

A Preliminary Assessment of Rural Corruption in China

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Abstract

Rural-related corruption in China manifests itself differently in terms of different forms and intensity over time. The preliminary findings indicate that rural-related corruption in China is a particular type of white-collar crime. It embraces a mixed dimension of political crime, economic crime, corporate crime, environmental crime, and crimes within social control systems, such as the police. The time series analysis demonstrates an increase of diversity and intensity of this corruption. It also shows that rural corruption is dynamic and its dynamics have evolved significantly over time. An analysis of the historical context identifies three distinctive stages of rural-related corruption (1995-2007; 2008-2012, and 2013-2017), from acknowledgement of the issue, to issue outbreak, to a “rampant” stage, all with consistent determinants and explanations. Evidence shows that Chinese national land use policy is among the leading explanations of rural corruption. The majority of other types of rural corruption also are rooted in land-related issues. The causes of corruption in rural China have both institutional and individual behavioral explanations, which distinguishes them from the explanations of general corruption. General criminological explanations of corruption must be modified to fit a rural context and the unique histories of particular society, which in this case, is China.

Keywords: corruption; rural corruption; “hidden” discretionary power; land expropriation; land policy; “greedy fly corruption”; horizontal and vertical corruption; direct and indirect corruption



Introduction

Historically, corruption had been a sensitive political and public issue in China (Manion, 2004; Meng, 2014; Wedeman, 2005). The government of China only officially acknowledged corruption as a serious issue for the first time when the State Council Press Office released a White Paper (“China’s Efforts to Combat Corruption and Build a Clean Government”) on December 29, 2010. However, as early as 1984, former Party General Secretary, Hu Yaobang, had predicted that “Corruption is like cancer cells, if not curbed immediately and effectively, it will spread across all kinds of different aspects in Chinese Society” (Meng, 2014). Manion (2004) and Wedeman (2005) have cast doubt on the overall effectiveness of Chinese anti-corruption measures based on the empirical evidence, such as short periods of intensified enforcement, unsustainable periods of enforcement, lack of harsher punishment, and an unsustainable call for public attention to anti-corruption. Based on the literature, Chinese-style anti-corruption (Wu & Zhu, 2011) has been changing such that there is a more routine supervision-style and institutionalized form of anti-corruption governance, instead of just of token attempts or campaigns. In terms of timing, frequency, consistency, coverage, and intensity, anti-corruption in China is experiencing an unprecedented change. Specifically, anti-corruption governance in China since 2012 has changed dramatically when compared to efforts before 2012.

The current corruption situation in China evolved into such a problematic state that the central government eventually ranked corruption as one of the top national social problems. Party General Secretary, Xi Jinping said during the 18th Chinese Communist Party Congress on November 17, 2012, that it would kill the Party and ruin the country if not curbed immediately. Corruption became so rampant that the new Chinese leadership, when it assumed power in November 2012, made anti-corruption a top priority of the nation’s policy agenda. In a document prepared for China’s 18th Party Congress, the Central Commission of Disciplinary Inspection, the Party’s top anti-graft agency stated that both the punishment and prevention of corruption is regarded as a serious political struggle for the sake of the party and the nation’s future. Since assuming power in 2012, the Xi Jinping government has prosecuted a number of high-profile cases. According to the officially published annual reports of the Chinese Supreme Prosecutor, during 2012 to 2016, 122 ministerial level officials were convicted of corruption-related crimes, a significant increase when compared to the previous ten years of convictions of the same high rank of officials. There were only 30 high-profile convictions during 2007-2011, and 35 high-profile convictions during 2002-2006. This ‘Chinese-style anti-corruption’ is changing its approach toward a more routine supervision-style institutionalized anti-corruption governance, instead of short-term ad hoc campaigns.

Corruption has spread into all aspects of Chinese society, including its rural sector, which is the focus of this article. Corruption undermines economic growth and generates poverty. The swell of rural corruption makes this situation even worse, thus becoming a major destabilizing

force in China's already problematic rural communities (Meng, 2016). Once neglected areas of rural corruption are now "hot spots" that draw new attention from leaders, the media, and hopefully more and more rural criminological scholars. As such, in matching with the unprecedented anti-corruption momentum, this research conducts a preliminary analysis on what and where the problems exist in rural China, and identifying and prioritizing risks, thus providing foundations for developing future appropriate mitigation strategies, and recommending effective strategies for key policy makers in designing specific anti-rural-corruption regulations and policies.

Problem Statement

Studies of corruption in the rural sector of China and other societies is a neglected area of scholarship in criminology, including rural criminology. Based on one of the most cited models of corruption (Jain, 2001), there are three components that make up corruption: the discretionary power and decision-making of a bureaucracy (either a private corporation or a government agency); the association of this power with economic rents (the extra amount earned by a certain resource by virtue of its present use); and limited deterrence as a function of the probability of being caught and penalized. Whereas the first two preconditions determine the benefits of corruption, the third influences the cost of corruption; therefore, regional characteristics that affect these preconditions determine its local incidence (Becker, 1968). Hence, the analysis of corruption cannot be separated from the overall social and economic analysis and the associated economic rents, the bureaucratic discretionary power, and associated corruption opportunities.

During the previous four decades since late 1970s, China experienced phenomenal economic growth. However, rural China lags behind in economic development when compared to the overall GDP of China. The pervasiveness of rural corruption makes this situation even worse and is becoming a major destabilizing force in China's already problematic rural communities.

Overall, China remains a rural society. However, with massive urbanization and rural-to-urban migration, the rural landscape is changing fast, still, by some measures, the majority of China's population is rural, with about fully 70 percent (about 993 million people) of its 1.33 billion total population today classified as living in a rural locality (Rural and Township altogether) (China 2010 Census) (Meng, 2019). Corruption undermines economic growth and generates poverty. Anti-corruption plays a large role in explaining inter-county income disparity in China (Wu & Zhu, 2011). In an effort to narrow the urban-rural economic and living standard disparity, the Chinese central government promulgated a variety of national redistribution policies in order to provide financial and in-kind supports for overall rural advancement and development. Another measure to narrow this disparity was to speed up the process of urbanization, which continues today.

The prevailing wisdom is that bureaucratic discretionary power in rural China is limited. On the surface, it seems the opportunity to corrupt is not ample and thus the associated economic rents are also insufficient to draw much attention for scrutiny from both the government and the public. However, the reality is, as will be elaborated in this study, there is a combination of factors that contribute to the potential for corrupt practices: the increasing amounts of annual in-kind and in-cash redistribution reliefs and funds from the Chinese central government to the township level¹ and below the township level to villages, together with the rapid rise and country-wide expansion of urbanization, coupled with a strong real estate market development, and rural officials' authority over land use grant. By selling land to real estate developers, for example, rural level officials have discretionary power over land revenues, and all of this creates unimaginable rent-seeking opportunities in comparison with the situation during the previous years, and a great many more opportunities to engage in corrupt practices.

Later in this article a discussion of land use revenue will demonstrate the trend. Again, these sorts of opportunities which leave room for tremendous discretionary power did not exist during previous decades. This "hidden" discretionary power exists within local governmental units of contemporary China, becoming more pervasive within the sphere of various rural administrative levels. The reason why it is defined as "hidden" is because street level officials do not hold high level positions, however, if not detected or convicted, one would not ordinarily assume that such petty officials can get access to such huge amounts from which they can steal some of it. Another reason is that it is only in recent years that this "hidden" power starts to draw attention from higher levels of government, law enforcement and the general public.

Literature Review

Overall, a substantial body of research about rural China research exists on a small number of areas, other than corruption. Crime, criminal justice and law-related topics range from conflicts in rural China (Li & O'Brien, 2008), conflicts and appeals to the official justice system in rural China (Michelson, 2007), factors in explaining rural public good provisions, such as solidary groups and informal governmental accountability (Tsai, 2007), factors limiting the scope of administrative litigation in rural China (O'Brien & Li, 2004), and land expropriation and rural conflicts in China (Guo, 2001).

A few studies have examined how these same factors operate in relation to corruption in rural China, specifically, rural collective complaints against official malfeasance (O'Brien & Li, 1995), anti-corruption campaigns (Li, 2001), and corruption and land expropriation (Meng, 2016). Corruption in the rural electorate is much discussed, but a rarely studied subject. Articles and parts of books written around the turn of the century were biased, unsystematic, and based largely on hearsay evidence gathered after the fact (Cox & Kousser, 1981).

While there is a large body of corruption literature focused on China, the vast majority of it approaches a scholarly view of the issue based on a single locality or case, or from a more holistic or societal-wide perspective, without rural-urban comparisons or related breakdowns of the data by regional or locality-specific factors. Plus, the literature on rural corruption in general (in both China and the rural sectors of other societies) is scant, scattered and non-systematic by comparison to the urban literature. To date, there is no existing literature on either the level of rural corruption in China or the systematic categorizing of this corruption. Given what is known from the literature on rural conflicts, and the fact that multiple factors intersect to determine the levels and forms of corruption in rural China, the research proposed here will significantly contribute to this body of literature, as it will be among the first effort to assess the overall level and types of corruption in rural China.

The Scope of Rural Corruption in China

Rural-related corruption in China is a particular type of white-collar crime. It embraces a mix of political crimes, economic crimes, corporate crimes, environmental crimes, and crimes in social control systems, such as the police. Rural corruption refers to corruption that affects social and economic development, with farmers as the frequent victims of corrupt practices, but corruption in rural China is sufficiently widespread so as not to be just confined to food producers. As well, the offender or perpetrator is not necessarily restricted to a village official or township level official. The perpetrators of rural corruption can be at any level, so as long as their practices result in harms to farmers and other rural peoples.

For any society, what happens during the initial stage of the development of a social issue can be termed the social construction of a problem. There is no specific definition of rural corruption in China, but it is now at the stage that awareness has led to various kinds of governmental actions. How rural corruption is defined in China will continue to evolve, and as well, the definition given by the author of this study is also not static, it too is changing.

The scope of rural corruption has both horizontal and vertical dimensions, plus direct and indirect dimensions as well. The horizontal dimension refers to corruption that not only occurs in a rural context, but also happens in the non-rural context, for example, embezzlement, bribery, misuse of public funds, etc. Those could be found in all aspects of society, rural and urban.

The vertical dimension implies those that are uniquely, or which are specifically rural-related, and which have rural sources, but may be related to other, non-local or upper levels of governmental administration. Three examples are rural gang-related corruption, land use-related corruption, and redistribution-related corruption. All those are not just related to a rural context, but also reached out to other areas of Chinese society. For example, Chinese law enforcement agencies investigated 28,894 officials for rural-related corruption crimes in agriculture and poverty relief/assistance sectors over a two-and-a-half-year period, beginning with 2013. Though

most were at the rural township and village levels, the deputy head of the Supreme People's Procuratorate's (SPP) office for official misconduct and criminal investigations noted that many other forms of rural-related corruption involved higher level provincial officials, local municipal government level officials and rural township and village heads. These multiple levels of officials colluded with each other to swindle funds intended for agricultural development and poverty relief. The SPP implemented a two-year campaign from July 2015 to crack down on abuse of power in rural related areas.²

Direct rural corruption (corruption that occurs in rural locations) implies that the victims are villagers or those who live in rural areas, and the major offenders tend to be those at the lowest level of government, such as village heads, with the illegal behaviors occurring during the process of their routine professional or non-professional activities. It is more visible, such as rural land expropriations, inadequate compensation for land expropriations, and unequal distribution of top-down publicly redistributed funds, etc. Violence is often associated with these types of corruption, such as in the form of protests.

Indirect rural corruption implies the victims do not necessarily need to be confined to villagers or rural populations. The structure of this corruption is vertical, that is, from the top tiers of administration to the lower tiers of administration. The offenders can range from the highest stratum to the lowest ranks, and all could be potential rural corruption offenders.³ The preliminary data analysis identifies several types of rural corruption that is indirect and vertical in nature, such as those mainly focused on land expropriations and rural gentrification, redistribution of resources, natural disaster funds, education and employment, public health, and the "Three Agriculture Program."⁴

Methodology

The major data sources utilized in this study is from various published Chinese government reports, mainly the annual report of the Supreme People's Procuratorate of China from 1988-2018 and the Annual Book of China Public Finance (mainly on land use related financial revenue data for 2008-2015), China National People's Congress Annual Reports (2008 to 2015), and the most representative cases that attract society-wide attention from various news reports in China over the years and in various sectors and industries across the nation and in different jurisdictions. This paper analyzes rural-related corruption and government rural sector related anti-corruption policies.

The primary reasons why this study uses official government data are: first, as discussed before, there is the "hidden" nature of a great deal of rural corruption, with few media reports on rural corruption, except for cases involving high ranking officials. These draw much media attention, but unfortunately, ignore the more endemic problems that occurs at the local level. This makes it difficult to collect data from only media reports. Second, court sentence documents

are confidential and not open to the public. There is almost no way to get access to this data unless a “gatekeeper” is available for that access. Though there are some data banks related to court sentence documents of corruption (for example, a corruption data bank in Beijing University), there are not many that are about rural-related corruption. However, those that exist and are available about rural-related corruption cases will be used as examples to illustrate the development of rural corruption, together with the examples from the government reports. Third, resources necessary to gain access to the respondents are enormous and difficult to acquire. Plus, it is challenging to do field interviews, or to conduct a survey in China rural-related corruption. It requires a wide range of respondents, given the nature of its horizontal-vertical and direct-indirect dimensions.

Fourth, this study is a preliminary analysis on rural corruption with a focus on the overall nature and dynamics of this issue. From the purposes of this study, analysis of government reports can be a systematic and effective way to provide an overall macro-perspective on understanding the corruption situation in rural China over time. In China, as in other societies, whenever a new social issue pops up, governments will either try to address it or suppress it. Fortunately, even given the constraints of data collection on some particular topics, national-level government annual reports can reflect indirectly the intensity and development of corruption in rural China, and of various policy and program implementations of these issues that need to be addressed. All the reports are published and open to the public, hence, everyone can easily get access to the reports.

According to the China Supreme Procurator Annual Reports, it is obvious that rural corruption has changed. Based on the data analysis in the China Supreme Procurator Annual Reports during 1988 to 2018, the findings demonstrated a strong increasing trend in both scope and case seriousness, that is, with many new types of corruption and kleptocracy emerging. The number of mega-cases involving increasing amounts of money has grown, and the impact is becoming more and more serious. Though the situation of rural corruption is influenced by the overall environment of corruption in China, for example, corruption in the government executive branch, the law enforcement, the judicial branch and economic sectors, it is obvious that by analyzing government reports, rural-related corruption has expanded within recent years, in comparison with corruption in other sectors in China.

The “hidden” discretionary power that has evolved and escalated in rural China makes it hard to believe that this kind of issue was not so serious in the past, even before the government and the public paid attention to it. How this impacts Chinese society, the administration of governments at all levels, can be astonishing. And as its impact multiply, not just from individual cases, but because rural corruption cases involve multiple players, multiple victims, multiple sectors, and multiple tiers of governments in China.

According to Chinese law, there are several categories of corruption related categories: embezzlement, bribery, misuse of public funds, malfeasance, and unexplained sources of huge assets. In the rural context, forms of corruption can also be categorized into these same types, but just with distinctive explanations and operations, based on non-urban contexts.

Results: A Preliminary Assessment of Rural Corruption in China

As stated at the beginning of this article, China has experienced a long history of corruption. According to the official statistics⁵, during 1988 to 1992, 4,451 County Level officials were convicted of various corruption crimes. The number of convictions of Municipal-Level officials was 173, with five at the Ministerial Level. Comparatively, during 2013 to 2017, the respective conviction numbers were 15,234 (total), 2,405 (municipal-level) and 122 (ministerial-level). The recent five years (2013-2017) saw exponential rise in the number of convicted officials from all three levels, with an almost 3.5 times increase of County Level officials convicted, 14 times for Municipal Level officials convicted, and 25 times for Municipal Level officials convicted. Despite these numbers, the issue of rural-related corruption was not on the radar until the middle of the 1990s. China's rural areas has since seen a rash of high-profile cases of small town and local village corruption. Nonetheless, rural corruption issues remain somewhat sidelined given the volume of other corruption issues in the economic field, in the party, and in the law enforcement sectors (Meng, 2012), that is, until the most recent years.

The first officially reported aggregated data relating to rural corruption can be retrieved from the 1996 official report⁶ which showed what had happened during the previous year. In 1995, 5,419 public employees, including officials and staffs in rural township sectors, were charged with embezzlement, extortion and bribery-taking during the processes of land development and expropriations, public fund distribution appropriations, township owned enterprises operations, and other economic activities. This earliest publicly-recorded statistics in an official Chinese government publication is an indication for when the problem of corruption started drawing attention from the top level of administration. As early as in the 1980s, China's central government started taking actions when it realized the potential of corruption related to land issues. In 1982, the Chinese State Council issued a report on how to solve the problem of abuse when converting cultivated land to land for real estate development.⁷ This is the first recorded national executive order regulating land use. Four years later, in 1986, another statement related to the national regulation on land use was issued. In 1986, the State Council issued a regulation on land use administration and forbidding the over-transfer of cultivated land into non-cultivated land."⁸ Then later in 1989, there were four additional national level regulations on land use and land revenue related issues. In 1989, the first two ever national regulations specifically aimed at administrative official's misconduct behaviors related to land use was issued under the titled: "An Ordinance on Oversight on Official Violation of Land Use Law"⁹; and "Strictly Detect and Punish Administrative Official whoever Granting Land Use Beyond their Delegated Authority and Building Residential Houses on unauthorized land."¹⁰

That same year, another official ordinance was the announcement on “Administration on Revenue Generated from Granting Land Use,”¹¹ which was the first recorded national official documentation on the administration of land use revenue.

In 1997, it was the first time that corruption-related issues on land leasing in rural areas, together with real estate development, was mentioned in official statistics¹². Township rural official corruption had been separately itemized as a particular corruption phenomenon in contrast to corruption in other areas, such as economic, political, judicial, etc. in governmental annual working report. The procurator docketed 2,209 cases in 1996 involving issues in land expropriations, public housing compensation appropriations, and township-owned enterprise building projects. There was a need back then to bring rural corruption more centrally into an anti-corruption policy agenda. However, not a lot of work had been done in dealing with this particular type of corruption, except in 1997, the State Council issued information on “Reinforcing Land Administration and Protection of Farming Land”¹³, and in 1998, the Department of National Land Use Administration issued a regulation on “Items on State-owned Enterprises Land Use Administration.”¹⁴

Only until 2005 did the government officially readdress this issue nationally by claiming that there was an increasing trend in illegal land expropriations, mainly manifested in the form of embezzlement and bribery-taking and the need to take immediate actions to prevent rural corruption from increasing even more.¹⁵ The aggregate data shows that in 2004, 4,414 public employees were alleged of misconduct in relation to highway construction, gentrification, and land expropriations, among others.¹⁶ Other rural-related cases detected during that year included environmental pollution cases. Altogether, 2,892 public employees were accused of abuse of power, bribery taking, malfeasance in responsibility deficiency for safety issues in regard to the environmental protections.

The government had actually realized the seriousness of land related issues by then. During 2002 to 2005, the national level administration issued at least 9 major regulations against abuse of power over land use and land expropriations. Particularly, for the first time, in 2003, the China Central Commission of Disciplinary Inspection, the Party’s top anti-graft agency, issued a document “On Commercial Land Use and Expropriation Related Questions.”¹⁷ The government took a further step two years later in the effort to crack down on land use related corruption. In 2005, the China National Supervision Office¹⁸ issued an announcement on “Collaboration between the National Supervision Office and Department of National Land Use Administration on Detecting and Punishing Illicit Land Use Related Cases.”¹⁹ This can be viewed as the starting point of anti-rural land related corruption from the national level administration.

Official aggregate data also indicates at that time, the Chinese government took actions to initiate punishment in cases of rural corruption. In 2005, 1,931 persons from rural local organizations were prosecuted for embezzlement and misuse of public funds²⁰ but there was no

specification on what public funds, that is to say, it was not clear if was land-related or redistribution relief-related funds. However, the specification is very clear in the next year's report. In 2006, 3,878 township officials and staffs were prosecuted for embezzlement and misuse of agricultural and farm support and public relief funds distributed from the central government, stealing money from land expropriations compensation, misuse of public funds from poverty programs, misuse of funds that were supposed to be used for natural disaster prevention, and related recovery programs.²¹ This 2007 annual report further detailed the constitution of rural corruption which is the first time that rural corruption was categorized into two major high-risk areas: agricultural and farm support and relief public relief funds distributed from the central government, and land use compensation funds.²²

Those two are the major areas of corruption that had been hidden from the public and the government for many years. With the overall increased relief fund from the central government due to the speeding up of urbanization, there is more and more money at the disposal of rural affair administrative official's discretion. Rural corruption erupted in a large scale at about that time. In 2008, for the first time, the central government ranked land expropriation as one of the highest potential risky corruption areas together with the already existing risky areas such as construction, commercial bribery, government procurement, natural resources and mining exploration, etc., especially in relation to urbanization and real estate development.²³

The government advocated prevention of rural corruption in China continued its momentum into the year of 2009. There were numerous newly added redistribution funds from the central government to the local level government about that time. For example, funds for lonely seniors, special funds for military veterans, rural maternity subsidies, government subsidized agricultural and farm insurance, the subsidy for the change of agricultural land into forest, etc.²⁴ For the first time, rural-related corruption was used as a specific term, that is, it was a recognized term in the governance of corruption. It was called "urbanization commercial bribery" and "rural professionals-related crime" respectively, with the former referring to land use-related and the latter redistribution relief-related monies.²⁵

By then, township-level cases were mainly detected and prosecuted in the fields of rural infrastructure construction, agricultural and farm subsidized financial relief and support from the central government, malfeasance or derelict crime in granting land expropriations, illegal deforesting license granting, and lack of effective monitoring of environmental protections. In general, these cases were called rural professional-related corruption. In 2008, the alleged rural professional related corruption cases numbered 11,712 and the alleged urbanization commercial bribery cases were 2,637.²⁶ In 2009, it was the first time that environmental crime and ecological crime, which are also rural-related, were included in the Chinese governance agenda. During 2009, 15,137 individuals were convicted of illegal mining, illegal deforesting, and various serious cases of pollution.²⁷

The aggregate data analysis from government annual working reports during 2008 to 2012 indicates an outbreak of rural-related corruption to the extent of diffusing into different parts of the society. In an attempt to curb rural corruption, township-level procurator inspection offices were established across rural China to more effectively monitor the distribution of agricultural produce subsidies, the conversion of farm land back into forestland, and the improvement of roads, bridges and other types of infrastructure in rural regions, all since 2009.²⁸

Land expropriation-related cases were more and more frequently detected where malfeasance or dereliction of duties by local officials existed. In 2009, the total number of land expropriation-related cases investigated was 6,451; a total of 7,175 alleged rural township officials were investigated by law enforcement for rural professionals related corruption, on issues related to compensation for land expropriation, crops subsidy, and rural basic facilities constructions.²⁹ The offenders were mostly government officials in charge of land granting, land-use planning, and land-bidding. Land expropriation is an escalating form of rural-related corruption, and in general, corruption in relation to the administration of land resources has become one of the most serious problems, with nearly 1,250 cases investigated that were related to land granting, land expropriation, land expropriation compensation areas in 2010.³⁰ In 2011, 4,779 rural-related corruption cases were prosecuted. Rural related cases expanded from land use, poverty relief programs, social security, rural support funds, to low income housing in rural areas.³¹

The later years data (2013-2017) analysis confirms that corruption in rural China has developed into a full-fledged social problem. Even with a steady increase in other areas of corruption, the tremendous increased number of cases and persons convicted in rural-related areas is comparatively more dramatic. In a single year (2013), 12,748 persons were convicted for rural-related corruption, such as embezzlement of rural redistribution relief fund.³² In 2014, 9,913 persons were prosecuted in rural-related corruption, including petty type corruption in areas of social security, land use, land expropriation, “Three Agriculture Program,” poverty relief programs, redistribution funds, natural disaster relief programs.³³

For example, in 2013, the embezzlement of natural disaster relief fund was detected from a hurricane that affected Lufeng City, Huaiji County, and Lecang City in Guangdong Province. One of the typical cases is the receipt of natural disaster reliefs funds by a community of \$12,760, with about \$7,270 embezzled by a township-level official in the local Social Work Office. In other words, the town lost 57 percent of funds that should have helped clean up the damage and make repairs. The absolute value of the corrupted fund is not very big in comparison with the high-profile cases. However, looking at the relative value, it is astonishing! This is typical of what is known as cases of “Greedy Fly Corruption” (Grass-eaters³⁴).

For the first time in 2015,³⁵ this rural related petty corruption has an official nickname: Greedy Fly Corruption, in contrast to the official nickname specifically for grand corruption with

high ranking officials as perpetrators -- Greedy Tiger Corruption (meat-eaters³⁶). This Greedy Fly Corruption is used to refer to rural-related corruption, even though not inclusively referring to rural corruption, it is the term used to describe it since 2014. Sometime, when the case involves large amounts of money, this case will refer to it with the contradictory words of “Petty Fly Grand Corruption”. Also during 2014 was recorded the highest year of environmental protection-related cases which have close rural connections. In 2014, 25,863 persons were prosecuted for alleged environment pollution, over deforesting, illegal reclamation of grassland, etc.³⁷

Greedy Fly Corruption constitutes a very frequent and major form of rural-related corruption in China, especially during the recent years. It is true that corruption cases also increased in other sectors of society, however, the increased rate of rural corruption outpaced that in the other areas. Up to the completion of this study, the latest accessible updated aggregate data is a 2018 annual report which reflects the situation of 2017. In 2015,³⁸ 11,839 persons were alleged to commit Three Agricultures Program, and rural professionals-related corruption; another 8,699 persons were prosecuted in rural areas for corruption related to social security, land use, and land expropriation.

In 2016, 17,410 persons were prosecuted for Greedy Fly Corruption, especially in land use, social security, and rural redistribution fund areas.³⁹ In 2017, the Greedy Fly Corruption in rural areas reached its apex, with 62,715 persons prosecuted for corruption in rural redistribution funds, land use and land expropriations, social society, poverty relief programs areas.⁴⁰ Thus, there are more and more “grand corrupted petty flies” in rural areas. For example, in 2015, in a prosecuted public housing embezzlement case in Yongjia County, Zhejiang Province, a village head, together with the other nine village head assistants, took possession of 316 apartments valued at \$300 million (USD) because of their proximity to the Shanghai metropolitan area.⁴¹

Bureaucratic Discretionary Power

The analysis of rural corruption and its evolution cannot be separated from the analysis of the evolution of the discretionary power of local governmental bureaucracies in rural China. At the township level, little formal bureaucratic power exists in the multi-tiered administrative system of Chinese government. A landmark decision made by the plenary session of the Party Congress in October, 2008 was the Chinese government decision to give lease rights on the land to farmers. No one knows how exactly this legislation would work back then, though the initial motivation was good: to aim to narrow the income gap between the rich in the cities and the poor living in rural areas. However, the outcome is now quite obvious: it is one of the major institutional explanations for the increased rural land-related corruption and rural electoral corruption in China.

As discussed before, the lowest level of administration is the township level. Township level officials have jurisdiction over the very basic geographic unit that constitutes rural Chinese

society – the villages. The Head of the village is generally voted on by the villagers, so the Village Head is not completely under the radar of supervision and accountability, but not nearly as visible as provincial and national-level officials. Traditionally, the Village Head is the link between farmers and township level governance. In China, agricultural land is owned communally. That is in theory, each village owns the land around it. Each family holds its sphere of land on a long-term lease, most often for generation after generation. In other words, the farmer owns the land in terms of use, but does not have property rights to the land.

In China, the government owns the property rights. When someone says “sell the land”, it means to sell the leasing rights associated with the land. For example, if real estate agents want to develop certain lots of land, they need to obtain approval from the farmer who owns the leasing rights, likewise, they need to get approval from the Land Administration. The Land Administration has five tiers: the national, the provincial, the municipal, the county, and the township level of administration. Hence, the Village Head plays an important role in the implementation of land use and land expropriation in China. This effectively grants the Village Head large discretionary powers.

With the overall social development and the rapid urbanization of China, those discretionary powers are more and more associated with increasing economic rents by the Village Head. China’s urban sprawl has gobbled up farmland at a voracious rate. A total of 16 million acres (6,475,000 hectares)⁴² have been transferred from farmland into urban use such as highway construction, commercial real estate development, new administrative zone areas, etc. during the previous three decades. Before large-scale urbanization, farmland was not as attractive as it is now, especially the farmland around/on the edge of large metropolitan areas such as Beijing, Shanghai, Nanjing, Jiangsu Province, and Guangzhou, Guangdong Province.

Also, there are more and more top-down redistribution funds from the central government to local governments, as discussed before. Who gets what, how much and when in the sharing of the distribution of funds – all are at the disposal of the Village Head, without any check-and-balance mechanisms. The once neglected Village Head position becomes more and more important, and more and more lucrative. Electoral corruption in rural China is another newly emerged area of corruption. This includes fraudulent vote counting, payments to villagers not to vote, or payments to villagers to vote for the payer or someone the payer favors.

The Village Head is not even in this official stratum. There is no administrative law to regulate the behavior of Village Heads. Each of the new legislations to help out rural villages was intended to give the land to individual farmers, but given the workings of the Chinese government, it will most likely take many seals (i.e., signatures) and red tape before farmers are really allowed to benefit from the land allocated to them. Each seal has a price on it. This makes the village official position lucrative and provides a strong motivation to attain that position. The law itself does not give corrupt-prone officials a series of good reasons to take bribes, however,

the lack of effective policy monitoring devices makes the implementation of the regulations highly subject to corrupt practices.

These are the impetus for the eruption of another type of rural-related corruption, electoral corruption. There are two major ways that Village Head elections occur: they are either elected by the farmers in the more remote and less developed areas in China (most of which are in the west of China, such as Xinjiang, Gansu, Guangxi), or appointed by township level officials in



Figure 1: Map of China, with Provinces⁴³

relatively more developed regions (most of which are in the east, especially the coastal southeast of China, such as Shandong, Guangdong, Jiangsu, Zhejiang).

Most recently, in a rural community in Anhui province, the Village Head was sentenced to 20 years in prison for stealing around \$2.3 million from 1996 to 2014. The currency exchange rate in this study is \$1=RMB 6.5. RMB stands for Ren Min Bi, or people's money, and is the official currency of China. The sentence was based on 6 counts of crimes. In addition to embezzlement, there were charges for bribery offering (\$1.29 millions), abuse of power, misuse

of public funds (\$7.23 millions), illegal business, deliberate destroying accounting records. This sentencing included a fine of \$970,000, and a property confiscation of \$770,000. This is another example of petty fly grand corruption.

Since the 1980s, this official had been in charge of six village-owned enterprises. These enterprises included coal mining and real estate. The village committee members were all his relatives. He had absolute discretionary power in deciding everything. His whole family was in charge of the village enterprises. In order to be protected, he offered bribes of \$92,000 to his bosses, the township officials, and various district officials, which is one level up from township government.

In May, 2014, the anti-corruption committee started to investigate his case after receiving hundreds of complaint letters and whistleblower notifications from the villagers. This official escaped to the United States. He had thought that would be no risk under the misperception that the affair would fade away. However, he was arrested at the airport as soon as he came back to China, after this overseas trip.

This is a case of collective corruption because this case involved \$488,000 in land compensation funds that were supposed to be used for compensating the villagers' economic lost due to conversion of the land for non-agricultural uses. This village used to be one of the richest in that region. Now, the villagers are indebted for \$6.15 million.

Associated Economic Rents

There are various causes for the widespread rural-related corruption in China. Land-use policy and public finance policy have tremendous institutional impacts in the rural regions of China. As already mentioned, known rural-related corruption cases and offenders in China greatly increased during 2008 to 2012.

Among others, Chinese land policy played an important role in stimulating the development of corruption in China's rural villages, particularly in explaining the rocketing trend in land expropriation. In China, there are two different local sources for budgetary revenues: taxes and the government fund. Since the 1994 Tax Reform Act in China, almost 75 percent of all taxes are in the hands of the National Treasury; the local government can only keep roughly 25 percent of the total tax revenue. However, local government has almost 75 percent of expenditure responsibility. The national government redistributes the 75 percent revenue in different ways. One of the outlets is to allocate centrally controlled funds or revenues to the less developed and impoverished areas. These funds trickle down to local governments, that is, the municipality, the county, and the township governments, with each level of government possessing a bulk of "free money" in their hands, especially when related to selling land leases, and each has the discretionary power in taking their slices from the land leasing revenue, with the Village Head as the gatekeeper. Who gets how much is totally a discretionary power of the

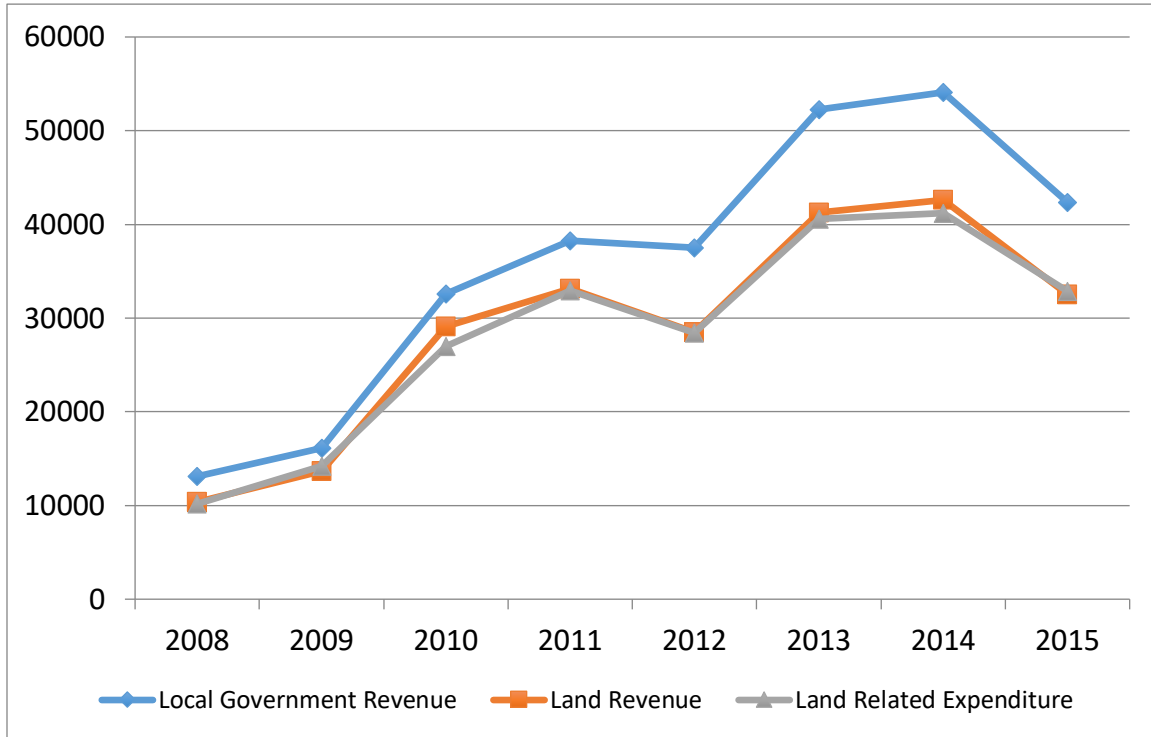
upper level of administration, like a chain of command. Lower level officials bribe upper level officials in charge of granting authority for land-leasing. Ironically, according to the case analyses in this study, those from the most disadvantaged places have the most splendid office buildings. This misuse of public funds is one of the most frequent occurrences among the investigated cases.

Since the local revenue is far from enough for the local government to maintain its normal administrative function, local governments actively explore new venues for revenues. Among others, a major source of local government self-raising revenue is through their land lease selling authority. With urbanization and an expanded real estate market, land becomes one of the most lucrative ways to increase local revenue. Land leases take up a majority of all local fund revenues as indicated in Figure 2. Local government revenues have increased since 2009, all the way through to 2014, with a dip in 2015, but still very high. In China, the expenditure of land revenue has specific restrictions, according to Chinese law. One of the items is the land revenue should be used on the compensation of the farmers, for example, an entrance fee which is supposed to be used to compensate those whose land was used by government. This creates tremendous economic rent opportunities for those who are in charge of this expenditure.

Property/real estate developers acquire the land from the local township government. No fixed price for a unit of land exists in China, hence, the source of the discretionary power for the seller, which includes various levels of land administration and specifically, the township government and the village officials. The allocation of resources is particularly important for the existence of corruption, and, according to Rose-Ackerman (1978), frequently during the enforcement of regulations. That is, because bureaucrats can assign themselves the discretion to distribute resources when setting and implementing regulations, with more regulations meaning more discretionary power and thus a higher incidence of corruption. There are invisible hands and visible hands, the different levels of "red tape" bureaucrats are the invisible hands, and the township officials and especially the village officials are the visible hands in deals concerning land transaction. Farmers are the ultimate and direct victims. There are different terms in referring to this kind of land use: land seizure, land grab, land theft. Worst of all, the farmers were generally not fully consulted in a democratic way. Most of the rural land disputes and land use-related violent incidents are closely associated with this lack of a democratic process. The revenues from land lease or selling are either completely embezzled, or farmers are shorted fair compensation, with some of the funds going to corrupt officials.

According to the data from the National Land Administration, during the 10-year period from 1999 to 2008, the total land revenue was 5,300 billion RMB (approximately \$883 billion). The First Finance and Economic Daily in Shanghai sources indicates⁴⁴ that from 1999 to 2015, China experienced a 17 year peak period in land capitalization.⁴⁵ During these 17 years, the total land revenue was 27,290 billion RMB (approximately \$4548 billion), with an average annual revenue of 1,600 billion RMB (approximately \$267 billion). In 2015, the revenue was 3255

billion RMB (approximately \$543 billion), a 21.4 percent decrease from that of 2014 (a decrease of 884 billion RMB, or approximately \$147 billion). The seven-year revenue totals from 2009 to 2015 is 5.15 times of the previous 10 years' total (from 1999 to 2008).



Data Source: China National People's Congress Annual Report, 2008 to 2015.

Figure 2. Local Government Fund Budgetary Revenue, Land Revenue, and Land Related Revenue (2008-2015)

Since the 1994 Tax Reform, the land revenue is basically allocated automatically to local governments. During the practice of the automatic allocation, land revenue became the second primary public finance revenue for local government. It is estimated that the net revenue from land expropriation is between 40-60 percent. For example, in 2010, the local government net revenue from land expropriation is estimated at 1,500 billion RMB (approximately \$250 billion). It partially explains the increasing trend of rural-related corruption presented in the previous sections of this study.

Limitations

The secondary data used in this study is compiled by the author based mainly on official national government reports and national government historical archives. The figures in this study are estimates based on aggregate official statistics. There are strengths in using secondary data in social research, especially when documents and official statistics might be the only means of conducting the research, such as here with the focus on rural corruption in the present study.

The open accessibility to public official statistics is especially useful for making rural corruption comparisons over time in China. Another strength is that the documents used in this study have a strong validity in regard to authenticity, and the authenticity is verifiable.

However, it is worth noting that there are limitations of using secondary data, especially government reports. The prevailing wisdom is official statistics may reflect the biases of those in power, either overestimating or underestimating the issue under analysis by inflating or deflating the figures to meet advocated political needs. This overestimate or underestimate substantially threatens the validity of the findings. The regime of China has an authoritarian nature. Under such a regime, given the issues under scrutiny, there is a strong tendency for underestimation of the rural corruption statistics. Many may argue the validity of using any Chinese government reports. Given to the likely underestimating nature of topics like rural corruption, the accuracy of the findings in this article may be considered either as a benchmark for future research, but are only the “tip of the iceberg”, as that old saying goes. That is to say, this study is likely not exaggerating rural corruption in China, and far more likely to be under-estimating both its extent and cost.

Another limitation is the way things are measured over time. Definitions of crime keep changing, with new types of rural corruption emerging every year. There are spatial variations in the existence of rural corruption within the 34 provincial jurisdictions (23 provinces, 5 autonomous regions, 4 autonomous cities, and 2 special administrative regions). Further study needs to explore these geographic variations, and analyze disaggregated data by provinces and regions. In some other words, the reports from the national government only depict overall rural corruption in China, but may not be representative of variations from one geographic area to another.

This study only presents the overall picture of rural corruption in China over time. Future studies should focus on types of corruption and their spatial analysis. Case studies can be quite helpful also. Since the national government reports collect data each year from the 34 provincial jurisdictions, given to the likelihood of local protectionism, likely omissions or exclusionary biases exist during the development of regional statistics. Though this may be a less concern for this immediate study, given the nature of comparisons about corruption made overtime, still, it need to be addressed.

The value of case study research lies in having multiple sources of evidence that includes both qualitative and quantitative data, a triangulation method. Future case studies should examine the context of rural corruption in China at all governmental levels, and understand the social, economic and political conditions under which corruption occurs in order to derive and gain a more in-depth understanding. This can be done by gathering data in alternative ways. A news report is one of the alternatives. With greater awareness of rural corruption in China, there will be more and more media reports on this newly defined “hot spot” for crime. To increasing

representation and minimizing bias with proper investigative methods, data from multiple social media sources may give valuable real time and historic insights which can be a starting point for more qualitative and inductive exploratory research on rural corruption.

Further study will also put efforts on identifying proper “gatekeepers” with authority to gain access to court sentence documents, and for their analyses. Ideally, with the progress of anti-corruption legislation and mechanisms, the access will be more open.

Another future direction is to do a study based on key informant interviews, with open-ended conversations on rural corruption perceptions with those working in localities or with economic activities that are the “hot spots” for rural corruption, and with victims as well, such as studies with farmer-victims would be of great value. The design should aim toward a wide range of respondents, given to the horizontal and vertical nature, and the direct and indirect nature of Chinese rural corruption. Hence, case studies will produce an invaluable and in-depth understanding and an insightful appreciation of Chinese rural corruption, and enhancing understanding of corruption in a rural context.

Summary

Rural corruption in China manifests itself differently in terms of forms and intensity over time. The across-time analysis demonstrates an increase of diversity and intensity of rural corruption. This study also identified three obvious stages of rural-related corruption. During 1995 to 2007 is when the period when the government realized that rural-related corruption was a problem. During the next five years, from 2008 to 2012, the analysis showed a tremendous increase in rural-related cases of corruption. During 2013 to 2017, rural corruption, and corruption more generally, was defined as pervasive into all aspects of Chinese society. This required the government to adopt anti-corruption measures, a great deal of which was specifically designed to address into the rural context of these crimes. Under a regime of an authoritarian nature, China national policies are influenced by central and local leaders. This paper advocates specific anti-rural-corruption policies designed and implemented for China in general, and rural China, more specifically. More land use monitoring and control policies are in great need in China to address and curb the rampant corruption in rural China.

Endnotes

¹ There are five tiers of government in Chinese executive administration: the central level, the provincial level, the city or municipal level, the county level, and the township level.

² July 21, 2015, China Daily.

³ According to China Administrator Law, there are ten tiers of officials, from national-level government through intermediate levels, such as provincial authorities, to administrators of local

political subdivisions. These ten tiers are national official, deputy national official, ministerial level, deputy ministerial level, municipal level, deputy municipal level, county level, deputy county level, township level, deputy township level.

⁴ Three Agriculture Program is a major specific comprehensive redistributive relief program from the central government to rural area targeting at increasing farmers' income, agricultural productivity, and stability of rural communities.

⁵ The Supreme People's Procuratorate of China from 1988-2018.

⁶ The Supreme People's Procuratorate of China 1996.

⁷ Issued by the Executive Office of the State Council on October 29, 1982, No. 39 Executive Order. (Chinese: 中共中央办公厅国务院办公厅转发书记处农村政策研究室、城乡建设环境保护部《关于切实解决滥占耕地建房问题的报告》中办发〔1982〕39号 1982年10月29日).

⁸ Issued by the Executive Office of the State Council on March 21, 1986, No. 7 Executive Order. (Chinese: 中共中央国务院关于加强土地管理制止乱占耕地的通知. 中发〔1986〕7号 1986年3月21日).

⁹ Issued by the Supervision Office of Department of National Land Use Administration on January 24, 1989, No.17 Executive Order. (Chinese: 国家土地管理局监察部关于严肃查处行政领导干部严重违反《土地管理法》行为的通知〔1989〕国土〔监〕字第17号 1989年1月24日).

¹⁰ Issued by the Supervision Office of Department of National Land Use Administration on August 11, 1989, No.95 Executive Order. (Chinese: 国家土地管理局监察部关于严肃查处国家行政机关工作人员越权批地、违法占地建私房的通知〔1989〕国土〔法〕字第95号 1989年8月11日).

¹¹ Issued by the Executive Office of the State Council on May 12, 1989, No. 38 Executive Order. (Chinese: 国务院关于加强国有土地使用权有偿出让收入管理的通知国发〔1989〕38号 1989年5月12日).

¹² The Supreme People's Procuratorate of China 1997.

¹³ Issued by the Executive Office of the State Council on April 15, 1997, No. 11 Executive Order. (Chinese: 中共中央国务院关于进一步加强对土地管理切实保护耕地的通知中发〔1997〕11号 1997年4月15日).

¹⁴Issued by Department of National Land Use Administration on February 17, 1998, No.8 Executive Order. (Chinese: 国有企业改革中划拨土地使用权管理暂行规定. 1998年2月11日国家土地管理局局长办公会议审议通过.1998年2月17日国家土地管理局令第8号发布自1998年3月1日起施行).

¹⁵ The Supreme People's Procuratorate of China 2005.

¹⁶ The Supreme People's Procuratorate of China 2005.

¹⁷ Issued by China Central Commission of Disciplinary Inspection on June 4, 2003, No.12 Executive Order. (Chinese: 关于对经营性土地使用权出让方式有关问题的答复. 中纪法函(2003)12号 2003年6月4日).

¹⁸ This agency is under the jurisdiction of China Central Commission of Disciplinary Inspection.

¹⁹ Issued by National Supervision Agency on August 13, 2005, No.6 Executive Order. (Chinese: 关于监察机关和国土资源部门在查处土地违法违纪案件中加强协作配合的通知. 监发(2005)6号 2005年8月13日).

²⁰ The Supreme People's Procuratorate of China 2006.

²¹ The Supreme People's Procuratorate of China 2007.

²² The Supreme People's Procuratorate of China 2007.

²³ The Supreme People's Procuratorate of China 2008.

²⁴ The Supreme People's Procuratorate of China 2009.

²⁵ The Supreme People's Procuratorate of China 2009.

²⁶ The Supreme People's Procuratorate of China 2009.

²⁷ The Supreme People's Procuratorate of China 2010.

²⁸ The Supreme People's Procuratorate of China 2010.

²⁹ The Supreme People's Procuratorate of China 2010.

³⁰ The Supreme People's Procuratorate of China 2011.

³¹ The Supreme People's Procuratorate of China 2012.

³² The Supreme People's Procuratorate of China 2014.

³³ The Supreme People's Procuratorate of China 2015.

³⁴ As defined by the Knapp Report, refers to police officers who "simply accept the payoffs that the happenstances of police work throw their way." P.4

³⁵ The Supreme People's Procuratorate of China 2015.

³⁶ As defined by the Knapp Report, refers to police officers engaging in bribery and corruption, who "aggressively misuse their police powers for personal gain." P.4

³⁷ The Supreme People's Procuratorate of China 2015.

³⁸ The Supreme People's Procuratorate of China 2016.

³⁹ The Supreme People's Procuratorate of China 2017.

⁴⁰ The Supreme People's Procuratorate of China 2018.

⁴¹ People Think Tank, Issue 43, November, 2015, (Chinese: 人民智库报告 2015.11 / 第 43 期).

⁴² China National People's Congress Annual Report, 2008 to 2015.

⁴³<https://www.chinadiscovery.com/china-maps/china-provincial-map.html>

⁴⁴ February 16, 2016.

⁴⁵ land capitalization (Chinese: 土地资产化)

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