In Focus
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Informal Economic Behaviour and Authoritarian Regime Instability

Previous studies on informal economic behaviour (IEB) or corruption in China have drawn diverging implications. In some studies, IEB is seen as a lubricant to smooth things out and increase efficiency amid the rapid economic growth. In others, IEB is considered to be detrimental to healthy socio-economic development. Almost all existing studies have focused on the receiving parties, but neglected the side that gives and offers briberies. Tang Wenfang, Professor of Political Science at the University of Iowa, presents his study on IEB in China, based on survey data that captures the parties giving briberies.

The 2018 Informal Economic Behaviour Survey was conducted across 25 provinces in China with a national representative sample. The survey asked respondents whether they had visited governmental offices in sectors related to education, health care, local government and/or police/law. If yes, the respondents were also asked if they had practised any IEB, including giving significant cash, gifts, red packets, or providing help to the officers.

Two-thirds of the respondents reported interactions with either of the four government sectors listed. Among them, 7.12% who visited the health-care offices indicated that they had practised IEB, 8.62% in education offices, 6.77% in local government offices and 6.44% in police/law offices. Overall, a total of 12.33% respondents admitted that they had practised IEB while visiting government offices.

Doubting the unusually low percentages, Professor Tang used the list experiment method to detect the hidden percentages. The experiment divided the respondents into two groups, namely, the control group and the treatment groups. Respondents in the control group were provided four statements and asked to indicate, from 0 to 4, the number of statements they would agree with. They were asked not to mention the specific item they agree with.

There are four treatment groups, each of which were asked the same question as the control group, with one more statement added to the choices. The additional statement asked the treatment groups whether they have made an informal payment/gift/did a favour in addition to a required formal fee in exchange for services of government employees in either health care (treatment group 1), education (treatment group 2), local government offices (treatment group 3), or public security and law (treatment group 4). Similarly, the respondents were asked to provide a number, 0 to 5, indicating the number of statements they agree with.

After adjusting with the weight factor, results show that there should be a total of 47.65% who actually practised IEB. This revealed a high percentage of people who hid their responses in the initial survey questions. Indeed, almost 60% respondents saw a low risk in giving bribery. Further analysis reveals that respondents with higher income are more likely to practise IEB. Migrants and people with urban hukou are also more likely to do so.

In terms of the consequences of IEB, the analysis revealed that respondents would tend to have lower satisfaction with government policies when IEB increases. Consistent results have shown that IEB is hurting China’s regime legitimacy by significantly reducing the public’s political trust in the authoritarian regime. These findings suggest that China’s anti-corruption campaign has not been successful at the societal level.