

## Corruption in China: does it matter?

Written by The Conversation

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One of the more noteworthy features of Xi Jinping's presidency has been his apparently genuine and effective efforts to crack down on corruption. Like everything else in China, the scale of the problem is epic. But the number of "tigers" that have been caught in the net and the fact that prominent diplomats are now being ensnared suggests that efforts to combat graft are both serious and having the desired effect.

At one level, it's not hard to see why China's leaders want to be seen as "doing something" about corruption. If there is one topic that outrages many ordinary Chinese and threatens to send social media into meltdown, it is the idea that corrupt officials enrich themselves and go unpunished. More than 80% of people in China think that the rich get richer while the poor get poorer, according to a recent Pew survey.

This might be an uncomfortable public policy problem for any government. It is especially acute in the People's Republic at a time when Xi appears to be trying to revive some of the key principles of Chinese-style socialism. China's leaders are, after all, supposed to be representatives of the masses, not the executive committee of the bourgeoisie. That so many prominent political figures and their families have accumulated extraordinary wealth is not a good look for the vanguard of the people.

Disgraced former provincial governor Bo Xilai was the first of a string of high-profile leaders who have been brought down in the ongoing purge. The downfall of former security czar Zhou Yongkang was, perhaps, an even more remarkable scalp, given his former membership of the Politburo Standing Committee – China's highest governing body.

The fact that Bo and Zhou were seen as allies and potential political opponents of Xi's has led some to question whether the current campaign is more about Xi consolidating his remarkable personal power than it is about corruption per se. After all, corruption has become an entrenched part of doing business in China, with around 20% of firms reporting that they expected to give "gifts" to public officials to obtain things like import licenses and construction permits.

It is no surprise that China was rated as 80th out of 178 countries in Transparency International's 2013 corruption perceptions index as a consequence. The big – generally neglected – question is whether it actually matters if "China" is judged to be corrupt. Plainly it

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has not stopped the “international investment community” from continuing to pouring money into China, despite the apparent difficulties of doing business there and the need to subscribe to local norms.

It is also clear that pervasive corruption has been no obstacle to growth. This is especially important given that the reason we all pay such keen attention to China is because it has been an historically unprecedented economic development success story. It is also a story with profound importance for dependent trade partners like Australia.

China’s experience with corruption is not unique either. One of the most striking features of Japan’s development – the previous holder of Asia’s developmental crown, let’s not forget – was that it was not inhibited by corruption or “money politics”. The corruption scandals that eventually engulfed former Japanese prime minister Tanaka Kakuei did little to hold back Japan’s economic renaissance.

A not dissimilar story can be told about Indonesia under Suharto. For all the Suharto family’s rampant corruption, economic development did take place. Cynics say that the one benefit of Suharto’s rule was that everyone knew who to bribe. Following a process of decentralisation urged by the international financial institutions, things are a good deal less clear-cut.

There is a serious point in all of this, but one that is normatively unpalatable. If we think of corruption as an informal type of taxation it becomes more understandable, if not more acceptable. In countries where the taxation system is ineffective and where wages may be low, the growth of corruption is predictable and difficult to eradicate.

What is more surprising is the persistence – even the growth – of corruption as living standards rise. It is not something that is exclusively a problem in Asia or the “developing world” either. On the contrary, recent revelations of the extent of corruption in New South Wales, not to mention Wall Street and the City of London, are a sobering reminder of the pervasive nature of corrupt practices.

China’s attempts to wrestle with this problem are, therefore, of particular interest and importance. It remains to be seen whether Xi will have any more success in rooting out powerful, corrupt vested interests than we have in this country. Likewise, it will be interesting to

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see what impact – if any – success or failure in this endeavour has on China's development trajectory.

Ultimately, corruption may have more impact on the possible development of a collectively held sense of justice and equity than it does on economic growth. Still a good reason to do something about it, of course.

*Mark Beeson does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.*

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