

Corruption and Economic Development in China*

- Focused on the Theory of the State-building of Neo-statism -

중국의 부패와 경제 발전

- 신국가주의 국가건설의 이론을 중심으로 -

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국문초록

부패는 국가의 성장과 경제발전을 저해하는 주요한 장애물이다. 정부의 기능과 역할은 경제 성장에 중요한 영향을 미치고 있는데, 1980년대 초반부터 중국은 연평균 약 10%의 성장률을 보이며 세계에서 가장 빠른 경제 성장률을 기록하였다. 한편, 중국에서는 경제 개혁과 함께 부패의 현상이 지속되고 있다. 경제성장은 GDP의 양적인 성장을 의미하지만, 경제발전은 질적인 성장으로 상대적 빈곤의 축소, 부의 분배, 경제적 평등을 포함한다. 부패방지를 위한 효과적인 정책의 시행은 경제성장 보다는 경제발전의 중요한 전제조건으로 간주될 수 있다. 중국의 경제 발전 추진 전략은 정부와 시장의 상호 작용을 통한 정치, 경제, 사회 제도 네트워크의 형성을 중시해 왔다. 본 연구는 신국가주의의 국가건설에 근거한 효율적인 국가의 기능과 역할에 대한 논의와 함께 경제 발전과 부패의 영향력을 분석하는 것이다. 궁극적으로, 부패는 경제발전에 부정적인 영향을 미칠 것이고 경제 효율성에 부정적인 요소로 작용될 수 있다. 이 연구는 중국의 사례 연구로 부패와 경제발전의 관계를 분석하였고, 효율적인 국가 능력의 중요성을 논의하였다.

주제어: 국가건설, 경제발전, 경제성장, 신국가주의, 중국, 부패

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I. Introduction

Corruption is a major impediment to economic development. Institutional quality has a significant impact on economic development. Since the early 1980s, China has been “one of the fastest-growing economies in the world”. But China’s corruption continues to flourish. Corruption is one of the major concerns of the general public. This study examines the effect of corruption on specific variables that are constantly associated with economic development. Ultimately, corruption will hinder economic development and has had serious implications for economic efficiency.

The rapid development of globalization and the technological revolution have led to developments in China since the 1980s. With the impact of the new public administration, there has been a great impetus of administrative development that has led to the creation of development model. The wave of public administrative development did not only affect industrialized countries, but also developing countries. Like other Asian nations, China takes the evolution of public administration as a requirement of domestic change and international competition to accelerate social and economic modernization.

The development of China’s administrative system is accompanied by the process of economic and political development. It has been a long time that China carried out a highly centralized planning economy, which directly controlled all the economic organizations including the enterprises and public institutions (Brødsgaard, 2002). With institutional reform in China, China’s position in intense international competition is subject to its administrative efficiency and effectiveness. The market economy has related to economic growth and the need for socialist democratic politics based on accountability and transparency in China (Lan, 2001).

II. Theoretical Argument and Literature

1. Corruption and Modernization Theory

There is an increasing opportunity for bureaucrats and politicians to use their positions for personal gain. This led to a Reformer-Conservative battle over the pace

and character of China's transition from a centrally planned economy to a market-oriented economy (Glenn, 2007). Reformers consider corruption to be an indication that further economic and political reforms are necessary. According to the Conservatives, corruption is a sign that such reforms are damaging the social fabric of Chinese life.

Although corruption has always been viewed as a problem, serious research on its effect on economic performance did not begin until the 1960s (Glenn, 2007). Before that, most of the research had been done by political scientists, sociologists, and public administrators who had treated corruption as a socio-political problem (Glenn, 2007). From Nathaniel Leff, however, researchers began to pay attention to the economic effects of corruption. In the view of Leff(1964), corruption could function as "grease money," lubricating the seized wheels of a rigid administration (Glenn, 2007).

The modernization theory finds the cause of economic development in individual personality, which has a microscopic perspective on analyzing individual rational behavior. Modernization theorists emphasized the role of personality and the difference between traditional and modern society. Traditional society is dominated by authoritarian personality culture, while modern society is dominated by reformed personality culture. Representatively, McClelland(1965) mentioned the importance of entrepreneurship on companies, arguing that entrepreneurship with strong motivation for achievement leads to the development of a society. Companies run by entrepreneurs play a major role in global economic development. As such, modernization theory emphasizes the principle of marketism, which is related to the concepts of neoclassical economics, neoliberalism, and new public management theory.

Modernization theory adopts liberalism as a basic assumption. Modernization theory sees international politics and economic order as neutral, not good or bad, and political or economic interests depend not on the international system, but on each country's policies and actions. As argued by economic basic theories such as Smith(1776) and Keynes(1891), economic benefits were brought about through trade and foreign direct investment. Smith(1776) argues that the market system is driven by invisible hands that oppose the state's intervention in the economic system. Entrepreneurs, companies, consumers, and individuals are the subjects of economic activity, not the state or government. However, Keynes(1891) emphasized the role of the government as a scholar who advocated revised capitalism. The government needs to take responsibility and develop a planned state-led market economy system.

Functional theory is a theory that assumes equal opportunity and the prospect of success. In functional theory, changes in society and culture take place gradually and progressively. The important values of the society include values of rational culture. Therefore, the functionalism of modernization theory is regarded as an internal problem in the Third World and is viewed as an individual or functional problem.

Modernization theory comes from the American functionalist theory that can be regarded as reasonable democratic functions and systems, which emphasizes modern culture and values for development. Therefore, tradition is the reason for low development that needs liberal principles and concepts. Liberalism is related to functionalism, interdependence theory, and international regime theory, which emphasizes harmony and cooperation. Political development is possible when economic development is made in the structural-functionalism of the Lipset, and economic development contributes to democracy. The prerequisite for democracy is economic development. Citizens' cultural consciousness will begin to change due to economic development, and citizens' democratic consciousness will be improved along with the increase of the middle class. From a social psychological point of view, McClelland(1965) and Weber(1930) emphasize that the causes of economic development are individual personalities characterized by creativity, openness, and curiosity. McClelland argues that "entrepreneurship," which is an important actor and has a strong desire for achievement, is the driving force. In the view of Weber, the values of Puritan ethics and rationality in capitalism are important, which have led to national development and growth.

2. Corruption and Neo-statism

According to the neo-statism perspective, each of the nationalist and neoliberal perspectives attempts a state-centered explanation and a market-centered explanation, while the neo-statism perspective transcends the confrontation between state intervention and market principle. The neo-statism perspective is different from the neoliberal assumption. The perspective of neo-statism emphasizes competitive cooperation and joint action between countries and businesses in the process of pursuing economic development goals while transcending the dichotomy between countries and markets. From the perspective of neo-statism, it emphasizes the formation of political, economic, and social institutions that can effectively support

economic development through harmony between countries and markets (Weiss and Hobson, 1995).

The perspective of neo-statism can be explained in three dimensions. First, the perspective of neo-statism explains the economic development of East Asian countries, partially regards the state as an independent target, ability, and source of effect. Second, the perspective of neo-statism attempts to explain the autonomy, strategy, and capability of the state concerning the national structure. Third, from the perspective of neo-statism, the state and market are not regarded as opposing objects. The neo-statism perspective is that the state pursues a process of competition and cooperation with other major power groups within the social structure (Krasner, 1978).

Neo-statism involves a market-conforming but state-sponsored approach to economic and social restructuring whereby the state seeks to guide market forces in support of a national economic strategy¹⁾ (Jessop, 2002:12; Yun, 2015:179). This guidance depends on the state's deployment of its powers of imperative coordination, its economic resources, and its knowledge bases (Jessop, 2002:12; Yun, 2015:179). Neo-statism is a developmental strategy of state-driven and state-sponsored activities to attain the goal of national efficiency and effectiveness without corruption. This is reflected in an active structural policy that sets strategic targets relating to new technologies and innovation systems (Jessop, 2002:12–13; Yun, 2015:179). The state favors an active labor market policy to re-skill labor power and encourages a flex skill rather than flex price labor market, which guides private-public partnerships to ensure that they serve public as well as private interests. Whilst the central state retains key

1) Chalmers Johnson presented the concept of a 'capitalist developing country' in an institutional analysis of government officials, and in the view of Japan and Korea's Ellis Amsden (A. Amsden, 1989), the Korean state played an important role as an entrepreneur, banker, and architect of industrial structure. The Korean state actively controlled transnational corporations and foreign loans. In particular, economic bureaucrats led the domestic industrial policy through effective financial control over foreign and domestic capital. The country of Korea is a 'planner or senior partner', and Korea's economic system is referred to as 'state-led capitalism or Korean corporation'. The four main characteristics of the Korean economy are 'the central role of state intervention in the market, the importance of discipline of private companies to ensure efficiency, industrial capabilities of large-scale diversified business groups, and technology learning for late-industrial countries (Amsden, 1989; Haggard, 1986). Also, in Taiwan, a state in the market economy is discussing the nature of a developing country that plays an interventionist role (Johnson, 1982). The goal of a developing country is to focus on effectiveness through strengthening growth, productivity, and competitiveness. However, the nationalist theme may face serious criticism. The theory of state autonomy tends to neglect the institutional diversity within the state claimed by neo-institutionalism by erasing the state as an integrated single actor.

strategic roles, parallel and complementary activities are encouraged at regional and/or local levels, but the central state's desire to protect the core technological and economic competencies of its productive base is associated with neo-mercantilism at the supranational level (Jessop, 2002:13; Yun, 2015:179).

There have been various theoretical attempts to overcome the claim of the theory of national autonomy that it has autonomous power above social groups. First, internal organization theory pays attention to the formation of hierarchical internal organizations between the state and large corporations (Williamson, 1985). In East Asian developing countries, for example, government officials and corporate elites control their views and interests through intermediate organizations. Second, the social network theory is that there is a specific social tie between the state and society, such as formal, informal, organic (family and relatives) networks (Evans, 1995). In this model, the relationship between the state and the enterprise is supplemented by horizontal links formed through public and private networks. As the theory of state to theoretically integrate the state and private economy, the state is related to capitalist cooperation and class compromise to run a capitalist society.

From the perspective of neo-statism, Amsden's "tamed market theory" and Wade's "guided market theory", is an approach to the interrelationship between the state and the market from a state-centered and state-deterministic approach in the process of explaining the economic development. It is analyzed as the essence of cooperation in state-business relations without corruption, a key concept of the new nationalist approach. The discussion that explained the economic development by setting the country-business relationship can point out the conception of "linked autonomy" of Evans and "governed interdependence" of Weiss & Hobsons.

3. The Effect of Corruption in Economic Development.

Corruption can affect the distribution of resources in two ways. First, it can change private investors' assessments of the relative merits of various investments (Ahmad, 2012). This influence results from the changes brought about by corruption in "the relative prices of goods and services" as well as the resources and factors of production, including entrepreneurial talent. Second, corruption can lead to the misallocation of resources when a corrupt government body makes decisions about how public money will be invested or what private investments will be permitted. The

wrong attribution arises from “the possibility that a corrupt decision-maker will consider potential bribery payments” as one of the decision criteria (Glenn, 2007).

After studying “the relationship between corruption and growth” in capitalism and totalitarian regimes. According to Braguinsky(1996), corruption will likely have a functional role in economic growth in a globally competitive market. On the other hand, he argued that in a totalitarian context, corruption will take root deep in the socio-economic system and eventually result in a breakdown of the system. This greatly increases the opportunities for corruption and makes it particularly difficult to maintain or grow the economy.

Li, Xu & Zou find that a one-standard-deviation increase in corruption is accompanied by a reduction in the growth rate by 1.18 percent in the western world, but only 0.14 in Asia (Glenn, 2007 and Li, Xu & Zou, 2000:173). Corruption tends to slow growth and investment in most developing countries, but increases growth in the major newly industrialized East Asian economies (Glenn, 2007). Economic growth is generally considered to be the rise in the value of goods and services produced by an economy. Corruption has affected economic growth, but the impact has been low (Mauro, 1995; Pellgrini and Gerlach, 2004). Investing is the contribution of human or material capital to an economy. Corruption has had a significant negative impact on the decision to invest (Mauro, 1995; Pellgrini and Gerlach, 2004). In contrast, some authors have found that corruption is positively correlated with foreign direct investment (Egger and Winner, 2005).

It has been found that corruption has affected economic efficiency over time (Murphy, Shleifer, & Vishny, 1991; Li, Xu, & Zou, 2000). To gain a better understanding of the relationship between corruption and economic efficiency, the current study focuses its analysis on tax revenue, GDP deflator inflation, consumer prices inflation, real interest rates, deposit interest rates, domestic credit provided to the private sector, and domestic credit provided by the banking sector (Glenn, 2007). By focusing on tax revenue, the findings should indicate whether the presence of corruption undermines the government’s ability to tax businesses and individuals (Glenn, 2007).

Citizens or the country as a whole are more affected by corruption. An increase in the corruption level by one standard deviation is associated with an increase in deposit interest rates by approximately 4.2 percent per year. Consumer price inflation is more strongly related to corruption than GDP deflator inflation. An increase in the level of

corruption of one standard deviation is associated with an increase in the inflation of the GDP deflator of about 3.5 percent per year, and an increase in the level of corruption of one standard deviation is associated with an increase in consumer price inflation of about 4.2 percent per year.

The primary impact of corruption is therefore that it plays a deterrent role in investment and economic growth. Ades and Di Tella(1997) show that the strategy of developmental administration regarding investment is deterred by corruption, leading to the reduction of investment between 16% and 72%, and a study by Keefer and Knack(1995) show a similar result, albeit using different indexes of corruption (Yun, 2012; 2015a). An increase in corruption has resulted in weaker economic growth. Mauro argues that “if the corruption index improves by one standard deviation which improves its standing on the corruption index from 6 to 8 (recall that 0 is most corrupt, 10 least), the investment rate increases by more than 4 percentage points and the annual growth rate of per capita GDP increases by over a half percentage point with consequent improvement in employment and economic growth” (Mauro, 1995:683; Yun, 2015a:282).

Therefore, in the outcome of the empirical study, the extent of corruption is negatively related to the level of economic growth and investment (Yun, 2015a:282). Concerning the impact of corruption on growth in the relationship between corruption and growth, the results of the relevant studies are summarized; the research of Mo(2001), Pellegrini & Gerlagh(2004), and Ugur & Dasgupta(2011) have shown a negative overall effect of corruption on growth, although there has been a difference of statistical figure and variable in the measure of the size of the overall effect (Yun, 2015a:281).

The empirical studies in terms of the overall effect of corruption on economic growth have analyzed a positive correlation between clean politics and economic development, although there are few studies that show the limited support to the view that “corruption greases the wheels of economic growth” (Yun, 2015a:275). It is worthy to mention that economic development involves a qualitative growth including the broad distribution of wealth, the reduction of relative poverty, and economic equality, while economic growth can implies a quantitative growth of GDP (Yun, 2015a:275). The implementation of effective anti-corruption policies in order to combat corruption on the process of economic development is an important precondition for achieving economic development rather than economic growth (Yun, 2015a:275).

III. Restructuring of the Government of China

Changes in Economic Policy and Development Since Deng Xiaoping began changes in economic policy in 1978, China has experienced rapid economic development and growth. The initial objective of the reforms was to achieve the goal of the “Four Modernizations,” which had been introduced by Zhou Enlai in 1975 (Glenn, 2007). The program was designed to rapidly modernize China’s agricultural sector, industry, science and technology, and military, making China a major power in the 21st century (Glenn, 2007). Reforms began in the agricultural sector, but by the mid-1980s the market model had also been implemented for business and urban industry. China quickly became the world’s focal point of work, making it the world’s second-largest exporter of goods and services. From 1980 to 2000, the size of the Chinese economy grew almost fourfold (Glenn, 2007).

The Chinese model of development has formed like the East Asian development model, rather than the Western model of full economic liberalization. There has been “state control over finances”, “direct support to public enterprises by the government”, “a dual system of public and non-public ownership”, and “a strong dependence on the export market”. Moreover, foreign and domestic investment has been crucial to China’s development.

Deng Xiaoping recognized rapid economic growth and successful industrial development by promoting export-led economy and domestic growth in the development strategy model of Japan, Taiwan, and Korea, which emphasized the need for reform and opening up while applying the development administration model to China. Much of the export-led models were introduced in China in reform measures such as “allowing foreign investment in China, establishing special economic zones from 1979, and allowing the establishment of foreign companies and joint ventures.”

China’s open policy decided to focus on economic construction, and Deng Xiaoping’s pragmatic line rejected the notion that the Soviet Union was the only model and was a “Chinese-specific socialist construction”. China’s reform policy goes through a trial stage by selecting some regions and societies, and the first rural reform was implemented by selecting some people’s corporations in Sichuan Province as a collective production responsibility system. As production increased and farmers became richer, the People’s Corporation was disbanded in 1984, and urban economic

reform selected a small number of state-owned companies and implemented a factory manager responsibility system to gradually exclude state interference and support.

China's goal was to build a full-scale Xiaokang society at the 16th Party Conference and to complete a full-scale Xiaokang society at the 18th Party Conference, which encompasses various areas such as politics, economy, society, and culture.

China is implementing a national strategy to build a socialist welfare state by promoting economic development, and a new five-year plan is established and implemented every five years. Currently, it is the 13th five-year plan, and the five-year plan is the core and important long-term plan of the Chinese government's economic and social development policy. China has a domestic market of 1.4 billion people and seeks continuous growth and development through abundant manpower resources and competitive wage structures.

Ultimately, the goal of the Chinese government's development is being promoted in the economic, political, cultural, and social fields based on the concept and ideology of the development administration strategy based on the modernization theory. It is to achieve economically continuous and healthy development, increasing gross domestic product and income. It seeks to improve the democratic system politically, realize the rule of law, and respect human rights, which foster cultural industries and realize cultural power. Socially, to improve the standard of living for the people, it is to provide public services, cultivate innovative talents, narrow the income distribution gap, and promote social security for the people. In the relationship between Chinese culture and development, China was able to achieve economic growth through the real-life concept and pragmatic policy of the new state theory, which successfully promoted the strategy of the Chinese-style socialist market system, a combination of socialism and capitalism based on Confucian culture.

Administrative control for preventing corruption can be divided into external institutional or formal control, internal institutional or formal control, external behavioral or informal control, and internal behavioral or informal control(Yun, 2021:303). First, external institutional control is recognized as a great effect of administrative control, which is an example of administrative control of the National Assembly, the judiciary, civic groups, the ombudsman, the media, and political parties(Yun, 2021:303). Second, internal institutional control is a control method carried out by an evaluation organization within an institution, which is a case of administrative control through the President, Office of Government Policy Coordination,

the Board of Audit and Inspection, Department, etc. (Yun, 2021:303). Third, external behavioral control is related to the administrative culture underlying the consciousness and behavior of administrative bureaucrats, which is the case of administrative control through changes in consciousness and behavior from a long-term perspective (Yun, 2021:303). Fourth, internal behavioral control is a strategy of administrative control through the change of public officials' consciousness and behavior within the administration (Yun, 2021:303). The type of administrative control for preventing corruption in China can be explained by the internal institutional control.

Concerning the problem of corruption, the Office for the Prevention of Corruption and the National Office for the Administration of Public Officials were recently established to resolve the problem. The Party's Discipline Inspection Committee, the Inspection Department of the State Council, the National Corruption Prevention Agency, the People's Prosecutor's Office, the People's Court, and Public Security are directly associated with corruption cases. The central organization department operated to see the personal data of the suspects, and the prosecution cooperation system, public security, and the national security agency were operated in the process of arrest and seizure investigation.

In China, it was customary for the separated function of the Disciplinary Inspection Committee to deal with violations of the current rate, the administrative inspection department of the State Council for violations of government regulations, and judicial authorities to deal with legislative and regulatory violations. However, through corruption cases by high-ranking officials, the need for all fields and national organizations was realized, and in 2002, the Party's Central Discipline Inspection Committee was empowered to form a coordinating group against corruption. Accordingly, high-ranking officials are in charge of handling corruption cases in the anti-corruption operation coordination group led by the Central Discipline Inspection Committee. Party and government investigations and court decisions are not made independently by separate bodies but as part of an organic and unified system of prosecutions and judicial decisions on corruption.

Administrative development is concerned with the restructuring of public administration as the policy of anti-corruption. Since 1980, China has undergone four reorganizations of its government organizations. The events occurred in 1982, 1988, 1993, and 1998 respectively. The change in 1998 is the most significant and dynamic. The purpose of the 1998 development was to establish an administrative system based

on a standard code of conduct.

The goal of the development was to improve the public service to build a professional administrative team. These efforts would make China's administrative system more appropriate for a socialist market economy. To achieve these objectives, fourth principles were presented, including 1) redefining government operations and the separation of government and business. Government mandates in national economic macro-management and public service delivery, 2) directing the administrative development of local communities in accordance with the respective local status of economic and social development. 3) streamlining administrative responsibility and reducing duplication, and 4) guiding the administrative development of local communities, according to the respective local status of economic and social development.

Currently, the reform of the administrative system as the policy of anti-corruption has occurred. Central and provincial government organizations have achieved remarkable progress:

First, Government functions have been changed. More than 280 functions previously performed by central governments have been assigned to enterprises and other intermediary social bodies. An overall administrative review and approval process has been developed in central and local governments. The illegally managed programs have been firmly eliminated. Monitoring is strengthened to ensure that programs require government review and approval. In addition, approval procedures and results are necessary to open to the public promptly.

Second, the administration has separated from the management of the enterprise. In central government, almost all of the departments and departments that controlled the industry directly were eliminated, including nine industry departments. The State Economic and Commercial Committee is responsible for the macro-management of industry. Some economic organizations that were managed in the past by governments have disconnected their link with the government to take full responsibility for the profits and losses of the business.

Third, there is downsizing the government organizations by reducing the number of ministries and departments from 40 to 29. Within the ministries and departments, more than 200 composite sections (25%) are reduced. At the provincial level, the average number of the departments has been reduced from 55 in the past to 40 at present and 20 percent reduction has taken place in the internal sections within the departments.

Fourth, there is Staff reduction. At the central government level, the workforce has been reduced from 32,000 to 16,000 (50%). The average reduction in provincial government is 48%. Since 2001, organizational restructuring and downsizing have been initiated in city, county, and township governments. 20% of administrative staff would be reduced, amounting to 800,000 people (Wang, Manchuan. 2006).

In addition, China had propelled the policies of anti-corruption. Since 1978, the Chinese government has launched four campaigns aimed at combating corruption.

The first, launched in 1982, was successful in targeting economic crime. 136,024 cases of economic crime were investigated, of which 44,000 were tried, 26,000 were convicted and 44,000 turned themselves in to the police (He, 2000). The second anti-corruption campaign, which began at the end of 1983 and lasted until the beginning of 1987, concentrated on consolidating party organizations. A large number of party members who have violated party discipline or engaged in corrupt activities were punished, including 35,616 senior officials at the county level and above (He, 2000). The third anti-corruption campaign started in 1988 and peaked in late 1989. According to official statistics, 116,763 cases of bribery and other relevant crimes were heard by prosecutors in 1989, of which 58,726 were investigated and prosecuted. 20,794 criminals were arrested, 482.86 million yuan were recovered, and 36,171 officials surrendered to anti-bribery agencies from 15 August 1989 to 31 October 1989 (He, 2000). The fourth campaign against corruption started at the end of 1993 and continues today. This campaign had three goals: addressing the issue of self-regulation of senior officials; strengthening the investigation and prosecution of large-size corrupt cases, and forcefully curbing unhealthy tendencies within the government departments (He, 2000).

1. Administrative Development in China

A major component of administrative development is to improve the public service system in the structural development process to build a qualified and professional administrative management system. There are two major problems in administrative development: the rationalization of the workforce and the division of responsibilities. Structural development, which began in 1998, has led to unprecedented reductions in government personnel. Central and provincial governments have a 50% reduction in the labor force, city and county governments have a 20% reduction as China's

administrative reform as New Public Management(Yang, Kaifeng, 2007).

The process of restructuring includes the participation of the masses and the complete evaluation. Through the participation of the broad masses, it is increasing transparency and allowing civil servants to participate and follow the process of rationalization. The overall assessment shall be determined by the official's managerial services. By doing so, the structure of the civil service has been further optimized, the civil service system has been improved, and the quality of the civil service has been enhanced.

In the case of the public service of the Council of State, after the restructuring, the public service is better educated. The percentage of civil servants with a university degree has risen from 70% to 78% with an increase of 8%. Also, The percentage of civil servants under the age of 40 has risen from 54% before the restructuring to 60% with an increase of 6%. There have been significant improvements in working methods and efficiency (Zhang, Mengzhong, 2006).

Currently, the development of the Chinese public administration is progressing in terms of depth and scope based on the completion of the restructuring and development of the personnel system.

First, there is an open government with a focus on providing services to the public. All government agencies deal with affairs in the interests of the people. The cases do not involve state secrets, which must make the process open in the agencies for the general public. The role of the government and civil servants is to avoid subjectivism, secrecy, arbitrariness, and abuse of power. Cooperative behavior will provide a necessary control to pursue the public interest. Second, there is the promotion of community services. Government organizations such as industry and trade, taxation, personnel management, unions, and health care administration provide services to the general public. Third, there is the establishment of e-government. The government is building a Net platform where the public can access all of the information that can be made public. As much as possible, public services will be provided through the Internet. Since 1999, when the government launched the "Government Internet Programme", continuous progress has been made in the field of eGovernment.

2. The Policy for Efficient Government in China

In retrospect, the development of public administration in China has had "its ups and

downs over the last two decades". In this process, market-economy countries and certain Asian countries rely on modern theories of public administration. In a nutshell, it can be summarized as the development of public administration, including the delegation of powers and the division of responsibilities among the various government agencies, which are to establish a clean and efficient small government suitable to the requirements of the market economy for the prevention of corruption.

First, there is the division of administrative functions and delegated powers. The division of administrative functions and delegation of powers is a key element in the development of public administration. It is an important instrument for achieving democratic policies. It also provides the organizational basis for rapid economic development. The fundamental objective of the development of public administration is to mobilize and increase the vitality, efficiency, and activism of the various sectors.

Second, based on the national requirement, successful development measures are rooted in the country's social, political, and economic cultures, including collectivism and individualism. The development of public administration must go together with economic, social, scientific, and technological development. The Chinese government implements and enhances the socialist market economy with social stability. China led its administrative development following the principle of separation of government from business, changing the role of government in the management of the economy with the provision of public services and the strengthening of macro-regulations.

Third, it is downsizing to reduce government size as the common phenomenon in public administration developments in various countries. In China, with the gradual improvement of the market system, independent business management is an unavoidable requirement for the government to get rid of the planned economy. Government functions of direct management on businesses have declined. For example, after the restructuring, the Council of State's workforce was cut in half, increasing efficiency. Under the socialist market economy, certain corruptive governmental functions no longer played a positive role, which cause negative effects.

Fourth, administrative development is an arduous task that requires a lengthy and progressive process. It is to be implemented in a step-by-step manner. China is in the midst of an economic transition. Since administrative development lags behind economic development, the administrative system must be continuously developed to adapt to economic development. Consequently, the process is slow and gradual. In developing the structure and establishing the civil service system, China has taken a

step-by-step. Organizational structure development can be achieved through the division of function and working procedure. National governments are initiating deep structural reforms after a long period of institutional stagnation (O'Brien, Kevin J. 2004). The Government Affairs Service Center is one of the new administrative instruments resulting from the first reforms.

IV. Industrial Revolution and National Development

Indeed, since World War II, a few countries such as China, South Korea, and Singapore have completed their industrialization. Attempts to industrialized countries in Latin America, Africa, Southeast Asia, and Eastern Europe have been unsuccessful, which has caused a significant increase in “the gap between the rich and the poor” in the world since the 1970s. In 2017, the average GDP per capita of the world’s 10 richest countries is 260 times greater than that of the world’s 10 poorest countries.

In this context, the process of industrialization in the developing world is generally unsustainable. China completed the process of industrialization in 40 years, which was completed in 250 years in Western countries, rapidly achieving industrialization. Since 1978, it has achieved a rapid economic growth exceeding 9.6% per year, becoming the world’s second-largest economy. The achievement of economic growth has been characterized as a “Chinese miracle”.

1. The Performance of China's Economic Development

The Chinese miracle is a mystery to western economic theories, because the existing classical economy, the neoclassical economy, and the new institutional economy cannot fully explain this phenomenon. The rapid development of China is referred to as a “miracle” by Western discourse. However, the rapid development of China has brought about a major change in world history. The process contributed to China’s strength in the healthy development of human civilization, which demonstrated China’s experience in the development history of world industrial civilization. The accomplishments of the Chinese miracle can be explained from various perspectives.

First, the Chinese miracle of development has contributed significantly to global

economic growth. During the last 40 years of reform, the Chinese economy has maintained a high growth rate, with an average annual contribution rate of more than 30 percent of global economic growth. China is a major driver of global economic growth. According to World Bank, between 1981 and 2012, China's urban and rural poor population declined by 790 million, representing 72 percent of the world's poverty reduction. China contributes significantly to the reduction of global poverty. Through poverty reduction, China plans to eliminate the poor population in China. In other words, China's development fosters global economic growth.

Second, from the point of view of developing an industrialized society, China's accomplishments are remarkable. At present, the global population is about 7.263 billion, and China's population is 1.405 billion, accounting for 19.34% of the world's population. China's industrialization contributes nearly 20 percent to global industrialization. The contribution of globalization to global industrialization is nearly 20%, more than doubling the total population of industrialized nations.

Third, China's developed manufacturing industry supplies high-quality and cheap industrial products to the world. In 2016, China produced 808 million tons of steel (accounting for 49.6% of the world's total), 2.41 billion tons of cement (accounting for over 57% of the world's total), and more than 28 million cars (accounting for 29.5% of the world's total). Among more than 500 major industrial products worldwide, China has more than 220 production types, ranking first in the world, becoming a manufacturing center. This huge industrial production capacity has encouraged the development of infrastructure construction in China.

2. The Importance of China's Economic Development

China's rapid growth demonstrates from various perspectives. First, China's rapid growth demonstrates that manufacturing is the foundation of a powerful nation. Manufacturing is a key component of any modern economy, and its importance is primarily reflected in its contribution to GDP. Most of the major technological advances and innovations are based on industrial practice and business dynamics. Manufacturing itself consists of many interdependent and interdependent components. The development of manufacturing depends on many factors that collectively affect the overall appearance of a country's political, economic, legal, educational, social, and medical systems.

Second, China's development has made it possible for other developing countries to take a different path than that of the West. China has almost 20 percent of the world's population. In less than 70 years, China has achieved a significant historic reversal through the peaceful development from the "low-income countries of the world" to the "middle-income and high-income countries of the world", instead of repeating the old path of colonialism and imperialism (Wen, 2016:13). The successful experience of China's industrialization can serve as an example for other developing countries. It is to learn and provide experience in other undeveloped countries to begin industrialization.

Third, with the rise of China, China has assumed increasing responsibilities in global governance, maintaining the orderly functioning of the global market in the economic sphere. In the financial sector, China has changed from a net capital importer to a net capital exporter. In 2014, China proposed the establishment of an Asian Infrastructure Investment Bank to provide financial support to the Asian region and the world (The Ministry of Foreign Affairs of the People's Republic of China, 2016). In promoting global connectivity, China highlighted the initiative of 'The Belt and Road' to promote infrastructure connectivity and strive to open up the global market.

Fourth, China's great successful practice in the 40 years of rapid growth is related to the state theory of economic theory as the theory of neostatism, which emphasizes the success of the contemporary socio-political economy with Chinese characteristics based on the spirit of pragmatism and a stable political system.

V. State-building & Industrial Development.

1. The Concept of State-building

To strengthen the role of the state in the industrial development process and to eliminate problems such as government failure and corruption, the importance of effective state-building needs to be emphasized. The concept of state-building has its origins in political science research. The British Agency for International Development said in its 2008 report of "National Development: Understanding state-building" that state-building is "a process by which a country strengthens its national capacities".

Some domestic scholars define modern state-building as the continuous adjustment of the state machine to adapt to modern economic and social life to effectively achieve national goals.

From the point of view of political economy, the state-building behavior belongs to the political superstructure movement, and the ultimate purpose of political development is to serve economic development. This requires that the basic direction of political development should be consistent with the direction of economic development. Real political development will form a virtuous circle with economic development, where politics and the economy promote and advance together. An effective state-building is a process of adapting to the requirements of economic development, perfecting the functions of the state, improving the governance capability, and enhancing the ability of innovation. In such a state-building process, it is necessary to adapt to the new environment and new conditions by reforming the old system and constructing a new system. It is about continuously building the governance capacity of the country and improving the effectiveness of the implementation of the system without corruption based on accountability and transparency.

Authoritarianism based on corruption and clientelism without free media and civil society is likely to decrease social capital (Fukuyama, 2014; Yun, 2016:158). Lack of state capacity based on incompetent government with the high level of corruption in developing countries has induced the abuse of power (Yun, 2016:158). As Fukuyama(2004) has argued, the notion of “building up, rather than limiting or cutting back the state” is required to achieve a strong state, which is regarded as the highest level of state capacity including the performance of effective government institutions of public interest (Yun, 2016).

2. The Effectiveness of State-building

The backwardness of state-building has led to the decline and failure of the country. The effectiveness of state-building, as the process of building and constructing a nation's superstructure, is related to the rise and fall of a nation's national strength, and a more significant indicator reflecting the strength of a nation is the level of economic development. For a long time, fewer than 20 percent of the world's population lives in a few economically developed countries, and 80 percent of the world's population lives in developing countries.

In the course of the development and expansion of the crisis, it is stressed that the governance capacity of the State is not sufficient and the governance of the State is incompetent. Following the Great Depression of 1929, “Keynesianism”, which advocated government intervention, officially entered the historic phase. The economic thinking of state intervention greatly strengthened the state-building capacity of capitalist countries in the laissez-faire period.

The key to poor countries failing to develop their economies is the inadequate level of institutional development. Poor developing countries limit the capacity of government, trying to shift affairs from the state to the free market or civil society. Most underdeveloped countries have formed flexible governments in their countries, but free markets and civil society cannot be formed spontaneously in such an environment. Developing countries that follow the dominant economic discourse, do not achieve the process of economic development due to weak and incompetent governments, which is caused by the failure of the state-building.

The Modernisation of National Governance for Strengthening the State will be necessary. State-building is a superstructure-building process aimed at securing economic development. To carry out state-building over a long period, it is necessary to continuously promote the modernization of national governance. The modernization of national governance is therefore a longstanding requirement accompanied by the improvement of the country's level of economic development.

In particular, the modernization of national governance involves the modernization of the national governance system and the modernization of national governance capacity. Modernizing the national governance system aims to bring about adaptive changes to government structure, government functions, management practices, and power relationships. Depending on the new situation and the new characteristics of economic development, various systems and mechanisms may serve the better economic base rather than impediments to economic development. The modernization of national governance capacity such as Singapore, which is a country of integrity, aims to promote the continuous progress of reforms, protect national security and interests, and manage a variety of complex international affairs.

China should consider modernizing state governance as a long-term proposal to strengthen the state in a governance crisis and to achieve continuous economic development. The modernization of state governance is an important means of enhancing state governance capacity without corruption. The main requisites for good

governance include (1) political legitimacy for the state, (2) accountability and transparency in the sharing of information, (3) separation of powers, (4) effective internal and external audit, (5) effective means of combating corruption and nepotism, (6) competence of public servants, (7) impartial and accessible justice systems (Balboa and Medalla, 2006:1; Yun, 2016:156).

3. The Meaning of State-building

The main demonstration of China's development is the expansion of its economy. The success of China's domestic governance capability was an effective centralized model. The long history, cultural tradition, and experience of economic and social development provided the new China with strong national power and an effective hierarchy. There is a national governance regime for talent selection and nomination. China has a unique set of state-building experiences with societal progress and a sound national governance system based on historical experience. As a result, the People's Republic of China quickly reached economic development for a short period following the founding of the People's Republic of China. The West took 250–300 years to complete the industrial development, but China achieved a major historical economic development. Indeed, the essence of China's economic catch-up is that with the traditional wisdom of state-building, China is an effective domestic governance capacity. As Fukuyama stated, "China has become China because it has begun the process of state-building" (Fukuyama, 2007).

State-building will become a key to national strength. Efficient state-building has gradually become a major proposal in today's world. The development of western society is based on the successful experience of state-building to solve the increasing economic, political, and social problems with maintaining the stability of the domestic order. As a new and emerging power, China has accumulated a rich experience of state-building in its development process because of its vast territory, regional diversity, ethnic diversity, and strong cultural diversity. The effective theory of national construction is to prevent corruption, establish a stable social order and environment in unstable and poor countries and regions, and resume regional economic development.

VI. Conclusion

Modern China is a "capitalist country dominated by the Communist Party". The official position of the Chinese government is a "socialist market economy state" that advocates socialism led by the Communist Party politically and capitalism operated by market functions economically. Modern China criticizes the feudal order and system, but the bureaucratic culture is stronger than any other country and the authority of the ruler remains strong. This phenomenon is mixed with traditional political culture and socialist authority systems. In a socialist society, traditional political culture shows the characteristics of state unionism forms and systems such as expanding bureaucracy, promoting developmental administrative strategies, lacking media functions, weakening civil society, and strengthening ideology education.

The economic growth of China is related to the theory of neo-statism based on effective state-building, which forms a centralized bureaucratic culture and system of the state. In the view of neo-statism, it is the goal of policy to promote economic growth through the process of cooperation and competition based on the mutual interests of the market and government without corruption. The two types of new institutionalism²⁾ have, on the whole, contributed to the formation of state capitalism in China (Yun, 2015). Consequently, it may be appropriate to point out that the doctrines of neo-statism and new institutionalism had, to a great extent, exerted an influence in forming state capitalism (Yun, 2015). The process of economic growth in China can be explained by the doctrine of neo-statism and new institutionalism.

In this article, the results suggest that while corruption has not reduced economic growth, it has had a significant impact on economic efficiency, which can motivate the leaders of the CPC (Chinese Communist Party) to pursue reforms to fight new forms of economic crime and corruption. Ultimately, corruption is an impediment to economic development and has a serious impact on economic efficiency.

2) New Institutionalism is based on the relationship of the network of government institutions and private companies(Yun, 2015:191). The doctrine of historical and sociological institutionalism exerts an influence in forming state capitalism: historical Institutionalism based on path dependence, and sociological Institutionalism related to the importance of culture (Yun, 2015:191).

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<Abstract>

Corruption and Economic Development in China

– Focused on the Theory of the State-building of Neo-statism –

Yun, Eun Gee

Corruption is a major obstacle to the nation's ability and economic development. The function and role of government significantly affects the effect on economic growth. Since the early 1980s, China has recorded the fastest economic growth rate in the world. Meanwhile, corruption continues along with economic reform in China. Economic growth means quantitative growth of GDP, but economic development is qualitative growth, including reduction of relative poverty, wealth distribution, and economic equality. The implementation of effective policies to prevent corruption can be regarded as an important prerequisite for economic development rather than economic growth. The strategies for promoting economic development in China have emphasized the formation of the networks of economic, political and social institutions through "the mutual interaction of government and the market" based on neo-statism. This study analyzes the influence of economic development and corruption along with discussions on the function and role of an efficient state based on the state-building of neo-statism. Ultimately, corruption will have a negative impact on economic development and can act as a negative factor for economic efficiency. This study analyzed the relationship between corruption and economic development as a case study in China, and discussed the importance of efficient national capabilities.

Key words: China, Corruption, Economic Development, Economic Growth, Neo-statism, State-building