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**CORRUPTION AND LEFT-WING BELIEFS IN A POST-SOCIALIST
TRANSITION ECONOMY: EVIDENCE FROM CHINA'S 'HARMONIOUS
SOCIETY'**

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Abstract:

We find that perceptions of corruption are positively correlated with left-wing beliefs across 32 Chinese cities, controlling for income, personal characteristics and ideology.

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Keywords: beliefs, corruption, fairness, political legitimacy.

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1. INTRODUCTION

China's market reforms have resulted in a substantial improvement in the living standards of most of the urban population. However, at the same time they have also generated marked increases in income inequality and endemic corruption on a large scale. And while many have benefited from the marketization process there are also the aggrieved, such as those laid-off as part of China's state-owned enterprise restructuring, who have become increasingly vocal in reminding the state of its socialist claim to legitimacy and of promises of egalitarianism made during the Maoist past. One famous example is the case of Wang Shanbao, a 55-year-old worker retrenched from the state-owned sector, whose protest in 2001 took the form of drawing sketches of Chairman Mao on the pavement outside his factory, which drew daily crowds until the factory managers gave him back his job (Forney, 2003).

Several studies for capitalist countries exist which suggest that individuals who believe that success is the outcome of 'luck and connections' rather than hard work tend to prefer more leftist policies (Alesina *et al.*, 2001; Alesina & Angeletos, 2005; Alesina & La Ferrara, 2005). This is especially true where there is a perception that capitalism is corrupt (Di Tella & McCulloch, 2006; Djaonkv *et al.*, 2002). della Porta, (2000) and Seligson, (2002) show that perceptions of widespread corruption in Latin America undermine belief in the political system and carry important political costs. While these studies are for multi-party democracies, this is also true for a single party state such as China, whose 'gradualist approach' to reform has placed much emphasis on economic progress without significant political and social upheaval.

The Hu-Wen notion of an 'harmonious society' uses the rhetoric of striving for 'economic and social development' where the benefits of higher growth are balanced against the need to reduce income inequality, improve access to education, create jobs and provide better social protection for those whom economic reform has made worse-off. The rhetoric of a harmonious society is aimed at demonstrating the government's commitment to the construction of a socialist *market* regime on behalf of "the people" (as opposed to a re-emergent *capitalist* class). In using the rhetoric of the harmonious society, the Party-state seeks to reassure "the people" that it is responsive to the social problems and injustices that have resulted from inequalities as well as corruption that have accompanied China's rapid economic growth.

In this paper we examine how perceptions of corruption in China influence people's beliefs about access to education, income inequality, social protection and unemployment; four socioeconomic problems that constructing a harmonious society seeks to address. Foreshadowing our main results, we find that there is a positive correlation between concern about corruption and belief that access to education and income distribution is inequitable and that social protection and unemployment are very serious problems. These results are consistent with the Hu-Wen administration's attempt to construct an 'harmonious society' that appeals to the traditional communist constituency that were once paramount under Mao, but have become increasingly disillusioned by the negative side-effects of China's market reforms.

II. DATA AND EMPIRICAL SPECIFICATION

Our data are from China Mainland Marketing Research Company, which conducted face-to-face interviews with approximately 8,500 individuals in 32 Chinese cities in 2002. Interviewees were asked a number of questions about attitudes and beliefs including some designed to capture anti-market sentiments. These included questions on access to education (*Education-L*), social protection (*Social-Protection-L*), income inequality (*Income Inequality-L*) and unemployment (*Unemployment-L*). Following the approach in Di Tella *et al.* (2008), the L-extension indicates that higher values on these variables suggest left-wing leanings. For example, *Education-L* is a dummy variable equal to 0 if the answer to the question: "Please evaluate the degree of fairness in receipt of educational opportunities" was "very fair", "fair", "neither fair nor unfair" or "unfair" and 1 if the answer was "very unfair". We also have data on the respondent's perception of corruption. In response to the question: *Do you consider the problem of corruption among officials to be serious? Perception of Crime* was an ordered variable where 1="not serious", 2="serious", 3="quite serious" and 4= "very serious". The appendix has a complete description of data.

The following logit regressions were estimated across the 32 Chinese cities for 2002:

$$Beliefs-L_{ic} = \alpha Corruption_{ic} + Personal\ Controls_{ic} + \phi_c + \varepsilon_{ic}$$

Here *Beliefs-L* refer to *Education-L*, *Social Protection-L*, *Income Inequality-L* or *Unemployment-L*. *Corruption* refers to perceptions of corruption. The subscripts refer to individual *i* living in city *c*. Personal controls are a set of variables controlling for

age, gender, marital status, education, income, occupation and ideology of the respondent. ϕ_c is a dummy variable denoting whether the individual lives in a coastal province where the market reforms are more progressed and ε_{ic} is the (i.i.d) error term.

III. RESULTS

Panel A of Table 1 shows how *Beliefs-L* vary according to perceptions of corruption, controlling for personal characteristics (other than ideology) and location of the respondent. The corruption variable is positive and significant in each case. The results suggest that the more serious an individual perceives corruption to be, the more likely it is that he or she will hold left-wing views on access to education, income inequality, social protection and unemployment. The marginal effects of perceptions of corruption on perceptions of income inequality are larger than on seriousness of unemployment which, in turn, is larger than on perceptions of seriousness of social protection and inequality in access to education.

Insert Table 1

Panel B of Table 1 presents a similar set of regressions, but in addition to the control variables in Table 1, we also control for ideology of the respondent. The survey does not have a question that asks directly about ideology. Thus, we use the mean value of responses to a question on perceptions of conflict between five categories of people designed to represent capital and labor, where individuals who report higher levels of conflict are assumed to be to the left of the ideological spectrum (see appendix for the details). The results for the corruption variable in Panel B are similar to Panel A.

IV. CONCLUSION

We have examined the relationship between perceptions of corruptions and left-wing beliefs in urban China. We find a positive correlation between perceptions that corruption is a problem and holding left-wing beliefs, which is robust to the inclusion of controls for personal characteristics of the respondent including his or her ideology and the locale in which he or she lives. That there is a positive correlation between corruption and left-wing beliefs in urban China, suggest the potential for resistance to further marketization. This has been manifest in the form of widespread protests, particularly in the iron-rust belt of Central and North-East China. In this respect, the Hu-Wen notion of a harmonious society which places emphasis on reducing income

inequality, creating more jobs, improving access to education and improving social protection, can be seen as a direct appeal to those concerned about corruption and redistribution and thus an attempt to ensure political and social stability.

Table 1: Perceptions of corruption on left wing beliefs in urban China

	<i>Education-L</i>	<i>Social Protection-L</i>	<i>Income Inequality L</i>	<i>Unemployment L</i>
PANEL A				
Perception of Corruption	0.012 (6.02)	0.054 (17.94)	0.160 (36.52)	0.209 (34.30)
Personal Controls (Excluding Ideology)	YES	YES	YES	YES
Coastal Dummy	YES	YES	YES	YES
Pseudo R ²	0.026	0.073	0.152	0.145
Number of Observations	8414	7977	8408	8457
PANEL B				
Perception of Corruption	0.010 (5.55)	0.053 (17.82)	0.158 (36.05)	0.208 (34.25)
Personal Controls (Including Ideology)	YES	YES	YES	YES
Coastal Dummy	YES	YES	YES	YES
Pseudo R ²	0.044	0.073	0.156	0.146
Number of Observations	8406	7969	8400	8449

Notes: [1] All variable definitions are in the appendix. [2] Marginal effects are reported. [3] Values of z-statistics are in parenthesis.

Appendix

China Mainland Marketing Research Company, which is a spin-off from the Chinese State Statistical Bureau, conducted an annual public opinion survey of approximately 8,500 urban residents across 32 Chinese cities in 2002. The surveys were administered through face-to-face interviews with urban residents, aged 18 and above.

Education-L: A dummy variable equal to 0 if the answer to the question: “Please evaluate the degree of fairness in receipt of educational opportunities” was “very fair”, “fair”, “neither fair nor unfair” or “unfair” and 1 if the answer was “very unfair”.

Social Protection-L: A dummy variable equal to 0 if the answer to the question: “Do you consider the problem of providing social protection and bad management of social welfare to be serious?” was “not serious”, “serious” or “quite serious” and 1 if the answer was “very serious”.

Income Inequality-L: A dummy variable equal to 0 if the answer to the question: “Please evaluate the degree of fairness in the distribution of income” was “very fair”, “fair”, “neither fair nor unfair” or “unfair” and 1 if the answer was “very unfair”.

Unemployment-L: A dummy variable equal to 0 if the answer to the question: “Do you consider the problem of unemployment and being laid-off to be serious?” was “not serious”, “serious” or “quite serious” and 1 if the answer was “very serious”.

Perception of Corruption: In response to the question: “Do you consider the problem of corruption among officials to be serious?” 1=“not serious”, 2=“serious”, 3=“quite serious”, 4= “very serious”.

Control Variables:

Age: Respondent’s age in years.

Gender: A dummy variable equal to 1 if the respondent is male and 0 if the respondent is female.

Marital Status: A set of dummy variables corresponding to whether the respondent was single, married, divorced and not remarried, divorced and remarried, widowed and not remarried or widowed and remarried.

Education: A set of dummy variables corresponding to the respondent’s highest education level: Junior secondary school or below, Senior secondary school, Polytechnic school, three year higher degree or above.

Income: Respondent’s monthly household income (in RMB).

Occupation: A set of dummy variables for the respondent’s occupation.

Coastal: A dummy variable equal to 1 if the respondent lives in a coastal province; zero otherwise.

Ideology: Mean value of responses to the question “Do you perceive there to be a conflict of interest between the following?” The five categories are (a) between the poor and the wealthy, (b) between white collar and blue collar workers, (c) between labor and capital in private enterprises, (d) between labor and capital in foreign funded enterprises, (e) between labor and capital in joint ventures. Possible answers are 1= “no conflict”, 2= “very little conflict”, 3= “little conflict”, 4= “considerable conflict” and 5= “serious conflict”. We interpret people who report higher levels of conflict to be to the left of the ideological spectrum.

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