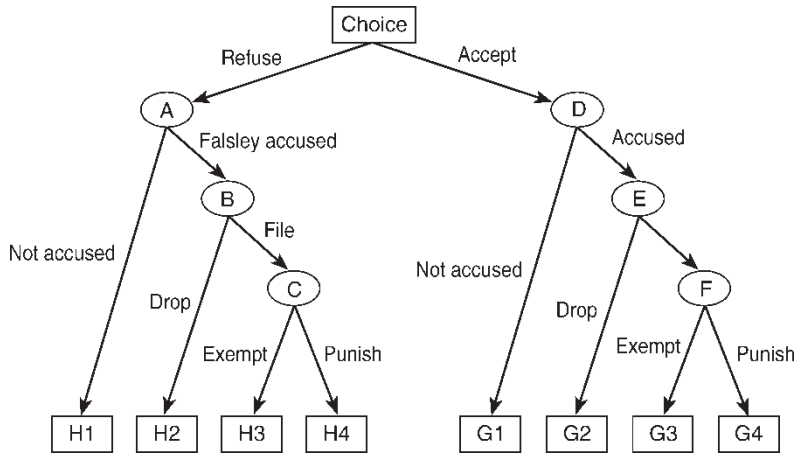


Figure 2. Cadre's choice I.

To analyze the incentives created by this structure, I begin by using empirical data to set the odds of some of the lotteries. Based on the average rate at which prosecutors drop cases without filing charges, I set the probability that a case will be dropped at 48% and the probability that a case will be filed at 52%. Based on the average rate at which prosecutors exempt cases, I set the probability that a case will be exempted at 50% and the probability that it will be prosecuted at 50%. I shall assume that the probability of being falsely accused is low, say 5%.

Setting the payoffs for the various outcomes associated with punishments is complex. First, it is obviously difficult to quantify the penalties for corruption. Although a lack of hard data on sentencing makes it impossible to associate particular sentences with particular amounts of corruption monies, regulations provide general sentencing guidelines. As specified by the 1988 Supplementary Regulations on Suppression of Corruption and Bribery and the 1997 Criminal Law, penalties range from administrative punishments, such as demotion or dismissal from office, to imprisonment and even capital punishment, depending on the amount of money involved and the seriousness of the crime (see Table 2).<sup>25</sup> The problem is how to translate a period in a Chinese prison into terms that are congruent with the monetary payoffs associated with honesty and bribery. For lack of better means, I have simply assigned a year in prison a monetary 'cost' of ¥10,000. Second, because the 'price' corrupt cadres must pay if they get caught includes not only the direct penalty but dismissal from office and hence the loss of future income, rank and pay grade become a factor. Thus, whereas an honest cadre obtains a payoff equal to his current and future salary (plus benefits), a corrupt cadre who is sacked forgoes future income and, if sent to prison, incurs the negative payoff associated with imprisonment. Third, because I assume that future income stream matters, it makes sense to make a

25. What constitutes a 'serious' offense is ambiguous. In practice, it appears that the seriousness of a crime—that is its seriousness independent of the amount of money involved—is defined by how much damage was done to the state and its interests.

**Table 2.** Sentencing guidelines for graft, bribery, and embezzlement of public funds

Amount of graft 1988 Supplementary Regulations	1997 Criminal Law	Punishment
Over ¥50,000	Over ¥100,000	Ten years to life imprisonment, with capital punishment in extreme cases
¥10,000 to ¥50,000	¥50,000 to ¥100,000	Five to seven years imprisonment, with a maximum of life in serious cases
¥2,000 to ¥10,000	¥5,000 to ¥50,000	One to seven years in most cases, but increased to seven to 10 years in serious cases
Less than ¥2,000	Less than ¥5,000	Maximum of two years imprisonment. In less serious cases sentence may be reduced to disciplinary sanctions without criminal punishment

Notes: In cases involving ¥2,000 to ¥5,000 (1988 regulations)/¥1,000 to ¥10,000 (1997 Statute) sentence may be reduced or accused may be exempted from criminal punishment if they assist prosecutors, repent, and return illicit monies. In cases involving multiple counts of graft, the sum of monies obtained through corrupt activities determines the total amount of graft. Thus five counts of graft involving ¥2,000 would be considered the same as a single count of graft involving ¥10,000. Sources: Herald Translation Service, *Supplementary Regulation on Suppression of Corruption and Bribery*, promulgated January 1988, available at <http://www.qis.et/chinalaw/prclaw52.htm> and Charles D. Pagle, *PRC Criminal Law*, amended March 1997, available at <http://qis.net/chinalaw/proclaw60.htm>.

distinction between current income and future income and to assume that future income is discounted. Fourth, assuming that cadres weigh their choice between honesty and corruption based on the amount of corrupt monies offered relative to the anticipated payoff for honesty—their salary—it follows that, *ceteris paribus*, the same size bribe will be evaluated differently by cadres at different pay grades.

Given these considerations, rather than estimating a single ‘payoff’, I estimate a range of payoffs based on both the severity of the crime, the rank of the miscreant, and discount rates. The resulting matrix estimates the cut point values for low-ranking (annual salary = ¥2,500, plus benefits equal to a third of base salary), mid-level (annual salary = ¥5,000, plus benefits), and senior cadres (annual salary = ¥10,000, plus benefits), with discount rates ranging from 5 to 15%, and for bribes ranging in value from ¥2,000 to ¥100,000 and hence prison sentences ranging from 18 months to 17.5 years based on the size of the bribe with sentences set at the medium length for each bribe level.

For purposes of analysis, I assume that prosecutors drop cases when they cannot obtain sufficient evidence to substantiate the allegations against a cadre. Thus the payoffs for outcomes H2 and G2 are the same as those for H1 and G1, respectively. The payoff for H1 and H2 is the sum of current and discounted future salary, while that for G1 and G2 is current and discounted future salary plus the amount of bribe money accepted. I shall assume that if prosecutors exempt the accused from criminal

**Table 3.** Cut points: probability of getting caught above which cadres should reject bribe (percent)

Crime	Bribe	Sentence	5% discount	10% discount	15% discount
Low-level cadre					
Petty	¥2,000	1.5 year	11.63	14.44	17.17
Ordinary	¥7,500	4 years	23.86	29.36	33.79
Major	¥30,000	6 years	57.53	67.32	74.12
Extraordinary	¥100,000	17.5 years	84.89	91.05	94.71
Mid-level cadre					
Petty	¥2,000	1.5 year	8.62	10.36	12.33
Ordinary	¥7,500	4 years	16.57	20.99	25.04
Major	¥30,000	6 years	41.50	51.70	52.37
Extraordinary	¥100,000	17.5 years	71.55	80.58	86.41
Senior-level cadre					
Petty	¥2,000	1.5 year	6.90	7.88	8.96
Ordinary	¥7,500	4 years	11.52	14.48	17.47
Major	¥30,000	6 years	27.67	36.10	40.15
Extraordinary	¥100,000	17.5 years	54.90	65.78	73.92

punishment the accused is dismissed from office.<sup>26</sup> The payoff for H3 and G3 is thus zero. I fix the payoff for H4 and G4 by multiplying the length of the sentence by my arbitrary ‘cost’ of ¥10,000 per year in prison.

With these parameters and assumptions in place, I estimate cut points at which the expected value of engaging in graft will equal that of honesty. I do this by summing the expected values of the cadre’s two choices and finding the probability that corrupt cadres’ crimes will go undetected such that the two sums will be equal. That is mathematically:

$$\sum H_{1-4} = 1 - x(G_1) + x\left(\sum G_{2-4}\right)$$

where  $x$  is the probability of getting caught and  $1 - x$  is the probability of escaping detection.

The results of these calculations are not particularly surprising (see Table 3).<sup>27</sup> As bribe size increases, both in absolute terms and relative to a cadre’s rank and pay grade, and discount rates increase, cut points rise. Thus a low-level cadre should reject a bribe of ¥2,000 if he believes that there is a greater than 12–17% chance of getting caught (depending on their preference for short-term versus long-term income), but will accept a ¥100,000 bribe even if he suspects that there is an 85–95% chance of getting caught. A senior cadre, who stands to lose more in income stream, on the other hand, will reject a ¥2,000 bribe if she suspects that there is a 7–9% change of getting caught but will accept a ¥100,000 bribe even if she believes there is a 55–74% change of getting caught. As one might well anticipate, the results thus suggest if the authorities can catch even a tenth of those engaged in corruption,

26. Manion’s data suggest that when a case is exempted demotion is most likely in cases involving less than ¥2,000. Melanie Manion, ‘Corruption by design: bribery in Chinese enterprise licensing’, *The Journal of Law, Economics, & Organization* 12(1), (April 1996), pp. 167–195.

27. A more detailed presentation of these calculations is available from the author. Please contract him at. E-mail: awedeman@unl.edu.

they will be able to deter corruption involving relatively small amounts of money. Deterrence of more serious corruption, however, requires much more rigorous and effective policing.

It must be stressed at this point that because the primary purpose of estimating cut point values is to assess how anticorruption campaigns affect cadres' choices these numbers have little meaning in and of themselves. It bears noting, however, that even though it might appear that even a very slight chance of getting caught will deter low-level corruption, anecdotal evidence strongly suggests that the actual odds of getting caught in China are much lower than the threshold values I have estimated. Based on her interviews, for example, Manion guesses that the odds that a licensing official is corrupt come close to 50%.<sup>28</sup> Because the percentage of public officials and employees investigated by the Procuratorate for possible corruption averaged 1.09% and the number against whom charges were filed averaged 0.35% between 1980 and 1988 and 0.56% between 1989 and 1998, this implies that the odds of getting caught are about 1%.<sup>29</sup> Even if we assume that less than half of all Chinese officials are corrupt, it would appear that actual detection rate is very low. Thus, if we assume that one in four cadres is corrupt, the probability of getting caught remains around 2%. Only if we assume that only one in 30 is corrupt does the probability of getting caught reach a level (15%) which the analysis suggests is sufficient to deter cadres from accepting even petty bribes. Juxtaposing the results of the theoretical analysis with what we know about filing rates—not to mention the obvious fact that cadres continue to engage in corruption—thus suggests that regardless of what the actual odds of getting caught are, the prevailing assumption among corrupt cadres is that they are very low.

Official data also suggest that average bribe size has risen dramatically over time and by the late 1990s had likely reached levels far greater than those I designate as 'petty' and 'ordinary'. In fact, by the late 1990s the 'per case' average for monies recovered by the Procuratorate was close to the ¥100,000 I associate with 'extraordinary' bribery. In addition, the number of 'major cases', which the Procuratorate defines as those involving in excess of ¥10,000, rose from 17% in 1987 to 41% in 1992 and then peaked at 68% in 1997. The number of senior cadres charged with corruption also increased significantly beginning in 1992, rising from 652 that year to 2,670 in 2001, or from less than 1% of those charged to 6.64%.<sup>30</sup> A significant share of cases, in other words, fall into categories where the theoretical analysis suggests that cadres are likely to accept bribes even when they believe the odds of getting caught are relatively high.

Finally, the estimated cut points for getting caught are low in the case of petty corruption and if we assume that cadres believe them to be still lower—which they must since we observe widespread corruption—then they fall to levels that are not

28. Manion, 'Corruption by design: bribery in Chinese enterprise licensing'.

29. Estimate based on the number of cases accepted for investigation, number of cases filed, and total employment by government agencies, party agencies, and social organizations. Although a case might involve more than one official, the average number of persons per case was 1.12 between 1990 and 2001. Data from *Jiancha Nianjian*, various years and *Zhongguo Tongji Nianjian* (Beijing: Zhongguo Tongji Chubanshe, various years). According to the available data an average of 0.28% of party members were subject to disciplinary action between 1990 and 1992. Wedeman, 'The intensification of corruption in China'.

30. *Jiancha Nianjian*, various years.

different from the 5% ‘random chance’ of false accusation that I assumed honest cadres face. Although the assignment of a 5% probability of false accusation may seem arbitrary, the fact that the Chinese state consists of a hierarchy of principal-agent relationships and hence a series of information asymmetries means that even marginal rates of information error and contamination are sufficient to make the probability of false accusation—or what is known in statistics as a ‘false negative’—roughly 5%.<sup>31</sup> In such cases, where the authorities cannot reliably distinguish between good and bad information, honest and dishonest cadres face almost the same odds of punishment. Under such circumstances, dishonesty becomes a preferable option for all cadres because income from bribes will raise the expected value of corruption above that of honesty.

Before moving on, it also bears noting that even though the penalty a cadre faces is considerable, the fact that only a relatively small percentage of corruption cases end in criminal punishment dilutes the raw deterrent effect associated with a stiff prison term. The simple fact that close to half of those accused of corruption had their cases dismissed and an additional 25% receive no prison time means that the odds are stacked more heavily in favor of corruption than might appear based on a reading of the legal statutes alone. Arguably, even if the rate of detection were high, the low rate of criminal punishment would explain why corruption continues despite the regime’s sustained anticorruption effort.

### **Campaign enforcement**

A Chinese-style anticorruption campaign involves several parametric changes, including:

- an increase in the intensity of internal monitoring by redeploying of assets from other enforcement activities;
- an increase in prosecutorial efficiency, including bypassing normal investigative procedures;<sup>32</sup>
- changes in the incentive structure by offering those who surrender a greater chance of an exemption from punishment or a reduction in the severity of their sentence;
- the mobilization of extra-judicial monitoring mechanisms, including calling on the public to report cases of corruption.

Campaigns consist of two phases: an initial ‘clemency’ phase during which cadres are given the option of having their punishments reduced if they surrender and a subsequent ‘crackdown’ phase during which recalcitrant offenders are dealt with harshly. The purpose of this two-stage process is simple. By offering to reduce

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31. If, for example, each level of the five major administrative levels that link the grassroots level to the center (village, township, county, province, and center) passes up information that is 99% ‘pure’, the probability that the center will receive correct information is 96%. See Wedeman, ‘Incompetence, noise, and fear in central–local relations in China’.

32. Cases involving party members, including state officials (most of whom are likely to be party members) are normally first investigated by the party’s disciplinary inspection commissions. Bypassing the DICs during a campaign thus allows the Procuratorate to minimize the number of miscreants who avoid punishment because of ‘political considerations’.

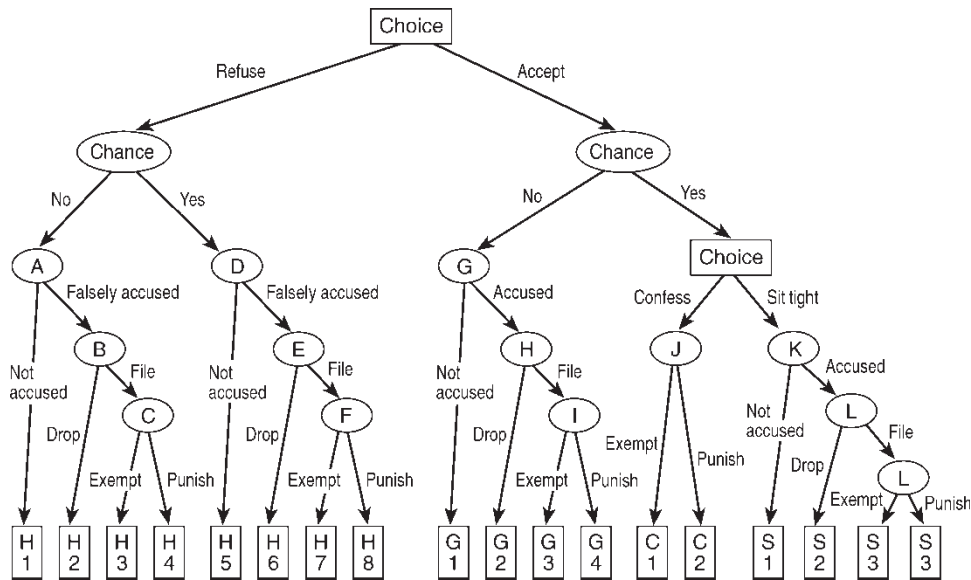


Figure 3. Cadre's choice II.

punishments for those who surrender and turn state's evidence, prosecutors seek to induce corrupt officials to turn themselves in and confess, thus solving the basic problem of detecting violations and gathering sufficient evidence to prove criminal wrongdoing. Because prosecutors have some discretion over the extent to which punishments for those who confess will be reduced, they may be able to gain additional leverage by offering the greatest leniency to those who inform on others. Moreover, 'turning' even a relatively few informants can magnify the effectiveness of the campaign by heightening fear among those corrupt cadres who might otherwise try to ride out the crackdown phase and prompt them to seek the safe haven of surrender. Optimally, therefore, offers of clemency will trigger a flood of surrenders that will dramatically lower the rate of corruption.<sup>33</sup> At the same time, by setting up 'hot lines' and reporting bureaus to process tips from the public the authorities seek to increase their ability to detect corruption.<sup>34</sup>

Adoption of campaign-style enforcement thus changes an official's set of choices in two ways (see Figure 3). First it adds a 'campaign lottery' (i.e. a chance that rather than facing conditions of routine enforcement, the cadre may suddenly and unexpectedly face the increased odds of detection associated with a campaign). Second, it raises the penalties for those arrested during the crackdown phase. Third, it gives guilty cadres a choice during the clemency phase to either surrender (and

33. According to the Procuratorate, 36,171 cadres turned themselves in during the clemency phase of the 1989 anti-corruption campaign. *Jiancha Nianjian, 1990* (Beijing: Jiancha Chubanshe, 1990), p. 21. Although no figures are available for the previous year, the number of surrenders was much higher than in 1990, when only 3,500 cadres confessed. If the 1989 figure is accurate, surrenders would have accounted for roughly 30% of the cadres against whom charges were filed that year and perhaps as much as half of those charged during the campaign.

34. According to provincial Procuratorates, tips from the public were instrumental in two-thirds of corruption cases. Based on data reported in *Jiancha Nianjian*, various years.

hope that this will result in an exemption from criminal punishment) or sit tight (and take his chances that his crimes remain undetected during the crackdown phase or his case will be dropped for lack of evidence). Cadres contemplating bribes must, therefore, make their choice based on assumptions about the probability of a campaign and the higher odds of getting caught in the event of a campaign.

Adoption of campaign-style enforcement also affects innocent cadres because they remain vulnerable to false accusations. In theory, if a campaign occurs they face the same choices that guilty cadres face during the clemency phase. I assume, however, that innocent cadres will not confess to crimes they have not committed. I thus ignore the clemency phase when modeling the honest cadre's choices. At the same time, however, I assume that because the volume of accusations will increase and investigators will be under pressure to relentlessly pursue evidence of possible corruption, the probability of false accusation will rise during campaigns. Moreover, I recognize that because informing on others allows guilty cadres to lower their punishments, they may level charges against their honest colleagues during the clemency phase.<sup>35</sup> An honest but falsely accused cadre will thus face same odds of punishment as a dishonest cadre during the crackdown phase without having the same recourse to confession.

To analyze a cadre's choices given the possibility of a campaign, I begin by first borrowing the parameters used to analyze their choices absent of campaigns and then modify these parameters for periods of hyper enforcement. I thus assume that those found guilty of criminal offenses during the crackdown phase receive the maximum penalty specified by law. I shall also assume that after the clemency phase, prosecutors drop far fewer cases than they do during periods of routine enforcement (24% versus 48%) and exempt only a small fraction (10%) of those charged with corruption from criminal trial and punishment.

According to the guidelines laid down during the 1989 anticorruption campaign, confession during the clemency phase may result in the waving of the most severe penalties and the possibility of an exemption from criminal punishment. In part, the extent of any reduction in penalties was linked to whether confession was accompanied by surrender of ill-gotten monies and information on other corrupt cadres and confederates.<sup>36</sup> The probability of exemption was also linked to severity of the offense. Cadres who had ill-gotten gains of over ¥50,000, for example, were offered a waiver of the death penalty in the most serious cases and ten years instead of life imprisonment in less serious cases, with a small possibility of exemption. Cadres admitting to corruption involving between ¥10,000 and ¥50,000 were offered sentences of less than the ten year maximum and 'possible' exemption, while exemption was 'probable' for those admitting to corruption involving less than ¥10,000.<sup>37</sup> As a

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35. Herein it bears keeping in mind that the lack of clear and hard boundaries between the legitimate use of one's office and corruption means that many 'innocent' cadres may well have inadvertently committed infractions and that guilty cadres can take advantage of this situation to level accusations against their 'honest' colleagues.

36. See 'Zuigao Renmin Fayuan he Zuigao Renmin Jianchayuan guanyu tanwu, xinghui, touji daoba deng fazui fenzi bixu tai xianqi nai zishou tanbai de tonggao', (15 August 1989) and Manion, 'Corruption by design: corruption control through enforcement swamping', table 1.

37. Melanie Manion, 'Corruption as an equilibrium: corruption control with "enforcement swamping"', paper presented at Georgetown University Law Center, Law and Economics Seminar, February 1998.

result, a cadre who decides to confess essentially faces a lottery in which the only possibilities are a reduced sentence or exemption.

For a corrupt cadre the efficacy of clemency will depend on the expected value of sitting out the clemency phase relative to the payoffs associated with accepting clemency. If the expected value of sitting out the campaign is higher than the payoffs associated with clemency, it makes more sense to sit tight and hope that you are one of the ‘fish that got away’, a hope that rides on the cadre’s assessment of the odds of escaping punishment even during the crackdown period. Thus, even though the penalties associated with clemency may be lower and the odds of exemption greater, they must be sufficiently lower than the expected value of sitting tight. If, for example, we assume that exemption results in no criminal punishment but rather an administrative punishment of dismissal from office, offers of clemency will not induce cadres to surrender so long as the expected value of sitting tight is greater than zero. Because the success of a campaign will be greater if the authorities induce corrupt cadres to turn themselves in, turn these cadres into informants, and use fear of informants to trigger a secondary wave of surrenders, pressures exist for them to ‘sweeten the pot’ by offering very lenient punishments, including punishments such as demotion that yield positive payoffs and hence strong incentives for surrender. However, if prosecutors lessen the penalties during the clemency phase sufficiently to induce cadres to turn themselves in, they may actually end up increasing the expected value of accepting bribes because the clemency gives corrupt cadres an ‘escape’ if they find themselves facing a sudden crackdown. Alternatively, the authorities need to convince cadres contemplating accepting bribes that if there is a campaign the chances of getting caught are so high that their best option will be to turn themselves in and hence that they are better off rejecting the bribe because honesty all but ensures that they obtain a payoff much greater than the best payoff for confessing.

For purposes of analysis, I have elected to model the ‘clemency lottery’ by assigning exemption a probability of 85% in cases involving less than ¥10,000, 50% in cases involving ¥10,000 to ¥50,000, and 15% in cases involving over ¥50,000.<sup>38</sup> If a cadre is exempted from criminal punishment I assume, as I did before, that he is dismissed from office. If a cadre is not exempted from punishment, I assume they receive a reduced sentence (two-thirds of the minimum specified by law).

In accordance with the previous analysis that suggested routine detection rates are likely to be low, I set these odds at between 2.5 and 15%. Based on the results of the 1982, 1986, 1989, and 1993 campaigns, I assume that detection rates double during a campaign and analyze the impact of campaigns.<sup>39</sup> To simplify the analysis, I assume a uniform income discount rate of 10%. To avoid making the odds that an honest cadre is falsely accused of corruption greater than the odds that a dishonest cadre gets

38. According to the limited data available, of those who turned themselves in during the 1989 anticorruption campaign 63% were exempted while 37% were prosecuted. Of those who confessed 17% admitted to having taken over ¥10,000 in corrupt monies. These figures suggest an exemption rate of around 85% for cases involving less than ¥10,000 and around 30% for cases involving over ¥10,000.

39. Fling rates increased by 87.50% during the 1982 campaign, 76.90% during the 1986 campaign, and 137.33% in the 1989 campaign. Based on data from *Jiancha Nianjian*, various years.

caught, I set the odds of false accusation to 1% when the routine rate of detection is 2.5% and increase them to a maximum of 5% when the routine rate of detection is 15%.

Having thus defined these probabilities and payoff, we are left with only one unknown parameter: the cut point probability of campaigns. By a similar process to that used to calculate the cut point probability ( $y$ ) of being accused in the previous analysis, we derive cut point values for the probability of campaigns necessary to make the expected value of honesty equal to that of graft. That is mathematically:

$$1 - y\left(\sum H_{1-4}\right) + y\left(\sum H_{5-8}\right) = 1 - y\left(\sum G_{1-4}\right) + y\left(\sum ST_{1-4}\right)$$

Because the decision to accept clemency or sit tight only becomes relevant if a cadre first decides that the expected value of accepting a bribe is greater than the expected value of honesty, this branch of the model is not factored into the equation but is evaluated separately below.

The results of these calculations suggest that at low probabilities of routine detection, campaigns are unlikely to have much effect, except as a deterrent to petty corruption among senior cadres (see Table 4) because even constant campaigns would be ineffectual in deterring most cadres from accepting bribes. As the routine detection rate increases, it becomes possible to deter more forms of corruption and the perceived likelihood of a campaign necessary to deter bribery falls. Increasing the spread between the routine and campaign rates of detection also increases the range

**Table 4.** Cut point probabilities for campaign

Pay grade of cadre	Seriousness of offense/bribe size	Routine rate of detection						
		2.5%	5%	10%	15%	20%	5% Detection rate increase five-fold	5% Penalties increase threefold
Low-level	Pretty	71.17	29.09	5.51	U	U	18.29	22.01
	Ordinary	I	81.90	34.00	17.15	7.85	59.59	56.59
	Major	I	I	I	61.98	53.5	I	I
Mid-level	Extraordinary	I	I	I	I	84.48	I	I
	Pretty	40.92	9.18	U	U	U	5.07	7.44
	Ordinary	I	58.87	21.01	4.72	U	38.26	43.37
Senior	Major	I	I	97.15	45.81	39.87	I	I
	Extraordinary	I	I	I	83.60	76.01	I	I
	Pretty	16.59	U	U	U	U	U	U
Senior	Ordinary	78.03	32.63	6.13	U	U	18.91	26.01
	Major	I	I	67.99	38.19	21.81	92.37	I
	Extraordinary	I	I	I	89.51	62.12	I	I

where I = ineffectual, threshold value for campaign  $p > 1$ ; U = unnecessary, threshold value for campaign  $p < 0$ .

of bribery that can be deterred by the threat of campaigns, as does increasing the severity of sentences handed down during the crackdown phase. Thus, for example, if the regime were to operate in campaign mode 50% of the time (i.e. a campaign every other year), given a 5% routine detection rate and a 10% campaign detection rate, the threat of campaigns would deter all cadres from accepting petty bribes and would deter senior cadres from accepting ordinary bribes. If the campaign rate was five times the routine rate, however that same frequency of campaigns would deter not only petty corruption, but dissuade mid-level cadres from accepting ordinary bribes.

In actual fact, the authorities have launched four major campaigns since 1979 (1982, 1986, 1989, and 1993), or about one every three or four years through to the mid-1990s.<sup>40</sup> We can thus infer that the probability of a campaign was between 25 and 33% for much of the 1980s and 1990s. At such frequencies, campaigns should have a deterrent effect. Thus, whereas the preceding analysis of routine enforcement suggested that only senior cadres are likely to reject bribes, the threat of a campaign every three to four years during which detection rates double should help deter petty corruption across the board when the routine rate of detection is 5% and both petty and ordinary corruption when the routine rate is 10%. At these frequencies of campaigns, however, even given high routine detection rates (15–20%) cadres are unlikely to reject large bribes.

Because deterring corruption is one function of the adoption of a campaign-based enforcement strategy, we must also consider how the offers of clemency will affect cadres' choices once a campaign begins. Herein we are considering the case of a cadre who initially judged that the risk of getting caught, whether as a result of routine policing or hyper enforcement during a campaign, were not sufficient to deter him from accepting a bribe, but now finds himself facing an actual campaign and thus the choice between confessing and sitting tight. Once again, I want to estimate the odds of getting caught sufficient to induce our miscreant cadre to confess. Although the model I used previously includes a possibility that a cadre accused of corruption may nevertheless escape punishment, for purposes of analysis I think it easier to simplify the analysis and to limit the range of outcomes by eliminating this possibility. Our stylized cadre thus faces a choice between (1) confession and a chance that he will be exempted from criminal punishment and a chance that he will not, and (b) sitting tight and a chance he will evade detection and a chance that he will get caught (see Figure 4).

Based on the probability that those who confess will be exempted from punishment, the estimated odds of getting caught necessary to induce a corrupt cadre to turn himself in are relatively high, considerably higher than those we observe during campaigns (see Table 5). According to these estimates, junior cadres should be more likely to confess than more senior cadres, while all cadres are more likely to confess if they have only committed relatively minor offenses. If cadres are offered the additional possibility of demotion, a possibility that is not specifically allowed by the law, the incentives for surrender are stronger. But even these threshold values are

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40. The 1993 campaign was the last high-intensity campaign. Since then, the regime's anticorruption efforts have been transformed into an amorphous, generalized drive that lacks the structure and focus of earlier campaigns.

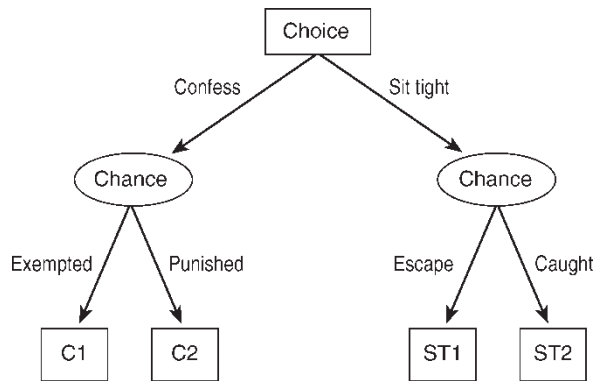


Figure 4. Cadre's choice III.

still well above the rates of detection that the available data suggest are likely to prevail during even an intense crackdown.<sup>41</sup>

This does not mean that offers of clemency will be spurned. On the contrary, whatever the odds of detection in the crackdown phase may prove *ex-post facto, ex-ante* corrupt cadres cannot know how intense the crackdown will be and may confess. First, some cadres, including obviously those who have seen close colleagues and confederates arrested or turn themselves in, may become convinced that they are so likely to get caught that confession is the wisest move. Second, cadres facing the possibility of a death sentence may find confession and a long prison term preferable to a bullet to the back of the head. Third, even though the odds of getting caught in a campaign may be independent of those in previous and subsequent campaigns, a cadre that has survived one campaign may become convinced luck will ultimately desert him and that it is preferable to 'get it over with' rather than to live with constant guilt and anxiety. Thus, even if the 'rational' choice is to sit out the clemency phase, a properly orchestrated campaign may lead corrupt cadres to grossly over estimate the odds of capture in the upcoming crackdown phase and 'irrationally' choose to surrender. In point of fact, over 36,000 cadres, including more than 700 senior cadres, reportedly took advantage of the clemency offered during the 1989 campaign, ten times the number that voluntarily confessed the following year.<sup>42</sup> This figure, if true, is probably best interpreted as evidence of the regime's success in generating extraordinary fear and anxiety prior to the crackdown in October 1989 and thus serves as a reminder that psychological warfare is an integral part of an anticorruption campaign. In fact, if a campaign generates 'irrational' fear during its opening stages, it may succeed even if it fails to radically increase detection rates during the crackdown phase. Psychology can, however, be a double-edged sword because if a crackdown proves less thorough and ruthless than feared, then a 'boy that cried wolf' effect may convince cadres that future campaigns will be ineffectual, thus not only

41. For purposes of analysis, I have assumed a demotion that cuts their compensation by two-thirds and that half of those exempted were sacked and the other half demoted.

42. *Jiancha Nianjian*, 1990 and 1991.

**Table 5.** Cut point probabilities for confession

Bribe level	Exemption or reduced punishment	Possibility of demotion
Low-level cadre		
Petty	87.61	64.92
Ordinary	50.17	40.33
Major	82.06	62.59
Extraordinary	68.77	68.22
Mid-level cadre		
Petty	N	76.69
Ordinary	69.25	53.55
Major	92.27	70.71
Extraordinary	73.81	82.78
Senior cadre		
Petty	N	85.19
Ordinary	89.67	66.51
Major	N	80.97
Extraordinary	81.88	80.09

Note: N = never confess (expected value of sitting tight greater than that of confessing even when cadre is sure to get caught). The odd movement of the cut point probabilities reflects the fact that the odds of exemption decrease as the severity of the offense increases.

decreasing the likelihood of confession in the future but also the deterrent effect of future campaigns.

## Conclusion

The preceding analysis wherein I combine elements of formal modeling and empirical analysis suggests that Chinese-style anticorruption campaigns are unlikely to deter corruption. In large part, the lack of an effective deterrent is the result of the low rates of detection apparent during periods of routine policing and the relatively limited increases in detection rates observed during the four major campaigns conducted during the 1980s and 1990s. Based on the fact that less than 1% of officials are investigated by the Procuratorate and only 0.5% of officials are charged with corruption each year, if we assume, as Manion suggests, that upwards of half of all officials are corrupt, the chances of being investigated for possible corruption were one in 45, while the odds of being charged with corruption were one in 106. If we assume lower rates of corruption, then the odds of detection would be higher. To yield an estimate of a relatively high rate of detection, say 30%, we would, however, have to assume rates of corruption which common sense suggest are absurdly low.<sup>43</sup> It seems prudent, therefore, to assume that detection rates are likely less than one in ten and possibly less than one in 20. Because we see filing rates doubling during campaigns, this suggests that even intense crackdowns boost detection rates to levels well short of one in five. At such levels, and given that the regime launched

43. If the 0.47% of all officials charged with corruption on average between 1980 and 1998 represented 30% of the total number of corrupt officials, then a mere 1.57% of officials—one out of every 64—would have been involved in corruption.

campaigns approximately every three or four years during the 1980s and 1990s, the analysis suggests that fear of campaigns may deter cadres from accepting relatively 'modest' bribes but is unlikely to deter them from accepting large bribes. Moreover, although senior cadres may be deterred from engaging in petty corruption by relatively modest odds of detection because the gains from corruption are apt to be vastly outweighed by a combination of criminal penalties and loss of future income, they are unlikely to be deterred from accepting large bribes by even relatively high odds of detection. If bribes must be relatively large to be accepted, it follows that modest bribes are likely to be bid up into large bribes as officials reject 'first offers' because they are not worth the risk, thus forcing those seeking to buy official favor to add a bit more to the pot. If anticorruption campaigns fuel an intensification of corruption, they are dysfunctional.

The analysis also suggests an incentive structure such as that laid down for the clemency phase of the 1989 anticorruption campaign is not likely to induce many cadres to turn themselves in because the odds of getting caught remain sufficiently low even during campaigns so that the expected value of sitting tight during the clemency phase is greater than the lightened punishments proffered. Here again, cadres engaged in high-stakes corruption will have stronger incentives to sit tight than those engaged in petty corruption but even when the 'carrot' of clemency as specified by the regulations seems too bitter to induce cadres to avoid taking their chances that the 'stick' will miss its mark. The large number of surrenders reported during the 1989 campaign raise obvious questions about the validity of conclusions derived from a formal, mathematical analysis. As argued previously, however, an anticorruption campaign is a form of psychological warfare in which the authorities *ex-ante* seek to trigger intense fears that lead cadres to act 'irrationally' based on *ex-post facto* realities. In the case of the 1989 campaign, therefore, the authorities may have succeeded despite an incentive structure that ought not to have encouraged mass surrenders.

The results of my analysis do not, however, prove that anticorruption campaigns are ineffectual or futile. On the contrary, the simple fact that filing rates double during campaigns means that periods of hyper enforcement result in more corrupt cadres getting caught. Quite simply, if a campaign every three or four years results in a temporary doubling of prosecutions without significant increases in enforcement resources, adopting a campaign strategy will yield a 20–25% gain in efficiency.<sup>44</sup> Similarly, if the announcement of a clemency-crackdown (carrot and stick) policy generates even a one time surge in confessions, the strategy is successful because more corrupt officials were brought to justice than would have been true otherwise. As an enforcement tool alone, therefore, campaigns have not been ineffectual.

It is important to recognize, moreover, that detection and deterrence are only part of the rationale for launching campaigns. Campaigns serve several other functions. First, campaigns signal a regime's opposition to corruption. In a situation where poor monitoring capabilities result in low detection rates, there is a danger that officials and the public will take low rates of detection as a sign that the regime tolerates corruption. Because such a conclusion may produce a surge in corruption and

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44. In the case of the 1989 campaign, a 137% jump in the number of cases was achieved at a 'cost' of only a 3.88% increase in the number of personnel assigned to the Procuratorial system. Based on data in *Falu Nianjian*, various years.

embitter or even enrage the masses, the regime may well mount periodic campaigns, even knowing they will ‘fail’ in the sense that they will only temporarily increase the number of corrupt officials brought to justice, simply to stem the rising tide. Given that the goal may be as much to demonstrate commitment, the ‘Beijing Opera’ character of recent campaigns with their noisy public displays and overblown rhetoric may be as important as the actual results. The campaign may fail to reduce corruption but by increasing the visible intensity of the ‘war on corruption’ will nevertheless signal to both cadres and the public that the regime has not yet thrown in the towel.

Second, campaigns are also designed to sow fear and uncertainty about the odds of detection and punishment. The very public ‘sound and fury’ of a campaign in fact feeds directly into this aspect of a campaign strategy. Although the preceding analysis may seem to imply that cadres have reliable information about the probabilities of detection and campaigns, in reality they are likely to have highly imperfect information and much of what they believed is likely to be based on signals emanating from their immediate environment. Thus, if few of their immediate colleagues get caught cadres are apt to assume that the danger of detection is slight. An unexpected arrest of a close associate, on the other hand, is likely to cause a corrupt cadre to become paranoid, particularly if the individual arrested has been a confederate and may turn informant. Exaggerated reports of arrests in the media may also lead cadres to suddenly revise their assessment of the odds of getting caught and grossly overestimate the odds. Finally, even if a corrupt cadre escapes detection during one campaign, they may remain acutely afraid that they will not be so lucky the next time. Campaigns thus have the potential to generate fears that are ‘irrational’ based on the actual odds, but which seem imminently plausible to an individual. Conversely, however, other cadres, including perhaps those who may have convinced themselves amidst the heat of a campaign that the next blow was sure to fall on their head, may become convinced that they are ‘invulnerable’ if the campaign ends without the dreaded knock on the door. Escape may thus further lessen their aversion to corruption.

In conclusion, so long as the actual rate of corruption (ARC) remains unknown it is impossible to definitively determine whether repeated crackdowns have significantly reduced corruption in China. Theoretical analysis of the incentive structures embedded in a campaign strategy suggests that so long as routine detection rates remain relatively low and only double during periods of hyper-enforcement, campaigns are likely to deter low-level corruption but not high-stakes, high-level corruption. When these conclusions are juxtaposed against data on the revealed rate of corrupt (RRC), it appears that campaigns have had a ‘positive’ effect because the number of ‘ordinary’ cases filed by the Procuratorate fell during the 1990s, as did the number of persons disciplined by the party and state for ordinary infractions. However, by deterring low-level and petty corruption without deterring high-stakes, high-level corruption—and perhaps even contributing to the high-stakes corruption by encouraging corrupt cadres to demand larger bribes—campaigns may have actually contributed to the intensification of corruption evident in recent years. Unfortunately, the extent to which anticorruption campaigns may have operated in such a dysfunctional manner cannot be determined with any certainty at this juncture

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because, as Gong and He point out, the deepening of reform will also contribute to intensification by progressively reducing the structural opportunities for low-level corruption while creating new opportunities for high-level, high-stakes corruption.<sup>45</sup> Further analysis of the relationship between the deepening of reform and the intensification of corruption is thus still required before the full ramifications of China's use of anticorruption campaigns can be specified.

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<sup>45</sup> He, 'Corruption and anti-corruption in reform China'; and Gong, 'Forms and characteristics of China's corruption in the 1990s'.

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