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Decoding the Chinese Puzzle:
Rapid Economic Growth and Social Development
Despite a High Level of Corruption
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Abstract
This paper examines why despite increasing corruption since the 1980s, China’s development has advanced so rapidly. The author argues that a strong developmental state, the prevalence of “developmental corruption” over “predatory corruption” and a temporary and relative acceptance of leading local cadres’ corrupt practices by the Chinese leadership contributed to a high level of economic development.

The development model of purely quantitative growth has meanwhile been replaced by one in favor of more sustainable development. However, social groups benefiting from corrupt practices or having invested heavily in social relationships are opposing such a step. Therefore, the central political leadership resorts to a combination of fighting at the same time both political corruption and political opposition of individuals and organizations against its new development policies and anti-corruption drive. Thus, combating corruption is also a mechanism to enforce the new reform and development program.

Keywords
developmental corruption, predatory corruption, developmental state, strong state, anti-corruption drive
According to the Transparency International Corruption Perceptions Index 2017, China ranked 80th among 183 countries covered. With a score of 4.1 (0 = totally corrupt, 10.0 totally clean), China found itself in the group of countries such as India, Brazil, Morocco, Tunesia, Burkina Faso, Lesotho, Surinam, Trinidad and Tobago or Ghana. Whereas in the early 1980s corruption played a minor role only, today China belongs to Asian countries with a rather high level of public sector corruption. For years, China itself has reported a continuous increase in disclosed cases of corruption. Since Xi Jinping came into power in 2012, more than one million party members have been punished due to various charges of corruption.\footnote{http://www.ccdi.gov.cn/special/sbjqczh/jjqh_sbjqczh/201701/t20170106_92378.html (accessed 19 July 2017).} Compared to 2015, corruption cases brought to Chinese courts jumped one third in 2016 alone (Zuigao fa, 2017). The amounts involved have mushroomed at the same time. The political leadership consistently points out that corruption is the biggest challenge for the Chinese Communist Party (CCP) and the key danger for its political system. The Chinese media are full of reports on corruption cases, probably just the tip of the iceberg. The annual percentage growth in terms of exposed corruption cases surpasses by far the annual percentage growth of GDP. For many years, Chinese opinion polls have shown the same outcome: Chinese people classify corruption as the greatest social malady.

This paper tries to examine why, in spite of increasing corruption since the 1980s, China’s development has advanced so rapidly and at such high rates. My hypothesis is that a strong developmental state, the prevalence of “developmental corruption” over “predatory corruption” and a temporary and relative acceptance of leading local cadres’ corrupt practices by the Chinese leadership contributed to a high level of economic development. The latter was possible since despite corrupt behavior, many local cadres were haunted by a “will to improve” their administrative unit, thus contributing to the development of the area under their jurisdiction.\footnote{“Haunting” involves two principal aspects: (1) the development of a “will to improve”, and (2) the creation of a system of pressure. As our fieldwork revealed, local cadres are facing a system of high pressure (yalixing tizhi), with pressure coming primarily from three sides: (a) rising performance demands by higher authorities and a stricter monitoring of policy implementation (not only through target, responsibility, and evaluation systems, but also through a ranking system now applied to the governments of counties and townships); (b) rising demands for “rights” from local people; and (c) a heightening sense of inner or personal pressure – pressure to pursue one’s own career successfully within the hierarchy of the nomenklatura system. See Göbel and Heberer 2017.}

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This paper is organized in the following way: first, I clarify the meaning and concept of corruption in China; I also provide a brief overview of corruption in China’s history. In a second step, I look at the causes of corruption in this country. In the economic and political literature on corruption, it is frequently claimed that corruption is detrimental to economic growth. In China,
however, the opposite seems to have been the case. As a third point, I therefore introduce various answers to this conundrum discussed in the Western academic literature. As a fourth point, I put forward my own explanation: the existence of developmental corruption in a developmental state. Fifth, I describe attempts at fighting corruption both previously and under the leadership of Xi Jinping, before coming to a preliminary conclusion.

2 THE MEANING OF CORRUPTION IN CHINA

There is no single definition of the term corruption. Definitions vary according to specific academic approaches. The classical and most common definition by Colin Nye (1967, 416) reads “behaviour that deviates from the formal duties of a public role (elective or appointive) because of private-regarding (personal, close family, private clique) wealth or status gains”. Samuel Huntington (1996, 194–195) in turn defined “political corruption” in a more general sense as the “intervention of wealth in the political sphere”.

This said, a public official or a group of officials in the non-private sector have to be involved, and norms and rules set by the state or social or political conventions violated; by means of her or his misconduct, an official achieves an advantage or incentive which is not necessarily pecuniary; by misconduct in office, an official carries out an act favoring the remunerating side or protecting this side from an unfavorable act. Several basic forms of corruption exist: active and passive bribery; nepotism, clientelism and patronage. In China, embezzlement, squandering of public funds, kleptocracy, fraudulent appropriation of public property, and blackmailing are also counted as corrupt practices (see Heberer 1991).

The most significant cases of corruption in China encompass the illegal transfers of public property into private hands, the embezzlement of public funds, and the purchase and selling of public offices or votes. To transfer public property into private hands, a manager of a state-owned enterprise may purchase state assets at a price far below their value, or an official may illegally acquire and buy or sell land, paying little or no compensation to the landowners (villages), and lining his own pockets with the profits. In many cases, local officials, development companies, and banks are also complicit. Since the turn of the twenty-first century, globalized forms of corruption have emerged: bribes are paid not in China but abroad (in the form of bank accounts, real estate, or expensive vacations) or are only paid once the person bribed has retired. The latter practice diminishes the risk of being detected.

In Chinese, two terms meaning corruption exist: tanwu (贪污) and fubai (腐败). Fubai refers in the first instance to the negative side of a system, to structures, measures, or the negative behavior of an actor or organization. When used to refer to people or a government, fubai means moral and ethical decadence or moral degeneration. The term is primarily applied to moral matters and stands for everything that does not conform to the ruling moral climate. It signifies that the behavior of an actor or organization deviates from the general norms of society and is a dereliction of duty, thus damaging or violating common interests or moral standards. This may range from crimes committed by party officials to political and ideological misdemeanors violating party

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3 A more recent definition by Khan (1996, 12) contains similar components: “behaviour which deviates from the formal rules of conduct governing the actions of someone in a position of public authority because of private-regarding motives such as wealth, power, or status”. 
norms or the current party line. Moreover, social phenomena such as gambling, visiting prostitutes, extramarital sexual relations, excessive spending on funerals, marriages or banquets, offending public morality, but also unreasonable public expenditure or wasting public funds are conceived of as part of fubai. As Ko and Weng (2011, 372) have shown, “the morality of state functionaries is regarded as a public issue” and is related to a “code of ethics” of the state. Accordingly, the Chinese term fubai differs from Western definitions and could be defined as “publicly unacceptable misbehavior committed by state functionaries for private gains at the expenses of public interests, and/or causing intentional damage to public interests and values.” (ibid., 374). However, such a broad definition makes it difficult to differentiate between matters relevant to criminal investigation and moral aberrations.

The word tanwu, in turn, refers to the abuse of a public position to line one’s own pockets, and is more similar to the English term corruption. Frequently, both terms are combined in delineating corruption as tanwu fubai (贪污腐败).

3 BRIEF DESCRIPTION OF CORRUPTION IN CHINESE HISTORY

Corruption in the Chinese system has a long history. In early classical documents, Confucian philosophers regarded corruption as a moral depravity, a violation of the prevailing moral code. An emperor who was corrupt had betrayed his heavenly mandate. Excessive public corruption was often the cause of rebellions and uprisings. Corruption hence became associated with phases in the political cycle in which the checks and balances on abuse of power were weakened or nonexistent and the central power had lost its ability to protect society.

In the People’s Republic as well, corruption has been an ever-present phenomenon, although it was defined differently in different periods according to political aims. In politically radical times, ideological deviation and allegedly anti-socialist or bureaucratic behavior were identified as corruption. Right after the founding of the People’s Republic, the party made considerable efforts to combat corruption, albeit with shifting contents and varying goals. In the 1950s, fighting corruption was focused toward capitalists and bureaucrats; during the Cultural Revolution, toward bourgeois or reactionary thought. Thus, the leadership used allegations of corruption for various political and ideological ends.

Since the late 1950s, the party-state has attempted to fight corruption by means of political movements. The movement concept was grounded in the conviction that corrupt behavior was due to individual misbehavior, a flaw of character or awareness. By means of ideological education and re-education, or with the aid of manual labor, officials’ corrupt behavior could be thwarted. As this concept was not successful, discipline control commissions of the party were reestablished at all administrative levels and in all major organizations in 1978. Since then, the party-state has attempted to curb corruption through inner-party cleansings, anti-corruption movements, a multitude of laws, and the establishment of surveillance bodies.

In public, however, the topic was mainly taboo. Only at the end of the 1970s, as reform policies began to emerge, were the media permitted to report on cases of corruption. To begin with, following the arrest of the Gang of Four in September 1976, these individuals were held responsible for all social problems such as corruption. The dramatic increase in corruption in the 1980s, however, made new explanations necessary. The party leadership spoke first of “unhealthy tendencies” (bu jiankang de qingxiang)
before reintroducing the terms *fubai* and *tanwu* (corruption) in the mid-1980s.

To this day, moral aspects still play a crucial role. Take for instance the evaluation system under which every cadre is assessed by higher authorities on an annual basis. In this system, assessing the morals (*de*) of local leading cadres is a pivotal issue. Sometimes, even their behavior during leisure time is included in the evaluation process (e.g., whether an official is behaving well towards his parents, spouse or children, whether he has an “er nai” [a mistress], takes drugs, visits prostitutes, gambles, etc.). Local governments attempt to translate this goal into action in a variety of ways (Renmin Ribao 2010a). A city in Zhejiang province, for instance, has decided that, prior to a leading cadre’s promotion, neighbors should be consulted on his or her behavior (Yuan 2010; Zhonggong Meitan 2010). A county in Hunan Province in turn adopted regulations which stipulate that, after a leading cadre’s promotion, his or her family members must sign a “moral contract” (*daode jiandingshu*) (Renmin Ribao 2010b). And a county in Jiangsu Province employed specific plain-clothes operatives to monitor the behavior of leading officials during their leisure time. However, such measures are highly controversial among both local cadres and citizens (Jinri Zaobao 2009, 2011).

According to the underlying rationale, private misconduct is related to public misbehavior, as the following representative statement shows: “[...] most of the officials convicted of corruption in recent years were found to have had extramarital relations.” (X. Chen and Xu 2010, 57; see also Moral standards, 2010). In Zibo in Shandong Province, “*de*” has been divided into “political integrity” (*zhengzhi pinde*), “professional morality” (*zhiye daode*), “social morality” (*shehui gongde*), and “family virtue” (*jiating meide*), and subdivided into various moral categories in order to measure it. Here, it was even turned into a “hard” criterion in cadres’ evaluation (Zhou 2010).4

*De* (*德*) has meanwhile officially been declared to be the most prominent evaluation factor (cf., e.g., Renmin Ribao 2011a, 2011b, 2011c, 2011d). Among three core issues of cadres’ behavior mentioned in 2010 (*de*, scientific development, and paying attention to the interests of the masses), *de* ranked first (Deng 2011). A cadre’s *de* should increasingly be directly evaluated by the local population – as demanded by the center. This means a shift from political and economic policing to control of the cadres’ moral behavior. By such traditional patterns the party-state not only attempts to curb misbehavior and corrupt practices by local cadres but also tries to improve the “quality” (*suzhi*) of the cadres in both the public and private spheres, a shift that is specifically concerned with the “hearts and minds” of the cadres.5

## 4 Causes of Corruption

Huntington (1996, 59–62) argued that a lack of political institutionalization is a major cause of corruption, specifically prominent during the “most intense phases of modernization”. He identifies three crucial reasons why modernization spawns corruption: (a) through changes in the principal values of society, resulting in a conflict between traditional and modern norms; (b) through a lack of distinction between public and private interests; (c) through the emergence of new sources of wealth and power, such as new social groups “with new

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4 “Hard” here refers to items that must be fulfilled.
5 See, for instance, an article in Renmin Ribao (2010c) which emphasizes increasing the *de* factor to halt the increasing belief that local cadres are ‘ghosts and demons’ (*guishen*).
resources and the efforts of these groups to make themselves effective within the political sphere”, as in the case of China’s private entrepreneurs.\(^6\) In societies with few political opportunities, where new emerging strata use their wealth to buy power or where political power is a precondition for gaining wealth, corruption is prevalent.

As shown at the beginning of this paper, corruption is widespread in China. The reforms after 1978 have favored its increase. A principal reason for this was the transition from a planned to a market economy and economic liberalization on the one hand, and the continuation of the CCP’s monopoly on political power and a lack of effective checks and balances on the other. The introduction of reforms has led to an increase in corruption (e.g. through decentralization, opening up to the outside world, the extension of market mechanisms, migration, and the diversification of property structures). Market transition provided cadres with new resources such as control over land and land transfers, credits, public spending, tax reductions, structural policies or personnel. Government procurements, infrastructural programs, privatization processes, etc. paved the way to “high-level corruption”. There were further factors inherent in the system, such as the absence of a clear division between public and private spheres, and a lack of transparency and of checks and balances. In addition, in the wake of reform and market liberalization, corruption has resulted from structural opportunities, changes in values and norms, and weak social control. Since the party’s monopoly on power has not been affected, and since no instruments to control cadres have been introduced, officials could freely line their own pockets by using the party monopoly on power to distribute goods and resources. Through decentralization and entrepreneurial behavior of cadres and their families, the political Center partly lost control over local resources.\(^7\) Accordingly, the local echelons of the bureaucracy have garnered greater decision-making power and hence more opportunities for corrupt behavior.

According to economists, corruption costs around 3–4 % of China’s annual GDP and up to an additional 2 % of GDP due to capital flight related to corrupt practices. Real estate, the control of public funds, sales of public offices, smuggling, infrastructure projects, and the legal system are fields in which corruption is most prevalent. According to Chinese media, the average amount for bribing an official has constantly risen in recent years to around one million US dollars. In addition, more and more young, well-educated officials seem to be involved (Bergsten et al. 2008; IOSC 2010; Zhu 2012; Zhu et al. 2012).

Moreover, according to Sun Yan (2004, 198), China’s gradualist reforms enabled officials at all levels “to put their old and new powers to profitable use”. They thus had “a direct and personal interest in ensuring that public policies did not inhibit their market-related activities”.

In addition, the liberalization process gave rise to a change of values and to competition between new and traditional values, and furthered a state of moral decline. Slogans like “Letting some people get rich first” and “It doesn’t matter if the cat is black or white, as long as it catches mice” created uncertainty in values, morals, and rights. Discrimination against new ascendant classes (such as private entrepreneurs) and traditional social groups (peasants) also promoted corruption. Here too, China’s

\(^{6}\) Leff (1989, 389) defines this kind of corruption as “an extralegal institution used by individuals or groups to gain influence over the actions of the bureaucracy”, i.e. people trying to pursue a kind of state capture.

\(^{7}\) Ting Gong (2006, 102) spoke of an “incomplete decentralization” process due to the lack of monitoring and accountability. According to David Wank (2000), entrepreneurs who previously were government or party officials are using old ties to incumbents in the interest of developing their economic interests.
loss of its guiding ideology plays a crucial role. Party members are no longer goal-oriented toward political objectives but opportunity-oriented toward possibilities for gaining individual advantages, advancing their career, or exchanging power for money. This change in the party’s function has reinforced corrupt behavior among party members.

In the academic literature, it is argued that the costs of corruption for the legitimacy of the political system are high: general distrust toward (particularly local) officials and hence toward the party-state; squandered public resources; political instability; evasion of central policies; and attenuation of innovations, investment, and enterprises’ initiatives. However, Chinese people differentiate between the perceived behavior of local leaderships and that of central government: between a “benign” central state which seeks the best for the people and a “malign” local state to be blamed for corrupt and insufficient implementation of central policies (Li 2004, Heberer and Schubert 2012). Corruption abets growing income disparities and has unintended distribution effects. Consequently, the party leadership fears that its power may become fragile.

5 HOW TO EXPLAIN THE CONUNDRUM OF ECONOMIC GROWTH IN CHINA DESPITE A HIGH LEVEL OF CORRUPTION?

In economics and political science, it is widely argued that corruption is absolutely detrimental to economic growth and produces higher transaction costs, social inequality, inefficiency, and social discontent (e.g., IMF 2016; Mallik and Saha 2016; Mauro 1995; Mo 2001; Myrdal 1989; Uslaner 2006). “It is now an accepted fact that corruption hinders economic growth and sustainable development,” writes Peter Eigen (1998), Chairman of Transparency International. And: “None of the objectives of development can be attained if the state of corruption is high in the public and private sectors, and is condoned by and/or rampant in society as a whole,” Malusi Gigaba (2010) notes. However, this rationale has been challenged in recent years. The Chinese developmental state has demonstrated that a high level of corruption can go hand in hand with effective development, growth, and attaining or even surpassing development goals.

As the following paragraphs show, various approaches help to explain this enigma: the differentiation and detailing of corruption; the existence of a strong state; and the continuity of cultural patterns of corruption involving trust.

5.1 THE EXISTENCE OF DIFFERENT TYPES AND EFFECTS OF CORRUPTION

Ahmad et al. (2012) inform us, for example, that we have to differentiate between growth-enhancing and growth-reducing levels of corruption. John Waterbury (1976) identifies three types of corruption: endemic (abuse of public office), planned (sustaining corruption as a political strategy to buy loyalty among the elites), and developmental (types of corruption related to a state’s role in development processes). Arnold Heidenheimer (2005, 152–153) distinguishes between “black corruption”, viewed as harmful to society by both elites and ordinary citizens, “white corruption”, accepted by both and in some ways beneficial to society, and “grey corruption”, perceived differently by the elites and ordinary citizens in terms of their acceptability and punishability.

In a similar vein, Andrew Wakeman (2012, 6) argues that China’s rising corruption is simultaneously marked by strong economic growth, a phenomenon characterized by him as “double paradox”. He takes the view that there is no
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“single form of political pathology” (corruption) but “rather a complex set of different behaviors whereby officials seek personal profits from the misuse of their official power”. Different patterns of corruption lead to different consequences. In his book “Double Paradox”, Wakeman distinguishes between “developmental corruption” and “degenerative corruption”. The former – he tells us – developed in countries such as Japan, South Korea, and Taiwan. There, a coalition between a politically dominant entity (the LDP in Japan, the military in South Korea, and the Guomindang party in Taiwan) and pro-growth entrepreneurs emerged. The state ensured pro-growth policies in the interests of businesses. In return, politicians received compensations for funding the continuation of their power. Degenerative corruption, in turn, refers to predatory forms whereby money and other valuables are extracted without any significant pro-growth policies (ibid., 15–79).

Differentiations like those above signify that various types of corruption exist, producing various outcomes, different effects on growth and development, and various perceptions with regard to popular acceptance or resentment of corruption. Concurrently, we find differing perceptions of variant types of corruption in terms of their acceptance or resentment. However, these variations often intermingle with each other. And, moreover, assessments of corrupt practices differ across history, society, culture and classes.

5.2 THE EXISTENCE OF A STRONG STATE

In the sense of the functionalist theory of corruption, Yan Sun (1999) argues that in China, corruption was less pernicious and less costly than in Russia. In Russia, the destruction of the old political institutions and political authority, combined with simultaneous economic shock therapy, resulted in an uncontrolled increase in corruption. The outcome was a weak state which has difficulties in coming to grips with the phenomenon. Here, he claims, corruption is an obstacle to economic growth and to a smooth transition to market conditions. In China, in contrast, the political institutions were unimpaired and the state remained strong. Social forces excluded from power (such as private entrepreneurs) therefore used corruption to buy power from incumbents, in the end turning into proponents of the party state’s reform policies.

5.3 DISTINCT CULTURAL PATTERNS OF CORRUPTION

The discussion of the effects of “cultural” factors on corruption has triggered an international debate on whether culture-specific types of corruption exist (such as East Asian, Chinese or Japanese forms) and if so, whether they are fundamentally different from those existing in other world regions (e.g. “Western” or African forms).

In the case of China, we have shown in Section 2 that the Chinese term has a connotation differing from “Western” concepts of corruption. In China, the concept comprises not only criminal acts (such as bribery and embezzlement), but also traditional forms of favoritism-seeking behavior – such as using social connections (guanxi) to officials, networking, building patron-client relationships or engaging in nepotism – through which individuals try to gain influence, power, or advantages. Since informal groups and networks of connections ignore state, ethical, moral, social, and political norms to gain power or advantages for those involved, this behavior has to be regarded as part and parcel of corruption.

According to new institutionalist approaches, guanxi networks compete with the legal system in providing a system for accomplishing various tasks. Contracts are bypassed by means of guanxi, thus undermining the legal system. As social actors have previously invested heavily in

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8 Ting Gong (2002) notes that corruption is by no means an individual issue only but also a major collective and collusive venture.
guanxi, they are strongly motivated to reap benefits from these investments rather than turning to legal procedures. This, in turn, hinders the development of legality. Owing to their illegal character, corrupt practices cannot be implemented under the formal legal system. Guanxi networks provide the infrastructure for corruption, and thus reduce the necessary transaction costs. Even if guanxi networks and corruption are not identical, such networks form an alternative system into which corrupt practices can be easily embedded.

But we intend to discuss the effects of cultural influences on corrupt behavior from a different vantage point: business and investments. In the field of international economic relations, corruption is increasingly apprehended as a growing problem for foreign firms’ business and investment activities. In recent years, international experts have therefore engaged in comparative cultural research on corruption. A study published by two World Bank experts showed that corruption in Africa was a bigger problem for foreign investment decisions than in East Asia. This was explained by the significant institutional differences between Africa and East Asia. In East Asia – so the argument went – corruption can be counted as part of the fixed costs and thus becomes calculable. By means of bribery, personal relations (guanxi) are established and hence trust between two or several actors is created. Concurrently, reciprocal obligations are generated. In Africa, in contrast, neither close relationships nor trust take shape. Consistently, arbitrary demands for further payment come up, so that bribes can be considered as part of the variable costs. The authors argue that in East Asia, institutions and bureaucracies are relatively stable and problems are solved through informal channels. In contrast, in Africa, unstable institutions, governments and bureaucracies frequently change, so bribery does not always pay off. Finally, despite corruption, East Asia has seen significant long-term economic growth and considerable successes in terms of poverty alleviation. According to the World Bank study, corruption in Africa has been much more detrimental to investment by Western firms than in East Asia (Reja and Talvitie 1998). As mentioned, in East Asia the factor trust plays a far more important role. In societies with a high level of public trust (as in China) – according to the authors – corruption is more beneficial to efficiency and thus less disadvantageous to economic development. In contrast, in societies with a low level of public trust (as in Africa), political corruption has a stronger negative effect and impairs economic growth and development (S. Li and Wu 2007, 24–25).

And in fact, in the Chinese context the high level of corruption did not negatively influence investment by foreign companies. Tay and Seda (2003, 40–45) argue accordingly that the Chinese case proves that a clean government is not an indispensable precondition for initiating a successful development process.

6 DEVELOPMENTAL CORRUPTION AND ECONOMIC GROWTH

Though Wakeman’s differentiation between developmental and predatory corruption makes sense, I argue somewhat differently. I classify the Chinese state as a developmental state. The concept of the “developmental state” was originally advanced by Chalmers Johnson (1982) in the 1980s and first applied to Japan. Johnson argued that in late-industrializing countries, the state would act as a developmental driving force. Developmental states were classified as those in which the state has taken over macro-economic planning and steering, continuously intervenes in the economy, and acts relatively autonomously. Later, the concept was applied as a tool for analyzing the development of other countries in East Asia (South Korea, Taiwan, Singapore, etc.).
With this as a basis, I argue here that in spite of all its problems and difficulties, the Chinese state can be classified at both the central and local levels as a typical “developmental state”.9

Developmental states differ from so-called developing countries in that the former are “purposeful” states characterized by the will and consent of the political elites to develop in a structured way, in a predominantly top-down manner and under a unified leadership (in China the CCP).10 They are capable of promoting development successfully and against all odds and obstacles in the domains of politics, economics, and society; they are also effective at intervening in the economy and controlling labor. In addition, they exhibit a strong interaction and a symbiosis between government and enterprises. State intervention can even alleviate market failures.11 Such states can effectively adapt institutions to socio-economic changes.12 Moreover, they display the ability to enforce their policies and are relatively independent of the interests of societal groups (Evans 1995). “Without such an autonomy from societal actors, the state cannot be seen to control society and regulate social relations across its territories” (Soifer and vom Hau 2008, 224), and states cannot make use of power to “discipline their societies” (Kohli 2004, 381). They also impose repressive measures against potential opponents of their development goals. Therefore, developmental states are “strong states”, exhibiting state capacity and political stability and legitimacy, and have an effective and highly skilled bureaucracy at their disposal that is constantly being professionalized.

Authors such as Kenichi Ohno (2013) have spoken of the developmental state as an “authoritarian state with economic capability”, and Adrian Leftwich (2000, 174) noted that such states are characterized not only by successful development but also by a mixture of political repression, a poor human rights record, and the absence of democracy. However, it is not the character of the regime which was and is decisive but “the character of the state and its associated politics” (Leftwich 1993, 614). In weakly institutionalized states with a weak civil society, state capacity requires a “strong state” which in turn may display strong features of an authoritarian state. This concurrently shows that authoritarianism is not necessarily an obstacle to development but can – under specific conditions and given an effective state capacity – become “authoritarian developmentalism”. In addition, autocratic regimes exhibit greater durability, since parties such as the CCP are able to “curb leaders’ ambitions and bind together political coalitions” (Brownlee 2007, 37). They are not only successful at mobilizing mass support, but also have an internal disciplinary effect. State (or party-state) capacity (“strong state”) is a crucial feature of developmental states. From the perspective of a centralized state, the term refers to the capability of a state to advance and enforce political decisions and programs. In enforcing its policies, the Chinese developmental state has proven to be a “strong state” which has the resources and the capacity to steer and implement

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10 In contrast to Daron Acemoglu and James Robinson (2012) we argue that not only institutions but also actors play a crucial role in developmental processes. Adam Przeworski (2004) has pointed out quite rightly that institutions and agencies – i.e. the impact of actors – are inseparable and interactive.

11 It is frequently argued that state intervention in the economy is detrimental to economic development and leads to a decline in economic growth. Atul Kohli (2004, 6–7) has in contrast shown that such arguments lack evidence and that intervention by strong states is more likely to trigger development.

12 In this paper I distinguish between “ineffective” and “effective” policy implementation by referring to outcomes that are consistent with development goals as laid out in the policy guidelines and work reports of China’s county governments. This does not mean, however, that these outcomes reflect implementation “efficiency,” understood as best possible results in terms of resource allocation and administrative capacity. See Heberer and Schubert 2012, 221.
its policies throughout the country, including combating corruption.

In the end, there can be no doubt that the Chinese state meets the criteria of a developmental state (Heberer 2017). However, it is not only the central state but also the local state (cities, counties, towns and townships) which acts as a developmental agency. The local state in China has not only the task of implementing the policies of higher authorities within the bounds of the central guidelines, but meanwhile has also gained more discretionary power in policy implementation, i.e. it is to execute development according to specific local resources and features. It must primarily solve local problems and ensure social stability.

With regard to corruption, I argue that the current Chinese state rests on three pillars (see Figure 1): it figures as a developmental state, displays state capacity, and pursues effective growth and developmental policies that are in the interest of and beneficial to the majority of the people. With the transition from a planned to a market economy, market opportunities create new sources of income for officials by means of selling power (political power and resources) for monetary and non-monetary payment. The higher the transfer of resources such as access to land, commercial real estate, state-owned enterprises, public sector orders, etc., the more profitable the money or assets flowing into the pockets of corrupt officials. Top-down planning, the existence of an effective bureaucracy, and the regulating, steering, and control capacity of the central party-state allow effective policy planning and local policy implementation according to local conditions. This in turn allows effective monitoring of the impacts of local policy implementation through a sophisticated system of annual evaluations (Heberer and Trappel 2013). Accordingly, in the interest of their further career, even corrupt cadres have at least to achieve the “hard” developmental goals and to advance some innovative items of development. “The Chinese governance system limits local official corruption by giving the local official more of a stake in the local economic performance,” writes Pranab K. Bardhan (2014, 10). “Chances of career promotion improve if the local area under his jurisdiction grows faster (and yields more tax revenue). So even when he steals, he takes care, in his own self-interest, that the general economic performance of the area does not suffer too much”, a behavior I classified at the beginning of this paper as “a will to improve” (ibid.).

For quite some time, the central leadership turned a blind eye to cadres who on the one hand were somewhat corrupt, on the other successful in developing a locality and improving the living standard of its inhabitants. In the case of major local protests against corrupt practices leading to disturbances of the social order and stability, repeated failure to achieve “hard” development goals, or opposing reform programs or policies adopted by the higher echelons, however, responsible cadres were charged with corruption and punished. Effective development was the focus of the central leadership and its deliberations and not corruption per se.¹³

The following graph summarizes and highlights my arguments that in China, developmental corruption has played a major role in the reform process since the 1980s, albeit with other forms (endemic and predatory) possibly intermingling with developmental corruption.

However, if corruption becomes increasingly detrimental to development, i.e. by obstructing the implementation of new development policies, with excessive distribution of goods and wealth to certain societal strata (e.g. private entrepreneurs and crony capitalists) thus having a negative effect on public opinion or rev-

¹³ In a similar vein Leff (1989, 395–397) argues that corruption under certain circumstances may contribute to reducing uncertainty, increasing investment, fostering competition and efficiency, and facilitating innovation thus assisting development.
Anti-corruption campaigns have a long history in the People’s Republic of China. In fact, Chinese people were always skeptical of the success of such campaigns since instead of decreasing corruption this social problem has in many instances just increased further. All previous anti-corruption drives have not prevented this further increase.

By means of anti-corruption campaigns, the party leadership always attempted and still attempts to legitimize itself by claiming to be the main force in fighting corruption. But in fact it fought corruption mainly at the lower and middle levels. Owing to its power and multistrand privileges, the political elite was not directly involved in corrupt acts. The criminal prosecution of corruption was therefore mostly an issue that did not affect the elite, although time and again, spectacular cases of corruption at the top level have been exposed. In a sense, combating corruption was and is functional, in that it is intended to reinforce the legitimacy of the political system. Fighting corruption at lower levels distracted attention from corruption at higher levels, and demonstrated that the party leadership was resolutely opposed to corruption. Yet, if the party leadership had taken decisive action to combat corruption at the lower levels, it would have had to take on most local cadres and hence would have been fighting against itself. Thus, fighting corruption also spawned tensions between the

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14 On these negative effects see Minxin Pei’s (2016) recent book on China’s crony capitalism. See also Heberer and Schubert (2019).
central leadership on the one hand and the provincial and local levels on the other. Instead, the central leadership utilized fighting corruption as a strategy to enforce political directives and goals or to promote economic, social, and political stability. Officials countering the directives of the center were removed as “corrupt”. Thus, combating corruption was always more than a mechanism to fight and prevent corruption. It was, concurrently, a strategy to enforce political directives and goals. In such cases, officials opposing central policies were removed for alleged “corrupt practices”.

Without doubt, since the 1990s the number of laws and regulations against market corruption has exploded. Yet only in a few isolated cases were the people involved severely punished. For corrupt officials, the risk lay less in legal persecution than in political condemnation through expulsion from the party or disciplinary sanctions that might bring a political career, and the selling of power, to an end. As officials regarded the party primarily as a career ladder, but one without major income incentives (as basic salaries of officials were not high), the individual risk was apprehended as rather small, the more so as an expulsion from the party might have been compensated by more profitable private economic activities sponsored by companies seeking to lobby the government. In addition, the expectation of high profits by means of corruption far outweighed the risk of being detected and facing criminal prosecution. Public prosecution was unlikely as long as corrupt activities did not touch upon sensitive domains, did not affect the general policies of the center or the interests of rival networks, and particularly if one was protected by a patron. The latter facilitated corruption, the more so as without the approval of higher party echelons criminal prosecution of corrupt officials was and is still not permitted. As party patrons frequently protected and protect corrupt officials, legal bodies are unable to take action. This set of circumstances always impeded the fight against corruption.

The continuous enacting of new regulations and laws that in detail seek to curb or prevent corruption could not solve the problems. It was the political and social system (including traditional patterns of behavior) that favored corruption, not any absence of regulations. Efficiently combating corruption would have required social transparency, public and social monitoring of officials (including greater freedom of the press), and an independent judiciary. A basket of essential changes is required, such as the emergence of public control and checks and balances stemming from nongovernmental organizations, a functional judicial system, and new structures of awareness in society.

Beyond legal stipulations, the party-state established several monitoring instruments: the central and local inner-party Commissions for Discipline Inspection (revived 1978); the Ministry of Supervision and its local branches (revived 1987); the Anti-Corruption Work Bureau (early 1990s), and the National Bureau of Corruption Prevention (2007). Moreover, principal administrative reforms aimed to enhance transparency and monitoring, reporting centers and hotlines were established, confessions were televised, and a specific role in detecting corrupt activities is now played by the Internet. To give just one example: in quite a number of cases internet activists uncovered pictures of senior cadres apparently wearing luxury wristwatches which they could not have afforded on their official salaries. In a well-known and prominent case in 2012, during a report on a major bus accident that killed 36 passengers, internet users paid attention to a person who was grinning widely amid the wreckage. They not only found out that this person was the head of the provincial work safety administrative body of Shaanxi Province, but also saw that he wore a luxury wristwatch. By means of a “human flesh search” on the internet, they discovered that this person possessed at least 11 different luxury wristwatches which he could hardly have afforded on his salary. The Chinese authorities commenced an
investigation into this case and revealed his corrupt behavior. In 2013, he was sentenced to 14 years in prison.\textsuperscript{15}

In the 1990s, China faced a broad debate on the causes, effects, and efforts to fight corruption. It was argued, particularly in the academic field, that democratic instruments such as checks and balances, developing a public sphere, and an independent legal system were the only viable path to successfully combat corruption. Many scholars and intellectuals regarded corruption as an issue directly linked to the political system. At that time, this discourse was part of the inner Chinese debate on political reform and political change. From the perspective of Chinese intellectuals, this discourse fuelled the Chinese debate on a transformation to a rational, legal-based society. Apart from deficiencies of the legal system, the deficits of the political structures and institutions began to receive more and more attention. For instance, political scientist Yu Keping (2003, 170) wrote that the general system forms the structural foundation of political corruption. Without public monitoring, open political information channels and political competition, corruption could not be curbed.

\section*{8 Fighting Corruption in the Xi Jinping Era}

Currently, the political leadership is focusing on relentlessly combating corruption and implementing a new reform program adopted at the end of 2013. To accomplish these two goals, the regime needs a stable political system. Moreover, as a rule, developmental states focus on specific policies. The Chinese leadership finds it risky to conduct economic and political reforms while simultaneously fighting corruption. In order to ensure a stable political system for achieving its primary goals, the regime is at the same time taking a tough line on all kinds of particularistic interests and collective actions. This is why I argue that currently, China is in a phase of transition in which repression towards oppositional forces is temporarily reinforced.

After coming to power in 2012, the new Xi administration faced the task of ensuring that the entire party was following its economic and political line. To achieve this goal, the new leadership launched a major “Rectification Campaign” to “thoroughly clean up the working style” of the members of the CCP. The campaign, initiated by the CCP leadership in June, was given the name “Mass Line Education and Practice Activities” (\textit{qunzhong luxian jiaoyu shijian huodong}) (Heberer 2013). It was reminiscent of Maoist political campaigns inasmuch as the idea was to combat corruption, bureaucratic behavior, hedonism, and extravagance. The purpose was also to “rectify” party members by means of self-purifying (\textit{ziwo jinghua}), self-perfection (\textit{ziwo wanshan}), self-reformation (\textit{ziwo gexin}), self-elevation (\textit{ziwo tigao}), self-criticism (\textit{ziwo piping}), self-education (\textit{ziwo jiaoyu}), and self-analysis (\textit{ziwo pouxi}) (Xi Jinping 2013; see also Liu Yushan 2013). Senior officials should figure as moral role models.

The purpose of this campaign resembles Liu Shaqiqi’s famous text “On the Self-cultivation of Communist Party Members” (1939) (Liu 1981) and his arguments regarding self-improvement. The campaign’s goals are strongly rooted in traditional Confucian concepts of self-improvement of the individual’s mind. Moreover, its focus is on the responsibility of each individual for his behavior and his task of permanently rectifying her or his mind. The individual, rather than society, the party-state or the political system, is held responsible for any mistake.

This prelude to a large-scale anti-corruption drive aimed to bring the cadres and armed forces – i.e. the People’s Liberation Army (PLA) – under stricter control in order to enforce the political line of the new leadership core in both the party and the PLA. This seemed to be necessary not only because of the Bo Xilai case but also because powerful interest groups such as senior military leaders, leading managers of state-owned enterprises, or banks might be negatively affected by the new policies and attempt to undermine the planned reforms. Concurrently, the “mass line” activities represented an attempt to come to grips with moral decay in the CCP’s cadre contingent and to create proper tools and institutions for dealing with that problem. Among other things, this required that state officials behave in a clean, non-corrupt and non-bureaucratic manner, and this should be achieved by fighting the aforementioned “four evils” (corruption, bureaucratic behavior, hedonism, and extravagance) which comprise what is called fubai, i.e. corruption not as a criminal act but rather as the outcome of a person’s “evil” mind and behavior.

The campaign had been extended to autumn 2014, capturing the local level (cities, counties, townships) as well as lower-level departments and leaderships. In this second phase (from January to September 2014), specific issues such as “naked officials” (luoguan, whose spouses and children have emigrated overseas), anti-corruption and creating clean governance were on the agenda (Shuodao zuodao, 2014). Whereas the first phase of this internal party campaign at the central and provincial level had preoccupied a larger number of administrative bodies for months and required each official to write numerous self-criticisms, leading to massive frustration among many and specifically younger cadres, the second phase in various locations had the effect that leading local cadres were reluctant to take decisions or implement policies for fear of being criticized as “corrupt” by higher authorities. This paralyzed any delight in experimentation and policy innovation at the local level, the more so as the central authorities failed to provide new and effective incentive mechanisms. On the other side, this campaign generated a significant decrease in the squandering of public funds. In 2014, official banquets and dinners including the consumption of alcohol, and visits by officials to bars, restaurants, etc. had almost vanished.

Cities and counties attempted to limit the mass line campaign to restrictions of waste and extravagance by cadres and to strengthen the so-called “connections to the masses” by decreeing that leading provincial and prefectural officials should once a year go to townships or street-level organizations, leading county officials twice a year to villages and neighborhood communities, and leading township cadres twice a year to a certain number of households. Each visit should last for at least six days. Such decrees are by no means new and are difficult to implement in the long run. Not surprisingly, inspections revealed that at the local level the campaign did not always advance in an organized and effective way but had degenerated to mere formality (Disciplinary inspections, 2014).

16 According to official data between 2013 and 2017 more than 13,000 officers were punished due to corruption charges. Between January 2015 and July 2017 alone more than 60 generals. See S. Wang 2017.

17 In 2012 the then Party secretary of Chongqing and member of the Political Bureau Bo Xilai was accused of “corruption” and “economic crimes” and sentenced to life imprisonment. See Heberer and Senz 2012.

18 See, for instance, the case of Zhejiang province: Zhejiang Ribao 2014.
The ongoing anti-corruption drive commenced in 2013, initially as a part of the "Mass Line Education and Practice Activities". Inspection teams of the central leadership were dispatched to all provinces and central organizations. Meanwhile, not only "flies" (i.e. lower or local cadres) but also "tigers" (i.e. leading cadres at the central level) are objects of prosecution. Zhou Yongkang, a once-powerful member of the Standing Committee of the Politburo of the CCP responsible for the Chinese security apparatus, but also his family clan and his entire mafia-like network became major targets, for example. This was the first time since the arrest of the Gang of Four in 1976 that a former member of the Standing Committee of the Politburo had been put under official investigation and given a life sentence for corruption. According to Chinese reports, cash amounting to 14.5 billion US dollars (!) was discovered among his relatives and collaborators, and more than 300 persons in his network were put under investigation.

The anti-corruption drive aims to bring the cadres and armed forces under stricter control in order to enforce the political line of the new leadership core in both the party and the PLA. In 2014, three leading generals – Guo Boxiong and Xu Caihou, both former members of the Politburo, and vice chairmen of the Military Commission of the CCP, and Gu Junshan, former deputy logistics chief of the PLA – were arrested. Party chief Xi Jinping was extremely upset about widespread corruption among the PLA leadership. He declared that the PLA completely lacked any fighting capacity and was totally corrupt (Dong 2014). Accordingly, Xi announced a complete restructuring, reform and reshuffle of the armed forces (Jundui fanfu, 2014). As a first step, about two dozen new “clean” officers were promoted to military leadership positions.

However, under China’s systemic corruption, where almost all officials are more or less prone to corruption, the party would eliminate itself if it were to take action against all the corrupt cadres. The critical question in the end is which actions are to be taken by the current leadership to minimize the systemic character of corruption without totally undermining the power of the CCP. The party secretary of the city of Maoming in Guangdong province who had been arrested due to corruption declared in his blog: "If you say that I am a corrupt official, I say that all officials are corrupt. Why have you specifically selected me? ... Today you caught me; tomorrow your own people will catch you, too." (Yige tanguan, 2014). He was pointing to the fact that most officials are corrupt in one way or another, and that prosecution was quite arbitrary.

The ongoing corruption campaign has four major functions: (a) to contribute to the deterrence, prevention, and repression of acts of corruption, thus diminishing corrupt behavior; (b) to help...
Heberer: Decoding the Chinese Puzzle

Consolidate the power of the current leadership and enforce its reform program (economic and social reforms decided at the end of 2013) against all adversaries; (c) to push back the growing influence of various powerful interest groups on politics, thus regaining central control; (d) to prove that the Xi Jinping leadership is determined to fight corruption effectively and as a matter of principle, thus reinforcing trust in the CCP and its political leadership.

In the end, it is a selective fight since the leadership decides who and whose networks are considered to be corrupt or not. It thus continues to be a powerful political tool for the cleansing of adversaries of the current political line within the CCP. However, the anti-corruption drive is supported by the majority of the people, who praise “strongman Xi Jinping” for his courageous line of action.

On the one hand, officials have become more cautious, anxiously attempting to avoid any impression of corrupt behavior. Family members of high officials are also more careful now, and businessmen do not dare to offer benefits or advantages to higher level cadres.

On the other hand, my own interviews and reports indicate that quite a large number of officials and entrepreneurs dislike the anti-corruption drive. Officials fear losing a significant proportion of their earnings, while entrepreneurs complain that influencing policies and getting access to important resources has become more difficult and that they have lost previous investment in connections, networks and access to officials. In fact, bribery costs have risen due to the greater risks involved for cadres. New forms of payment have emerged, such as payment in foreign currency directly into offshore bank accounts or even hiring, for instance, an “American professional card shark to play private high-stakes games with party bigwigs and intentionally lose to certain players” (Anderlini 2017).

The anti-corruption drive has certainly led to the exposure of countless cases of corruption with the effect of at least a temporary diminishing of corruption, waste, squandering, and immoral behavior by officials. It also works as a mechanism of deterrence. On the other side, it had a negative impact on investment by private entrepreneurs, slowing down investment growth and reducing local officials’ commitment to policy innovations and policy experiments.

It is widely expected that the anti-corruption campaign will be a long-term one, accompanied by a thorough reform program and legal institutionalization aimed at consolidating the power and therefore the reform program of the current leadership. Chinese economist Xu Gao (2017; see also D. Chen 2014) has even argued that the campaign is not detrimental to China’s further development but may contribute to improving market structures, and evading the so-called “growth trap” (middle-income trap), i.e. losing one’s competitive capability, thus being unable to compete with better-developed economies.

10 CONCLUSION

This paper started out from the question why China’s economic development advanced so swiftly despite an increasing level of public sector corruption. The principal hypothesis was that the existence of a “strong” developmental state, the prevalence of a form of corruption I called “developmental corruption”, and a temporary and relative acceptance of leading local cadres’ corrupt practices by the Chinese leadership generated a high level of economic development. The latter was possible since despite

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22 On the latter issue see L. Wang 2016; Heberer 2018.
corrupt behavior many local cadres are haunted by a “will to improve” their administrative unit, thus contributing to the development of the area under their jurisdiction. This kind of “haunting” is the result of a cadres’ evaluation system which has become increasingly sophisticated.

In 2014, the Chinese leadership initiated the biggest anti-corruption drive ever. At least temporarily, corrupt practices decreased due to a higher degree of political and social attentiveness and awareness. Whether this movement will have a prolonged effect remains to be seen. Anti-corruption movements in China were not only a means to combat criminal or immoral behavior but also a political weapon in eradicating oppositional behavior and bringing cadres into line. Without institutionalizing new and more independent mechanisms for monitoring and effectively combating corruption at all levels, including the highest, and enhancing the awareness of ordinary people and officials alike, the current anti-corruption drive may not be sustainable.

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