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**ASSESSMENT OF AND OUTLOOK ON CHINA'S
CORRUPTION AND ANTICORRUPTION CAMPAIGNS:
STAGNATION IN THE AUTHORITARIAN TRAP**

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ABSTRACT

Since the beginning of China's economic reform in the late 1970s, corruption has been progressing alongside of economic growth. In 2012, when Xi Jinping took power, he waged the largest and longest anticorruption campaign known in the history of the Chinese Communist Party. This study provides an assessment on his campaign and projects an outlook on the future of corruption and anticorruption in China. The author argues that China will enter into an "authoritarian trap," in which the authoritarian power enables the state to effectively carry out the economic reform and achieve economic growth, while suppressing the demand for the rule of law and democratization, resulting in rampant corruption that hurts further economic development and threatens the authoritarian rule. However, eradicating corruption in absence of the rule of law risks returning to Mao's communism, which is not in the best interest of the authoritarian state either. Trapped in this dilemma, China will likely experience stagnation in both economic and political development in the foreseeable future.

Keywords: China, corruption, anticorruption campaign, authoritarian trap

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对中国腐败与反腐的评估与展望： 巡回在威权陷阱里

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摘要

从1970年代末经济改革以来，腐败就伴随着经济的发展而增长。2012年习近平开始了中国共产党历史上最大规模和持续最久的反腐败运动。本文试图对这场反腐败运动的成效作出评估，并展望中国腐败与反腐败的未来。作者提出“威权陷阱”的概念：在威权体制下，政府动用全社会资源发展经济，但拒绝政治改革，使得腐败严重。而腐败过于严重则影响经济发展，威胁政权合法性，所以又不得不反腐败。但由于没有独立的法制，反腐败需要诉诸毛式的政治清洗和文革式的宣传动员，但这又与当前中国的（不完善的）资本主义市场经济不相融洽。如果没有政治改革，中国的腐败与反腐败将巡回于这一“威权陷阱”中。

关键词：中国，腐败，反腐败运动，威权陷阱

BACKGROUND: THE MOST CORRUPT REGIME IN CHINA'S HISTORY

In a propaganda movie made in Mao's era, *The Naval Battle of 1894 (Jiawu Fengyun)* (1962) (baidu.com 2014)), the generals of the Qing Dynasty were so corrupt that they supplied cheap fake ammunition full of sand instead of gun powder to their own battle ships, and thus lost the war with Japan. Ironically, today the generals of Mao's successors are doing much better than their ancestors in gobbling up state assets through corruption: Xu Caihou, the highest ranking general in the People's Liberation Army (PLA), was accused of selling official positions for bribes, and one of his asset managers in Hong Kong managed over HK\$10 billion (US\$1.2 billion) in assets (zh.wikipedia.org 2014). Compared with the corrupt officials in today's China, the corruption of the officials in Qing Dynasty is easily dwarfed: the most corrupt official of the Qing Dynasty that we know of, Heshen, amassed wealth that, by some estimate, would equal 2 billion RMB (US\$320 million) today, which would be smaller than the bribes received by many mid-level officials in today's China (360doc.com 2014).

In fact it is not surprising that today's corruption in China is worse than that of the Qing Dynasty. The fundamental reason for official corruption is that the state controls too many resources and the officials have too much power to distribute them (Chen 2008). These government controls, such as business licenses, permits, public funds, projects, jobs, and properties, do not belong to the officials themselves, but they have the power to distribute them, thus they have a strong incentive to dole them out to the individuals or firms who can pay big bribes. For example, they can sell state assets worth \$100 million to a briber for \$10 million plus a \$1 million bribe. In other words, they take a personal gain at the expense of the state.

In the Qing Dynasty, all of China belonged to the emperor and his family for the infinite future. Thus the emperor had a long term view and had little incentive to take a bribe to under sell the state property, because it was his own. Only the officials under him had the incentive to become corrupt, and this is why emperors hated corrupt officials and punished them severely.

In today's China, no one has an infinite claim over China as did the Qing emperors. Even the general secretary of the Chinese Communist Party (CCP) has only a limited term, and he cannot pass his position on to his children. And yet the party gives him and his officials nearly unlimited power to distribute state assets to anyone they favor. The combination of unlimited power and limited terms, along with the vast wealth accumulated during the decades of China's rapid economic growth (We will explain later why China thrives despite corruption.), has resulted in widespread corruption at all levels of the government with an unprecedented scale and scope in China's history.

In this article, we will first assess the current state of corruption in China and

CCP General Secretary Xi Jinping's new effort to fight it. Based on our assessment of the current situation, we will assess how corruption and anticorruption campaigns will affect the future of the Chinese political system in general and the Chinese military in particular.

CORRUPTION DEFINED

Since the term “corruption” has been used in a variety of ways to cover a wide range of unethical activities, we need to define it for the purpose of this study. By corruption, we mean the sale of government property for personal gains (Shleifer and Vishny 1993). Note that we focus on the corruption of government officials; unethical transactions between two private firms, such as kickbacks from a supplier to a purchasing manager, are firm governance issues and thus are outside of the scope of this study.

A typical example of corruption might be that an official in charge of a construction project solicits a bribe from a firm that wants the project, and awards it to the firm if the firm pays the bribe.

Corruption takes much needed resources from economic development and diverts them into the pockets of corrupt officials. The corrupt officials, fearing being caught, hide the money rather than putting it into productive use. Furthermore, corrupt officials make policies that are in favor of sectors in which it is easier for them to extort payment, such as in real estate or in military procurement, and underfund sectors in which it is more difficult to extort bribes such as in elementary education, thus distorting resource allocation. Politically, corruption undermines the trust of citizens in public officials and the government (Shleifer and Vishny 1993). In sum, corruption slows economic development, poisons the social culture, undermines public trust, and weakens the government's ability to govern (see Judge, McNatt et al. (2011) for a review on the studies on corruption).

CORRUPTION WITH CHINESE CHARACTERISTICS:

“EFFICIENCY-ENHANCING CORRUPTION”

The case of China poses a challenge: corruption is rampant in China, and yet the Chinese economy has been growing at a very high speed. This combination poses a puzzle we need to address: why does the Chinese economy thrive despite corruption?

Research shows that it is because there is a strong and extensive informal social

network (called *guanxi*) in China that makes corruption less inefficient² compared to the corruption in societies without such a network (Li and Wu 2010). In China, due to the lack of a fair and efficient system of the rule of law, people rely on their private relationships to protect and enforce their interests in social and economic exchanges (Li 2009). These private relationships can efficiently and effectively protect the parties to a transaction such as a briber paying a bribee and the latter delivering the public goods to the former. These private relationships are well developed and form an extensive social network, which reduces the risks of taking bribes and thus enables the corrupt official who controls a big public project to go beyond taking bribes from their family members or relatives to covertly reach many potential bribees (individuals and firms) so that the most efficient bribee who can pay the highest bribe will get the project. In other words, in Chinese society in which an extensive informal social network exists, public resources (public projects, licenses, permits, jobs, etc.) can be awarded to individuals and firms that are efficient in economic activities (and that therefore can afford to pay high bribes). This arrangement makes corruption less detrimental to economic growth and thus explains why China thrives despite corruption.³

This “efficiency-enhancing” corruption not only binds the briber and bribee closely together, but also does not necessarily have a direct victim such as an official extortion of payment from an individual/firm without something delivered in return, which would be a pure dead weight on the economy. These features make exposing corruption difficult, as there is no direct victim and the briber has little incentive to expose the corrupt official.

A note of caution about “efficiency-enhancing corruption:” it is only *less inefficient*. Compared to no corruption, efficient-enhancing corruption still imposes a cost on society and the economy (or “rent-seeking” in economics). Cleaning up such corruption will reduce the waste in bribe money and the distortion in resource allocation and thus boost economic performance for society.

WHY CHINA CANNOT ERADICATE CORRUPTION

In order to deter corruption, the Chinese government enacted an anticorruption law that punishes corrupt officials quite harshly. For example, the punishment for taking a bribe of RMB 100,000 (US\$17,000) or more is from ten years to life imprisonment plus property confiscation or if the act of corruption is particularly serious, the death penalty plus property confiscation (Law of China 2011).

² Note that we use “less inefficient” instead of “more efficient” to emphasize that corruption always causes inefficiency.

³ A typical case of “predatory corruption” (opposite of “efficiency-enhancing corruption”) resulted from the lack of extensive informal social network existed in the Philippines under the rule of Ferdinand Marcos from the 1960s to 1980s.

Unfortunately, the threat of severe punishment does not effectively clean up corruption, as research shows (Shleifer and Vishny 1993); it only increases the expected cost of corruption, and the corrupt officials can increase their demand for payment to compensate for the increased risk.

Corruption also feeds itself: in order to get promoted, one must pay bribes. Once promoted, one must recoup his investment. Corrupt officials protect each other in order to protect themselves. Research shows that as long as the macro environment is conducive to corruption, a clean, uncorrupt official will eventually become corrupt (Li 2004, Li and Ouyang 2007).

CURRENT CORRUPTION LEVEL IN CHINA

There is little dispute that corruption in China is widespread, deeply rooted, and large in scale, and it occurs in all levels and sections of the government, including not only the agencies that control the economic resources, but also the functional departments that appear to be far from the economic activities—such as the propaganda sector and the education sector. There is a popular joke in China reflecting the social sentiment about the widespread official corruption: “If we round up all the officials of the county level⁴and above, and execute all of them for corruption, well, we may kill a few innocent ones. However, if we execute every other one, we will certainly miss many guilty ones!” (360doc.com 2011)

Comprehensive and accurate statistics on corruption in China are not available. Below are some of the statistics reported by official sources and academic research (see Zh.wikipedia.org (2014) for a summary of statistics and sources).

- The total number of officials who were punished for corruption in the past 30 years is 4.2 million, of which 660,000 were punished between 2007 and 2012. Of these 465 were ministry-level officials, and 5 were politburo members. At least 35 convicted officials embezzled more than RMB 100 million (\$16.7 million) each.
- China’s Public Security Ministry issued a report in 2004 that at least 500 corrupt officials, with a total embezzlement of RMB 70 billion (\$12 billion), fled China and are in hiding.
- In 2004 the total embezzlement by corrupt officials is estimated to be between RMB 409 and RMB 683 billion (\$68 to \$114 billion).

⁴ The Chinese official ranks are, from high to low, (1) state level, (2) provincial/ministry level, (3) city/bureau level, (4) county/section level.

- As of June 2008, 16,000-18,000 corrupt officials have fled China, taking with them about RMB 800 billion (\$130 billion).
- The above statistics do not include on-the-job consumption, perks, trips, entertainment, official housing, cars, servants, sex services, and mistresses.
- Wen Jiabo, former premier of China, and his family and relatives control assets worth at least \$2.7 billion (Barboza 2012).
- Xi Jinping, the General Secretary of the CCP and President of China, and his family and relatives have made at least \$376 million (RMB 2.3 billion) investment in various businesses (Zh.wikipedia.org 2014).

The economic cost of corruption is high for China (even though it is “less inefficient”): according to a “conservative” estimate, official corruption cost about 13.2% to 16.8% of the GDP in the late 1990s (Hu 2001)). If we project from this estimate to 2013, the cost of corruption would be about \$1.22 –\$1.55 trillion yearly (based on the 2013 GDP of RMB 56.9 trillion (\$9.4 trillion). The political and social costs of corruption are huge: it severely undermines the party’s legitimacy and destroys public trust and morality. Perhaps the most damaging effect of corruption is the widespread hypocrisy resulting from the high moral standing of the party’s ideology against corruption and the draconian laws punishing corruption on the one hand and the endemic corruption that has become the norm, on the other. In many cases the corrupt officials were arrested at meetings in which the ones arrested were actually giving speeches on battling corruption. The party leaders who proclaim themselves strongly against corruption secretly send their families to the U.S. One mistress of a corrupt official, who was tried for faking her record to get promoted and taking bribes, told the court that she was raped by the official first, and then forced to become his mistress. He later asked her to fake her record so that he could promote her to higher and higher positions so that she could extort more and more bribes. “Yes, I have a low moral standard. But compared to that official who gives eloquent speeches on battling corruption by the day and screws me and extorts money by the night, I am much more decent” (baidu.com 2014). A popular saying about the fact that the people in China are forced to be hypocritical regarding corruption in China is “a shameful thing is that we all know the truth, and the government still lies. A more shameful thing than that is that the government knows we know the truth, and it still lies. An even more shameful thing than that is that the government knows we know it lies and it still lies” (epochtimes.com 2013). Jorge Guajardo, former Mexican Ambassador to China, commented that the Chinese regime is so reliant on corruption, that the anticorruption movement launched by President Xi is virtually useless. He said that he would tell Xi to stop the anticorruption campaign and to “get used to it, and own up to it” (Fish 2014).

ASSESSING XI'S NEW ANTICORRUPTION EFFORT

After Xi Jinping assumed power in the 18th Party Congress in November 2012, he waged a new war on corruption. Xi seems to be very determined and said that “the corruption is getting worse and worse and will ultimately destroy the party and the state.” Ordinary Chinese and policy analysts, as well as corrupt Chinese officials all take his intentions seriously. In less than two years since the 18th Party Congress, 48 officials at the rank of the province/ministry level or higher have been investigated for corruption, almost five times the average over the past 25 years (SinovisionNet 2014). The case that has shocked the world was Xi’s investigation of Zhou Yongkang, the former state security czar and a retired politburo standing member, which had, until his fall, been viewed as having immunity from any criminal investigations. Political commentaries that “Xi’s anticorruption campaign is for real” are all over the press in China and outside. If there are any real effects of his campaign, it would be the corrupt officials who sensed it first: they are rushing to unload their ill-gotten million-dollar apartments, stocks, and luxury cars. Some corrupt officials who used to hold up the approval of projects in order to extort bribery now suddenly approve projects quickly without asking for anything (eNewsTree.com 2014).

What are Xi’s intentions in this anticorruption campaign, which seems to be for real and has reached as high as former politburo standing members? Based on the information we gathered from public sources and private interviews, we believe that Xi has the following objectives:

First, unlike his predecessor Hu Jintao, Xi is confident and is convinced that he can save the party by eradicating corruption. He wants a clean party that will be able to rule forever and a market economy under the party’s absolute control. In this sense, his campaign is for real based on his confidence and conviction. However, his concerns are hypocritical in the sense that he is fully aware that corruption is inevitable under one-party rule and he thus must allow and tolerate reasonable corruption. But obviously the current level of corruption is not reasonable. One interviewee, C, who is close to Xi, thinks that Xi is fed up with the “party elders”—the retired politburo standing members—who regard themselves above the law and control the most lucrative industries in China. They would enter any industries they deem profitable, and have as many mistresses as they like, and destroy anyone in their way with any means. They literally get away with murder. These greedy and shameless acts by the party elders disgust Xi, who, according to C, “has the highest integrity among the party leaders”. Of course, this does not mean Xi is beyond corruption. As we mentioned earlier, Xi’s extended family is very wealthy and controlled vast business interests until Xi reportedly recently ordered them to divest. But Xi and his family and relatives are not excessive and over-greedy. Their take is commensurate to their rank in the party hierarchy.

The Chinese Communist Party is like a mafia organization, which has unwritten but unequivocal rules about who should get what and how much. If the number two

in the party has grabbed noticeably more than the number one, the number two has committed a serious offence and needs to be punished. In a mafia organization, the hierarchy must be observed and protected at any cost. Promotions are made through secret negotiations, not by public campaigns. Bo Xilai violated this rule by publicly challenging the big bosses and campaigning. Bo was a politburo member and a rising star in the party before his fall. He was sentenced for embezzling RMB 20 million (\$3.3 million), which was widely viewed in China as “peanuts” for his rank, which implies that his real crime is not corruption, but challenging the top. “A low-ranking county head would easily take more than what Bo took” is a common view among ordinary Chinese (dwnews.com 2013).

Second, Xi’s anticorruption campaign is a political move that will earn him political capital with the ordinary people. Waging an anticorruption campaign is the most popular thing to do in order to increase his popularity among the ordinary people, who are very angry at the corrupt officials.

Third, the campaign is a convenient way for Xi to get rid of his political enemies. Xi’s anticorruption campaign is a political movement, not a legal action. He and his lieutenant Wang Qishan determine who to investigate, and the decision process is secretive. Do they treat their friends and allies the same as they treat their political rivals (such as Bo Xilai) and other people they do not like? It is very unlikely. Xi and Wang claim that there is no limit to how high their investigation can go, implying that they can investigate the former heads of state, such as Jiang Zemin, Li Peng, and Wen Jiabao, who are widely viewed as greedy and corrupt, or at least as corrupt as Zhou Yongkang. But so far there is no sign that Xi and Wang will go after them. This makes people believe that their campaign is a selective enforcement of personal vendettas. Some commentaries point out that there are no officials of “second generations red” (princelings) being investigated or arrested for corruption (World News Net 2014). Some argue that Xi is more worried about cliques within the party than corruption (Chu 2015).

Is Xi’s effort effective? One quotation from an official article comments on the effectiveness of fighting corruption:

“The CCP has set up a series of codes and regulations to rid itself of corruption...The current campaign to battle corruption and build a clean government has achieved prominent results...the force of the campaign is increasing with great pace...”

“Surveys show that people’s satisfaction with the effectiveness of battling corruption and building a clean government has been steadily increased from 5.9% to 70.6%; the public that believes corruption has been curbed increased from 68.1% to 83.8%.”

While the above quotations seem to fit Xi’s new campaign, they are not about his campaign, unfortunately. They are quotes from an anticorruption report

published in 2010, two years before Xi came to power (the source of the above quotations is baike.com (2010)). Every time the party wages a campaign, it is always the best yet and the most effective, according to the party's own assessment. If by 2010, according to the above official report, the campaign was so successful and corruption was effectively cleaned, and the people were satisfied, why does Xi need to make another "unprecedented" campaign merely two years later? Evidence shows that the CCP's anticorruption campaigns usually lose their effectiveness after about 18 months or so (Shambaugh 2014), so we should not overestimate the effectiveness of his campaign.

So what is new in terms of legal development for fighting corruption? Based on the actions of Xi's anticorruption campaign (Zhang 2013), I evaluate the effectiveness of each action in terms of achieving its goals and in building new legal institutions to curb corruption (see Table 1).

Table 1, President Xi's Anticorruption Campaign Actions and Their Effectiveness

Actions	Effectiveness in achieving its goal 0=least 5=most	Legal institutional building (0=least, 5=most)
Investigating big tigers to have a shock and awe effect	5, very effective.	0, no new institution building
Swapping flies ⁵ (small cases)	3, effective (the central government is swamped by too many cases and the problem of selective prosecution)	0, no new institution building
Attacking the root-cause of corruption	0, not effective	0, no new institution building
Reforming the investigation function of the party	1, minimally effective (set up a website, increased departments within the party anticorruption organ, no legal reforms)	1, some effort in institutional building
Strengthening investigations	4, effective (sent teams from the central government to localities)	0, no new institution building
Self-cleaning of the top leaders	0 (reducing meetings, ceremonies, banquets, etc.)	0, no new institution building

⁵ Xi claims that his campaign will hunt both "tigers" (high-level corrupt officials) and "flies" (low-level corrupt officials).

Coordinating the party anticorruption effort with the legal system	1, the campaign is a party effort; the use of law is nominal.	0, no new institution building
Strengthening auditing	3, the campaign is a party effort; auditing is a party tool	0, no new institution building
Publishing the government budget and reducing government expenditure	2, somewhat effective, it has more propaganda value than substance.	0, no new institution building
Establishing surveillance on money laundering	2, it can be a deterrence and useful tool.	2, it is a new institution
Cooperating with other countries	3, it is useful (endorsed UN anticorruption agreement)	2, it is a new institution
Attacking both the symptoms and the causes of corruption	1, it is only effective with the symptoms, not the causes.	0, no new institution building

Sources: (Zhang 2013) and author.

Of the actions in Table 1, how many have helped to build new anticorruption institutions? The answer is, unfortunately, few. In fact the current campaign has little to do with building a legal system to fight corruption, as the campaign is a CCP-led political campaign.

An important aspect of the institutional building is to systematically eradicate the root-cause of corruption, which is the monopoly of power of the CCP and the controlling role of the CCP in all sectors of China, especially in the economy. Greedy officials gobbling up huge amounts of bribes is only a symptom of corruption, which has its root-cause in the institutionalization of the discretionary power of government officials in controlling and distributing political, economic, and social resources in China. Thus to cure corruption, arresting and even executing corrupt officials is only alleviating the symptoms at best; it does not root out the main causes. This argument is not new even among the party leaders in China. Xi, Wang, and their colleagues are fully aware of the need to attack the root-causes in order to clean up the corruption. The question is: can they do it?

Wang Qishan, the anticorruption czar, said that to eradicate corruption, they need to attack both the symptoms and the root-causes. However, he admitted that right now the focus is to attack the symptoms in order to buy time so that they can address the root-causes later (Sohu.com 2014). Whether this is a genuine promise or an excuse for not addressing the more fundamental issues, one thing is certain: to uproot the causes of corruption means to rid the country of one-party monopoly, which is not the intention of the party leaders.

Another reason that anticorruption will face strong resistance is the dilemma that the central government seeks stability and longevity, but the local governments must have income and need to extort as much rent as possible, for example, the aggressive land grab from farmers and city residents for new development by local governments. So even if Xi truly wants to clean corruption, the local governments will continue to need to seek rents and thus maintain their engagement in corruption.

The “shock and awe” style anticorruption campaign has instilled fear into all officials and at the same time demoralized them. “The investigators are overzealous,” commented one of the officials I interviewed, “I am fearful. God knows when and for what reason they will arrest me.” As a result, morale is low, and resistance is prevalent among government officials, reports say. One interviewee commented that “in order to get an approval for your project from a low ranking but yet powerful bureaucrat whose salary is low, you have to pay some money to incentivize him. Now we can’t and won’t pay him and nothing gets approved.” Even the anticorruption czar Wang Qishan admitted that this has been a major side-effect of the anticorruption campaign (Chinanews 2014).

According to interviewee L, who frequently travels to China and interacts with officials in China, there is a sense of panic and fear that something catastrophic is going to happen caused by Xi’s on-going anticorruption campaign. The reason is that all officials are corrupt in various degrees. If Xi’s anticorruption campaign does not stop, then a large number of cadres, if not all of them, will be prosecuted, thus paralyzing the government.

OUTLOOK ON CORRUPTION IN CHINA

What will happen to Xi’s campaign and corruption in China?

Xi’s anticorruption campaign will bring down a large number of high-level officials who stand out in corruption. These officials exhibit more greed than their peers and have grabbed substantially more than the unwritten rules allow for their ranks, and they are thus hated by the masses and even their peers. To bring them down is justified in Xi’s eyes and enables him to earn political capital and popular support.

However, carrying on the anticorruption campaign as Xi and Wang promise that “there is no limit as far as investigating corruption is concerned” will ultimately destroy the party and paralyze the government. Thus this anticorruption campaign, while being carried out on a broader scale and reaching higher levels in the hierarchy, will be only temporary in effect. It can only clean up some of the most egregious corruption and thus reduce corruption for a short period of time. The system (the party) is similar to an obese person who has made a new-year resolution to exercise but does not curb his access to and appetite for junk food. The newly intensified exercise will help him to shed some pounds, but his ability to grab food, and the unabated appetite for it will ensure that he regains his weight. As long as

the CCP monopolizes the ruling of China, the unbalanced and unchecked power of the officials will enable them to find new ways to benefit themselves. Corruption will be a constant feature in China. When the corruption level is so high that it causes the masses to complain, the party will prosecute a few to make the masses feel better.

Can the bottom-up strategy of anticorruption be effective? The bottom-up strategy—mobilizing grass-root people to report corruption—is a double-edged sword. It may help the CCP to expose corruption, but it can also upset the party's rule by disseminating information and encouraging mass participation. "Whistleblowing is anonymous and dangerous," one of the interviewed officials commented. "My fear is that my work unit is mentioned on the internet," a head of a government agency in Beijing told the author. While the internet is useful to the CCP for waging cyber-attacks and engaging in espionage work, in principle the CCP fears the internet, because the most salient features of the internet—open, free information, and decentralization—are opposite to the need of a totalitarian regime—closed, secretive, and centralized (Li 2009). The CCP controls the internet as tightly as it can with all its resources and also harshly prosecutes any ordinary people who publicly call for the establishment of the rule of law to fight corruption. Anticorruption is a privilege of the party, not the right of ordinary people (zh.wikipedia.org 2014).

The fact that Xi and Wang can arrest Zhou Yongkang—the most powerful secret police boss—demonstrates that the party hierarchy and its governance are strong and effective. Whoever is the head of the party has absolute and effective control over the party, including the secret police which everyone fears. To the best of our knowledge, there have not been any assassinations related to anticorruption and no violent incidents of resistance to arrest so far. However, we have no way of knowing this because of the CCP's control of the media. Regardless, we should not expect the party to disintegrate any time soon due to corruption practices or anticorruption efforts.

Projecting beyond Xi's anticorruption campaign, what is the likelihood that China will substantially eradicate corruption? To answer this question, we can examine the institutional requirements needed to effectively and efficiently curb corruption, and the likelihood that China will substantially develop them in the next fifteen years or so. Based on research and experience (Shleifer and Vishny 1993, Tanzi 1998, Li 2004, Transparency International 2014), the following institutional developments (which may be closely related and overlapping) are needed to reduce corruption.

1. *A political system that ensures fair and effective political competition.* The pressure from opposition parties is an effective way to keep the ruling party more honest and less corrupt. It is highly unlikely that viable opposition parties will emerge in China in the near future.

2. *A limited government.* Reducing the authoritative and discretionary power of

the government and the ownership of the government in the economy will mitigate corruption. The Chinese government has made some effort in reducing the licenses and approvals needed to pursue economic activities. However it still owns and controls vast assets in the most lucrative industries such as the energy, telecom, aviation, transportation, and banking industries. It is possible that the Chinese government will further reduce its ownership and control in the economy.

3. *Rule of law.* To effectively and fairly fight corruption, China must have a judiciary system that is independent of the CCP and the executive branch, and a police force that follows the orders of the judiciary system instead of the CCP. In countries with strong rule of law, it is the police, not the ruling political party, that initiates and carries out a corruption investigation. This is highly unlikely to happen in the near future in China (because it conflicts with the CCP's monopoly of power).

4. *Free and competitive media.* Free press is proven to be a highly effective way to expose and fight corruption. The CCP views the free press as a major threat to its political monopoly and it has no tolerance for the press to freely investigate and report corruption.

5. *Development of the civil society (political participation of citizens).* The participation of ordinary people in battling corruption is necessary to change the corrupt culture, develop social trust, and make the government accountable. The CCP is very cautious in allowing grass-root efforts by ordinary people in fighting corruption, since it may threaten the party's political monopoly.

6. *An adequately paid work force in the government.* The experience of Hong Kong and Singapore in eradicating corruption is to raise the salary level of government employees close to the market level to reduce their incentive to ask for bribes (Li 2004). However, the idea of raising the salary level of government employees to curb corruption is heavily criticized by the ordinary people in China, who have little trust in the officials and argue that they will not reduce bribe-taking even if their salary is raised (Zhiqiu 2004). In contrary, as part of his anticorruption campaign, Xi is lowering the salary level of the top managers of the state-owned enterprises, which may increase the incentive of these managers to corrupt (Li 2014). The formal salary of the Chinese government employees is low and had not been increased since 2006 until early 2015. Even after the 2015 increase, the lowest level government workers earn RMB 1,320 (US\$ 213) and the highest level officials such as Xi make RMB 11,385 (US\$ 1,830), which is not enough to rent a decent apartment in Beijing (Forsythe 2015). Of course, no one believes that Xi can support his living and future retirement expenditure based on this salary. It is an open secret that senior party leaders receive huge amount of funds and in-kind resources on the job and in retirement. According to the 2004 official data, the average funds received by each retired standing member of the politburo for one year is RMB 27 million (US\$ 4.4 million), not counting the free transportation, chartered flights and the free use of vacation homes and best medical services they enjoy (Zhou 2011). To put it simply, the fact that Xi's formal salary is so low implies that corruption is

built in the human resource system of the Chinese Communist Party, and therefore cannot be eradicated.

Of the six requirements, only the second one (limited government) has a higher likelihood of some substantial development in China. Therefore, in the absence of any substantial institutional development in most of the above requirements, the CCP's anticorruption campaign will inevitably remain an extralegal, CCP-led political movement and thus unwinable. In the meantime, in order to carry out his campaign, Xi must exert absolute authority and silence any criticism towards him or the CCP. So the outcome of Xi's campaign is the establishment of his dictatorial power within the party that forces all party officials to demonstrate loyalty to him, a tightly controlled media, and the imprisonment of party critics and dissidents in large numbers. This closely resembles a Mao-style totalitarian rule that depends on constant political cleansings and mass movements, but with a fatal twist: China is no longer in the ultra-leftist era under Mao and has embraced the market economy, which, in order to flourish, requires personal freedom and government's relinquishing its total control over the society and the economy. The incompatibility between Xi's concentration of power and arbitrary and select arrests on the one hand, and the need for further liberalization and better rule of law on the other is the most serious challenges facing X's anticorruption campaign, as the anticorruption campaign and the crackdown on dissidents undermine the already weak and deficient legal system, which must be improved for China to become a civil and developed society.

CONCLUSION:

STAGNATION IN THE AUTHORITARIAN TRAP

In conclusion, we believe that Xi's anticorruption campaign has had a strong "shock and awe" effect and has brought down many corrupt officials. However, due to the absence of the institutional building of the legal system, the campaign relies on KGB-style secret investigations and arrests that all end in show trials and convictions in court. In the meantime, Xi has consolidated his power and promoted a new generation of officials loyal to him. Unfortunately, as the anticorruption campaign will fade away and the newly promoted officials learn how to (ab)use their power, there is no reason to believe that this new generation of party elites will stay clean and not grab. And then the cycle repeats itself: a new anticorruption campaign must be waged, which may act like giving drugs to the ordinary Chinese people to temporarily alleviate the pain afflicted by corrupt officials.

For the government, an outcome of the anticorruption campaign will be the establishment of more rigid policies and regulations to reduce the opportunities for officials to grab. These new rules, which are based on the lack of trust by the CCP on its own officials, will demoralize government employees and reduce the operational efficiency of the government. A more adverse effect of these new rules is that government officials will soon circumvent or even find ways to profit from

them. The fact that most party officials pretend to be role models in public and extort bribes in secret has made the CCP the party of hypocrites.

But the hypocrisy does not stop at the party, it infects the whole society; the discrepancy between the CCP's moral high ground and the excessive greed and immoral behavior of the exposed party officials has forced the Chinese people to be hypocritical as well. It is a common knowledge of the people that corruption is a result of the monopoly of power by the CCP and thus cannot be eradicated by the party itself. However, the common people still enjoy the moment whenever the party brings down a "big tiger." This contradiction has formed the twisted national culture that on the one hand hates the CCP's rule and blames it for everything and on the other hand praises and relies on the party for everything people have. With time, this mentality will help dampen the strong nationalism in today's China, which is a result of the recent economic achievement in China. However, as China's economy slows down and the surge of patriotic feeling gets tired and fades, the ordinary people will become more critical towards the party due to continued corruption.

In sum, projecting from the current trends assuming that the CCP will still be in power (which has a very high likelihood since the party has no intention to relinquish power and independent forces are extremely weak to challenge it), we see that China will enter into an "authoritarian trap," by which we mean the unique situation in which a communist state initiates the economic reform but refuses to democratize. The authoritarian power enables the state to effectively carry out the economic reform and achieve economic growth, while suppressing the demand for the rule of law and democratization, resulting in rampant corruption that hurts further economic development and threatens the authoritarian rule. However, eradicating corruption in the absence of the rule of law risks returning to Mao's communism, which is not in the best interest of the authoritarian state either. Trapped in this dilemma, China will likely experience stagnation in both economic and political development in the foreseeable future.

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