
Social Transition and Crime in China: An Economic Motivation Thesis

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Perspectives on crime and social change are limited because few studies have examined the transition from state socialism to a market economy. This article proposes an economic motivation thesis, arguing that the introduction of market institutions in the transition from state socialism to a market economy generates vast economic motivation as well as fundamental institutional change. The massive expansion of economic motivation is a primary source of increased crime in China. The introduction of market institutions also creates conditions known as 'institutional incompatibility' and 'institutional disorganisation', which create unprecedented opportunities for economically motivated crimes. This article provides historical evidence from China to illustrate the processes and to substantiate the economic motivation thesis.

Explaining rising crime during rapid social change has long been a classic endeavour in sociology. Durkheim's anomie theory has been the dominant perspective. Durkheim explains the rising crime and deviance during the French industrial revolution by applying his now classic concept of anomie, which he defines as the breakdown of the traditional value system (Durkheim, 1933, 1950). The topic regained renewed attention in contemporary social research when international comparative data became available in the 1970s. Contemporary theoretical work based on variants of the anomie perspective continue Durkheim's heritage; the most influential work includes Merton's version of anomie theory (1938) and Shelley's modernisation thesis (1981), and more recently, Messner and Rosenfeld's institutional anomie theory (1994, 1997). Other important theoretical theses include Elias' (1978) 'civilising process', and Kick & LaFree's (1985) 'opportunity' theory. Most empirical studies apply some variant of the Durkheimian framework and use cross-national data to examine the relationship between levels of crimes and social change and development (Bennett, 1991). The vast bulk of the empirical work deals with homicide (Messner, 2001) and findings have been mixed (see for reviews of the literature LaFree & Kick, 1986; Neuman & Berger, 1988; Neapolitan, 1997; LaFree, 1999).

Although these studies have contributed to understanding crime and social change, important limitations remain to the theory. First, existing perspectives are largely based on the Durkheimian anomie paradigm, and the development of alternative theoretical

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frameworks has not been sufficiently considered. While anomie is important in explaining crime during social transition, other social causes are also implicated. Second, theoretical perspectives have been largely based on data from advanced western capitalist societies and third-world capitalist developing economies after World War II and in the 1960s and 1970s. Little work has been done on crime and the contemporary social transition from state socialist societies to market economies that has occurred on a large scale in the 1990s in a number of previously socialist countries. Important features of this new type of change suggest social processes that previous theories have not sufficiently addressed. Third, theories have focused on exploring factors that influence levels of crime and have paid little attention to the underlying institutional sources. Little theoretical attention has been given to how fundamental institutional change has affected patterns of crime during social change and how it contributes to the crime production process in addition to all other sources of crimes.

China represents an important example of the social transition from a state socialist society to a market economy. Rapid social change in China over two and half decades has had profound social consequences. The introduction of market institutions has brought about unprecedented economic growth, while engendering rapid increases in crime. From 1978 to 2003, China's real GDP increased at an annual average of 9.47% (China's 2003 GDP was \$US1.4 trillion), catapulting China into the global economy as the sixth largest in the world (China Statistical Yearbook, 2003). However, the official crime rate reached 337.5 per 100,000 population in 2002 from a rate of 55.91 per 100,000 in 1978 (China Law Yearbook, 2003).

This article deviates from the dominant anomie tradition in proposing an economic motivation thesis of social change and crime, arguing that the massive expansion of economic motivation generated by institutional change, chiefly the introduction of market institutions, is a primary source of increased crime during the transition from a state socialist to a market economy. The gradual introduction of market institutions has created distinctive conditions, 'institutional incompatibility' and 'institutional disorganisation'. 'Institutional incompatibility' refers to the condition where market institutions pose demands that are incompatible with the institutions of the socialist command economy. 'Institutional disorganisation' refers to a condition where the institutional arrangement loses coordination, leading to confusion and malfunction in social control. These conditions create unprecedented opportunities for economically motivated crimes such as graft and corruption, and crimes for monetary gain such as robbery and theft. Historical evidence from China is given to substantiate the thesis.

Theories of Social Change and Crime

As noted, the origin of the research on crime and deviance during periods of social change goes back to the work of Durkheim. Durkheim focused on the forces of social integration, emphasising the central role of collective consensual values in maintaining social integration and social control. He argued that in a time of rapid social change the integrative force of the collective conscience is disrupted and consensus on social values breaks down, resulting in social disintegration — a normless condition he termed 'anomie' and which he theorised was the source of increased crime (Durkheim, 1933, 1950; Hinkle, 1976).

Merton's version of anomie theory argues that the economic opportunity structure in a capitalist society is crucial (Merton, 1938) and that the blocking of legitimate economic opportunities among the lower classes and minorities is rooted in structural inequality. Blocked opportunities are invitations to criminal innovation as a reaction to strain or anomie. Merton's theory is often invoked to explain crime during social change because inequality is typically a pronounced social condition in times of social change. Continuing the anomie tradition, Shelley's modernisation thesis (1981) specifies changing patterns for violent and property crimes during periods of modernisation. She proposes that levels of such crime vary depending on the stage of modernisation and the offence under consideration. At earlier stages of modernisation, both violent and property crime levels rise. In later stages, violent crime subsides as rural migrants adjust to urban life and their behaviour becomes less influenced by the tradition of violence associated with rural life. Anomie, along with social disorganisation and weak control, are the underlying social processes that produce these crime patterns during social transition.

Other major theories include Elias's civilisation thesis, world system/dependency theory (Neapolitan, 1997), and opportunity theory (Kick & LaFree, 1985; LaFree & Kick, 1986). Elias' (1978) civilising process argues that both micro-level and macro-level changes occur as a society becomes more developed. The micro-level changes occur at the level of the individuals' personalities, which become more civilised or refined as customs and manners are diffused from elite behaviour; behaviour becomes more self-controlled. At a macro level, capitalist economies reduce interpersonal violence since violence and crime undermine the mutual trust on which markets are based. Also, modern nation-states monopolise the use of violence and power, creating a relatively stable framework for social interaction (Neapolitan, 1997, p. 71). These micro- and macro-level social changes imply decreased violence and crimes. The world systems/dependency theory, however, is concerned primarily with crime in developing countries. This perspective argues that advanced capitalist economies dominate and exploit developing countries. The subordinate and dependent position of these countries is a cause of extreme poverty, inequality, and political oppression that generates increased crime rates in less developed countries (Neapolitan, 1997, p. 76). Kick and LaFree's (1985) opportunity theory, based on a large number of cross-national studies, proposes that modernisation and economic development enhance urbanisation, which decreases interpersonal ties and contact among intimates and acquaintances, thereby reducing interpersonal violence while increasing opportunities for theft by providing a vast supply of readily available commodities when customary surveillance and social control is lower (Kick & LaFree, 1985; LaFree & Kick, 1986; see reviews by LaFree, 1999; Messner, 2001; Neapolitan, 1997; Neuman & Berger, 1988).

Recently, scholars have turned their attention to the processes of globalisation and the criminogenic consequences of the expansion of markets by advanced capitalism (Findlay, 1999). They suggest that criminogenic conditions include the spread of rampant individualism (Currie, 1991), the decline of reform policies that mitigate criminogenic conditions (Teeple, 1995), and increased opportunities for transnational organised crime (Mittelman, 1996; Castells, 1997). In the context of their institutional anomie theory, Messner and Rosenfeld (1997, 2000) argue for the need to restrain the market and prevent economic institutions from dominating other institutional realms.

They argue that in the United States, economic institutions assume dominance over all other institutions, creating unbalanced institutional arrangements that diminish the capacity of other institutions to curb criminogenic cultural pressures and to control behaviour in American society.

With a few exceptions, most empirical studies of social change and crime are cross-national studies of social and economic development and crimes (Bennett, 1991). In the 1970s, criminologists began to recognise the importance of comparative studies of crime (Clinard & Abbott, 1973, p. 3). This created a surge of interest in studies based on cross-national data. These cross-national studies typically invoked variants of the Durkheimian perspective as a general theoretical framework. Gartner (1990) has summarised the factors contributing to the level of crime examined by cross-national studies into four general groups: the material context, the integrative context, the demographic context and the cultural context. These studies found a consistent pattern: that modernisation and development are associated with increases in property crime mostly measured by theft, and decreases in violent crime mostly measured by homicide. (For an opposing view see Bennett, 1991; Ortega et al., 1992.) In sum, existing theories and research are mostly based on processes of social change in advanced capitalist societies or on postwar decolonisation and development in the 1960s and 1970s within third-world country market economies. This paper looks for sources of rising crime by analysing special features of institutional change and institutional arrangements during the social transition from a socialist to a market economy.

The Transition From State Socialism to a Market Economy and an Economic Motivation Thesis

A major current social change is the transition from state socialism to a market economy. Most state socialist countries in Eastern Europe and Asia adopted sweeping market reforms during the 1980s and 1990s (Broadhurst, 2002; Gerber & Hout, 1998; Róna-Tas, 1994; Walder, 1994). A sizable body of research has appeared on the impact of the accompanying social transition. Studies, especially those based on data from China, have produced theoretical work on social transition (Nee, 1989, 1991, 1996; Nee & Cao, 1996) and its impact on stratification dynamics (Bian, 2002; Xie & Hannum, 1996; Zhou, Tuma, & Moen, 1996), the workplace (Bian, 1994; Davis, 1992; Walder, 1992) and political authority (Walder, 1995a; Walder, 1995b; for a comprehensive review see Bian, 2002).

Crime as a consequence of the social transition has attracted scholarly attention. Scholars have linked increased crime to economic inequality (e.g., Cao & Dai, 2001; Dai, 1997). By 2000, the Gini coefficient, a measure of inequality, had increased to 0.45 in China (Tong, 2003). Others have proposed that crime is a result of massive migration of rural workers to urban areas. A 16-city survey reported that 28% (Jinan) to 97% (Shenzhen) of crimes are committed by migrants (Feng, 1995); some reported that about 60% of crimes are committed by migrants (Dai, 1997). Other sources of crime include anomie and changes in social values (e.g., Deng & Cordilia, 1999), declining communitarianism (e.g., Anderson & Gil, 1998) and the reduced effectiveness of traditional informal controls (e.g., Rojek, 1996). As internal migration policies have liberalised the restrictions on rural migrants' access to urban resident status, the migration process has become more extensive.

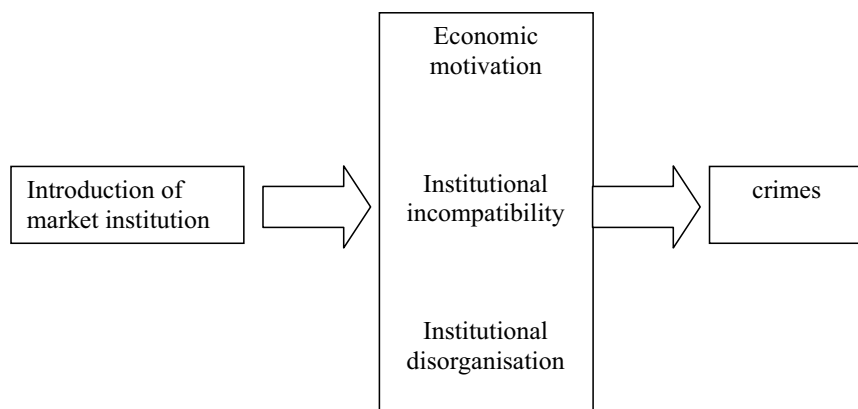
**FIGURE 1**

Diagram for economic motivation thesis

This paper proposes an economic motivation thesis of social change and crime to explain patterns of crime by addressing features of institutional change and arrangements during the transition. Figure 1 illustrates arguments of the thesis diagrammatically.

The remarkable contrast between the institutional arrangements of a socialist command economy and a market economy is a distinctive characteristic of the social transition. The traditional socialist institutional arrangement features the institutionalised suppression of an individual's economic motivation, while market economies consider economic motivation fundamental to the operation and efficiency of the economy. A state socialist society is built on a command economy, its social values are dominated by Party-state ideology, and it is a largely 'closed' society with very limited trade and cultural exchange with western countries. In contrast, a market economy is based on market institutions and free trade in an 'open' society.

The social transition is typically characterised by the gradual or partial adoption of the market institutions, along with changes in political institutions and a rapid increase in trade and cultural exchange with western capitalist countries. In China, for example, the institutions of the market economy have been selectively introduced and experimented with, so that only those elements perceived as 'useful' were adopted, while persistent efforts were made to retain many characteristics of traditional socialist institutions. The recent trend, accelerated by WTO membership, has been towards a wider and more systematic adoption of market institutions. The process of partial and gradual adoption of market institutions has led to extensive institutional incompatibilities and institutional disorganisation during the social transition. The role of these institutional changes and conditions and how they contribute to the special crime patterns evident in the transition process is explored here.

In this article, I focus on sources of increased crime in the changing institutional arrangements. The general Marxist perspective argues that the socialist system was a response to the problems of private ownership and capitalist market institutions. Marx argued that the most important characteristic of the capitalist mode of production is

the constant motive to maximise profit by exploiting wage (alienated) labour (Marx, 1967). The first and primary characteristic of a socialist institutional arrangement is a planned economy based on the state and collective ownership of enterprises, highly centralised fiscal control, planning and bureaucracy, and a relatively egalitarian income distribution. The state determines all economic plans and the relocation of factors of production, and administers the production, exchange and redistribution of goods and services. State enterprises and local government have very little autonomy in economic operations. The state sets the production targets, labour, capital and raw material available to enterprises. Individuals' economic ambition and entrepreneurial spirit are incompatible with these institutional arrangements.

The second main characteristic of the socialist institutional arrangements is that the system embodies the Party-state ideology that emphasises the individual's obedience to the state and the collective. The functionality of the system demands that individuals place the state and the collective's goals above personal interests. Pursuing personal economic interests is a 'bourgeois' or 'capitalist' activity, which radical communist theorists criticised as a potential source of capitalism. At times, Chinese policies that allowed the pursuit of limited individual economic interests were criticised as 'tails of capitalism'. Government ideology and policy virtually prohibit individual economic ambition and instill socialist values through political campaigns and frequent political education. A third feature is that the society is relatively closed. The level of trade and information exchange with advanced capitalist societies is generally quite low, and is controlled by the government. The impact of capitalist culture and consumerism is controlled. As a result of these institutional arrangements, lack of entrepreneurial spirit, economic stagnation, enterprise inefficiency and consumer deprivation persisted in China over decades.

In marked contrast, under a market economy the pursuit of self-interest and the selfish economic motives of individuals and business firms are accepted as fundamentally important for the operation and growth of a market economy. Adam Smith (1976) stressed this feature and stated:

[I]t is not from the benevolence of the butcher, brewer, or the baker, that we expect our dinner but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages (Smith, 1976, p. 26).

The market institutions embody the values orientation that promotes personal economic ambition, an orientation to achievement, the entrepreneurial spirit, and individualism; it rewards and encourages entrepreneurship, which is an essential factor of production. The institutional arrangements of free-market competition and enterprise autonomy are believed to lead to the optimum allocation of scarce resources, including land, labour, capital, and other factors of production, and to realise optimum economic efficiency. The free-enterprise system is believed to best facilitate the growth of the economy (Lerner, 1958, 1968; McClelland, 1961; Hagen, 1962; Levy, 1966; Parsons, 1966, 1977; Inkeles & Smith, 1974; Inkeles, 1983). Economic institutions tend to heavily influence other institutions or dominate them, while the social system is open and encourages individualism and consumerism.

The transition towards a market economy brings about enormous economic motivation due to fundamental institutional changes. First, market institutions bring

and justify social action that place profit-seeking above all other objectives. The market creates unprecedented opportunities for the free pursuit of self-interest and personal wealth. Second, disenchantment with the Communist Party ideology (e.g., in Eastern Europe) and the change in Party-state ideology (e.g., in China) from suppression of individual economic motivation to justification and promotion effectively enhances the motive for profit in the population. Third, the institutional change from a 'closed' socialist society to an 'open' society during the process of market transition brings in new perspectives, consumer goods, and the admiration of a western materialistic lifestyle. These changes arouse the desire to lift living standards and stimulate a growth of consumerism and motivation for economic interests.

I argue that the immense economic motive created by institutional change is a primary cause of rapidly increasing crime. The majority of crimes created during transition are largely the result of purposive economic behaviours. These crimes, the same as other economic behaviours, are motivated by rational profit-gaining objectives. Other causes of crimes suggested by current theories, such as anomie, inequality, disorganisation and subculture, are also at work to increase crimes; however, the economic motivation thesis argues that economic motives have a primary role in increasing crime during the transition. The empirical implication of the thesis is that economically motivated crimes will show different patterns from that of noneconomically motivated crimes. A study (Liu, 2004) has found that during transition economically motivated crimes not only remain at higher levels but have also increased faster than noneconomically motivated crimes.

Economically motivated crimes include economic crimes, such as corruption, and those conventional crimes that are committed for economic gain, such as robbery and larceny. Economic crimes, which disrupt the economic order, have become an acute concern in transitional societies. Scholars have reported that economic crimes occurred more frequently and with a faster rate of increase than other crimes in China (Yu, 2003; Chen et al., 2004; Li, 2004; Song, 2004); economic crimes were estimated to have cost China more than 1% of total GDP (Yu, 2003). However, theoretical work to date has not provided an explicit framework for analysing economic crimes. The economic motivation thesis suggests such a framework; it explains that the gradual and partial adoption of market institutions into the socialist system creates 'institutional incompatibility', a special condition of the institutional arrangement during social transition that creates vast opportunities for economic crime. The introduction of market institutions also results in 'institutional disorganisation', which similarly creates opportunities for all economically motivated crimes.

As defined before, institutional incompatibility refers to the condition where market institutions pose demands that are incompatible with established institutions of the socialist command economy. Also defined before, institutional disorganisation is a condition where the institution loses coordination and thus institutional arrangements are 'disorganised', leading to confusion and malfunction in social control. This concept addresses the source of weakened social control at the institutional level. In the following section, I review historical evidence from China's social transition to substantiate the economic motivation thesis.

Historical Evidence During China's Social Transition

The Chinese Communist Party's decision at the Eleventh Congress's third plenary meeting in 1978 marked a breaking away from the radical theory and practice of Mao Zedong and the taking of a much more pragmatic approach towards economic development under Deng Xiaoping to resolve the problems of decades of persistently poor economic performance. The process of economic reform over more than two decades was a history of government exploration of, and experimentation with, different policies to stimulate the economic motivation of firms, local governments and citizens to improve productivity and efficiency (Garnaut, 2001). The major reform measures followed a route of developing commodity markets, decentralisation, property rights reform and, later, developing a full-fledged market economy. Gradual and partial introduction of market institutions has been the essential feature of the process.

The Chinese economic reforms began in rural areas. Rural China was organised into a 'people's commune' system, which consisted of large collective brigades, which in turn included small village-based brigades. Low productivity and low motivation to work were the most persistent and acute problems of this commune system. In the late 1970s and early 1980s, the government focused on experimenting and implementing 'the household contract responsibility system' policy, allowing farmer households to contract out land and production materials from the collectives, independently manage production, and keep the surplus products and trade them in markets after fulfilling the production plan set forth in the contract. These policies effectively brought about farmers' motivation for profit and had remarkable results: the total grain production in 1984 was double that of 1978.

The rural reforms from 1985 to 1992 focused on expanding commodity markets for farm products. The state phased out the policy of setting production plans for farmers, gradually loosened price controls and allowed the market to decide prices in order to motivate production activities by individuals and collectives. With government encouragement, townships and village-owned and -operated enterprises (TVEs) and family-based private enterprises developed into the dominant economic force in rural China (Ho, 1994; Naughton, 1995; Peng, 2001). From 1985 to 1996, the contribution of the TVEs in gross industrial output expanded from 14.6% to 27.8% (Jefferson & Rawski, 1999, p. 27; Peng, 2001). Reform continues to move in the direction of privatisation. Farm households are allowed to contract out collective land for as long as 50 years and can inherit and sell the right to use the land, which has virtually become privately owned property.

Rural reform proved that privatisation and marketisation are effective measures in stimulating economic motivation and production. These measures were then adopted in urban industrial reform from 1984 onward. The main reforms were decentralisation and property rights reform, allowing more autonomy for state enterprises and local governments (*fangquan rangli, lirong baogan*). The decentralisation had two aspects: expanding the enterprise autonomy of state-owned enterprises (SEOs), and the evolution of fiscal authority from the central government to the local governments. Both were designed to stimulate economic motivation. The major enterprise reforms included 'tax for profit' (*Li Gai Shui*) in 1984, 'contract responsibility system' (*qiye cheng bao*) in 1986, 'stock-based company'

(*gufeng zhi qiye*) since 1992, and 'building modern corporations' (*jianli xiandai qiye zhidu*), mostly undertaken since 1994.

This series of reforms extensively enlarged enterprise autonomy, and changed SOEs from tightly government-controlled units to highly autonomous enterprises largely responsible for themselves in a competitive market. For example, the 'contract responsibility system' is similar to the rural responsibility system: managers can contract out a business with the state, and be fully responsible for its profit and keep the surplus after surrendering the contracted amount of profit. The policy was written into 'Enterprise Law' in 1988 (National People's Congress, 1988). To put enterprises into the market, the government expanded market institutions systematically and extensively; these included the product, materials, labour, financial and stock markets. The reforms allow the bankruptcy of insolvent state companies and the sale of unprofitable small state enterprises. In the property rights reform, the state has formally written into the constitution the importance of private business. The state strongly encourages and supports the development of private enterprises, foreign ventures and stock-based enterprises.

The other aspect of urban reform is fiscal decentralisation, which has extensively expanded the fiscal autonomy of local governments and with it local taxes. Before the reform, local governments had little authority over fiscal revenues and expenditures. They collected profits and taxes and handed them over to the central government. In order to motivate the revenue-generating effort of local governments, the central government undertook two major reforms: the 'fiscal contract' (*caizhen baogan*) from 1980 to 1993 and the 'tax division' (*fengshui zhi*) from 1994. These reforms devolved control of most SOEs to local governments, making them the residual claimants of SOEs' profits (and losses) and accountable for their own revenue and spending. These reforms strongly stimulated the economic motivation and efficiency of local governments and between 1994 and 1998 the tax income received by the state grew at an average yearly increase of 17.7%, compared to 10% from 1980 to 1993 (PRC State Statistical Bureau, 2000, p. 53).

Along with the rural and urban industrial reform, China adopted an 'open door' policy to the international economy. In 1979, the central government decided to set up 'special zones' in four cities: Shenzheng, Zhuhai, Shantou and Xiameng. These special zones were endowed with policies designed to attract foreign investment and trade. In 1984, the government decided to open a further 14 coastal cities to foreign investment. Later, especially since 1992, the open cities policies have been extended to cover the entire nation. Since 1993, China has received more foreign investment than any other country except the United States. Large numbers of technical and management personnel come to China from western countries to establish joint venture businesses. By 1998, China received the sixth highest number of foreign tourists in the world and about 300,000 Chinese students studied in foreign universities, mostly in the United States (PRC State Statistical Bureau, 1990–99).

The reforms have introduced market institutions and successfully stimulated economic motivation. From the countryside to the cities, individual and family-based private businesses (*getihu*) boomed. Many state workers and cadres left their state jobs to pursue dreams of personal wealth. A popular cliché was 'plunge into the sea of business' (*xiahai*). Some started private businesses; others contracted out businesses from collectives or state enterprises. To profit and to make money became a national

movement (*quanming jingshang*). Because of the Chinese Communist Party's paramount political status and its powerful influences, its ideology and policies have always dominated the trend of social values.

In the late 1970s and early 1980s, an influential Party ideology debate concluded that 'practice' is the only criterion for truth, meaning that regardless of orthodox interpretations of communist classics, the right idea must be the one that works. A developing economy is the centre of the new ideology. Under this new ideology, selfish motives for profit are accepted and the entrepreneurial spirit is highly encouraged. A famous official slogan published in the Party's newspaper was 'To be rich is glorious!' Contrary to the traditional socialist values, which emphasised egalitarian and selfless contribution to the collective, the new ideology emphasises 'modern culture', which promotes entrepreneurship, competition and efficiency, a value system considered compatible with a market economy and essential in the development of a market economy. The official media have criticised the traditional orientation as unfit for the modern economy and a famous slogan of the time is 'Time is money, efficiency is life'. In 2001, President Jiang Zeming proposed that the Communist Party should allow private business owners — the capitalists — to join the Party and to take positions in the government (Jiang, 2001). The institutional change in official ideology has contributed critically to stimulating economic motivation. Economic motivation has also been stimulated by the new open door policy. A large amount of economic and cultural exchange has taken place; western perspectives, cultural values and lifestyles have had an enormous influence on Chinese society. Commercialism, individualism and consumerism have played significant roles in expanding economic motivation. Consumerism and monetary success have become prevailing social values (e.g., Anderson & Gil, 1998; Schell, 1988; Deng & Cordilia, 1999).

Economic Crime and Its Institutional Source in a Socialist Market Economy

Expanding motivation for profit translates into increasing economically motivated crimes, corruption in particular, which have increased greatly in the context of institutional incompatibility. The institutional analyses of criminal opportunities are especially important for understanding economic crimes, since they tend to be committed by those who can take advantage of the opportunities resulting from institutional change. I discuss some major evidence of institutional incompatibility and institutional disorganisation, and the special deviant and criminal opportunities created by these conditions.

As already stated, fundamental institutional incompatibilities exist between the institutional arrangements of a market economy and those of a planned socialist command economy. During the transitional process in China, both economies were in operation. Individuals' small businesses and TVEs operated on the markets, while under the centralised socialist institutional arrangement, production sources of raw material, technology, energy and capital were controlled and were traditionally allocated by the state according to the state economic plan; there was only limited room for private small businesses and TVEs to obtain these resources. Peng (2001) points out that high transaction costs, including those of difficult-to-obtain bank loans and government predation (debilitating taxes, fees, levies and bribes) were

incurred for privately owned enterprise (Peng 2001, p. 1346). This institutional incompatibility leads to the result that illegal methods and quasi-legal methods are the most efficient ways to resolve difficulties for these market-oriented enterprises. Bribery has been a common way of obtaining scarce resources and contracts — a part of typical business expenses, and officials taking 'kickbacks' a conventional part of business activity. To a large extent, bribery and corruption have become institutionalised in economic activities.

Another key institutional incompatibility was reflected by 'the dual price track system'. In the process of gradual and partial introduction of market systems, a dual price track system was set up in which many goods have two different prices, one conforming to the planned price, while another to market supply and demand (Raby, 2001). Typically, many scarce resources and products are officially priced much lower than the market will yield and are allocated largely to state enterprises, which follow the state plan. The reform strategy is to gradually shift to a fully operated market system by gradually loosening up price controls to avoid undesirable shocks, which have had negative political and economic consequences during periods of social transition in Eastern Europe. However, the dual price track system creates unique opportunities for corruption. Officials use their power to allocate the lower-priced resources and products to gain bribes and even sell the 'right to purchase'. This unique form of corruption is called 'trade by officials' (*guandao*).

Another form of institutional incompatibility results from the conflict between the free-market demand on property rights and the state ownership of enterprises, and its power to direct and control the enterprises. According to classical property rights theory, the existence of clearly assigned private property rights is an important condition for the smooth operation of a market economy (Demsetz, 1967). This incompatibility was considered the reason for failed reform as attempted in Eastern Europe (Kornai, 1989). Kornai (1990a, 1990b, 1992) has concluded that without a large private sector, genuine market coordination was impossible. A market economy demands enterprises to be autonomous and fully responsible for their decisions and actions, while property ownership by the state dictates that the state must be involved in business decisions. To meet the demands of market institutions, decentralisation and property rights reforms have been implemented to increase market discipline and production efficiency (Putterman, 1996; Groves et al., 2001; Jefferson & Rawski, 2001). These reforms expand enterprise autonomy, allowing enterprises to have more power to decide matters on their own, while the government reduces its control of planning, production, allocation of resources, finance and distribution of profit.

Increasing enterprise autonomy has significantly weakened the traditional control and monitoring functions of the government. One consequence is the newly developed 'principal agent' problem (Peng, 2001). Some managers take advantage of their newly gained autonomy and create various corrupt schemes to make money for themselves at the cost of the enterprise. Managers attend expensive banquets for 'business purposes', whether or not the business has made profits. One severe form of corruption is that managers sometimes use funds of the state company to run their private businesses, stealing resources from the company they are supposed to be responsible for.

The other decentralisation reform is fiscal decentralisation (West & Wong, 2001). Under the socialist system, fiscal revenues and expenditures were centralised by the central government. Local governments collected the profits and taxes and handed them over to the central government. The development of a market economy demands autonomy of local governments so that they can be motivated as market actors, work efficiently and be able to respond to the complexities of rapidly changing situations and variations across localities (Oi, 1996). However, autonomy of the local government is incompatible with the established institutional arrangement of a centralised control and monitoring system. After local governments were allowed autonomy on matters of expenditure, abuse by officials of these autonomous powers for their own profit became a widespread phenomenon. Examples include officials spending public funds on building luxury homes and purchasing expensive cars for their own use, and administrative agencies giving excessive fines and charging excessive fees while using the collected money for nonpublic purposes. It is typical to find local revenue being used for personal bonuses and perks including luxury cars, travel and large expense accounts (Peng, 2001, p. 1347).

As the reform proceeds in China, the government has moved in the direction of developing a fuller market economy; however, the incompatibility will persist as long as the economy is not fully marketised. Today, the state still owns most of the largest companies in 'core' industries. At present, about 20% to 30% of economic activities are still controlled by the state with the remainder associated with private businesses (Shi, 2003). The state owns virtually the entire financial sector, including commercial banks and insurance companies. These state-controlled sectors involve large amounts of corruption and economic crimes. A recent report by the Chinese Department of Auditing (Song & Xue, 2004) reveals six major types of corruption cases, all of which concentrate in the areas related to large state-owned enterprises and government agencies. These six areas include the leaders of state-owned companies stealing from the company they are in charge of, bribes, corruption related to government authority over land sales, undocumented funds, 'image projection' by local officials, and corruption by officials in charge of government transportation projects.

The institutional change in China has also led to institutional disorganisation. Three manifestations of institutional disorganisation are important. First, since market institutions and traditional socialist institutions endorse different values and norms, the clear definitions of right or wrong become blurred when both types of institutions coexist. Behaviours previously despised by mainstream communist/socialist culture are endorsed under newly developed social values, while clear examples of 'good' and 'right' fall out of favour. For example, China was an 'exemplary society' (Bakken, 2000) where traditional Chinese social control relied on informal controls from a variety of coordinated social institutions including community, family, work unit and school, which consensually supported traditional socialist values and used effective role model methods to encourage others to emulate the behaviours of the model citizen depicted as representing 'good' and 'right' socialist values. As market institutions are introduced and developed, getting rich becomes a dominant social value. This conflict results in loss of coordination

among institutions that set 'good examples', as what is good and desirable has been undergoing change. Under this condition of institutional disorganisation, effective and coordinated responses by social control institutions are uncertain and weaken.

The second manifestation of institutional disorganisation is in legal institutions. The demands of market economies are often in conflict with rules endorsed by conventional institutions. Many economic activities integral to a market economy were considered illegal under the socialist economy, for example, simply taking advantage of price differences to buy and sell for profit. As the market economy was introduced, many practices led to conflicts over interpretation of laws, and inconsistency in laws introduced uncertainties in social control. The third form of institutional disorganisation involves loss of coordination in administrative and monitoring mechanisms. Under the socialist institutional arrangement, the traditional institutions of social control relied on and were built into socialist economic and political institutions, which featured a highly centralised administrative Party-state monitoring apparatus. As market institutions were adopted, these administrative and monitoring institutions faced new practices and social processes that undermined the consensus required for cooperation between institutions. Gaps in control and monitoring are permissive; many offenders found freedom in new areas with little coordinated control.

The move to a fuller market economy would elevate institutional incompatibility and institutional disorganisation. However, the process of overcoming institutional incompatibility still has a long way to go. In its recent effort to gain favourable treatment in trade, China asked to be accepted as a full market economy. To date, the United States and the European Union have both rejected this request. Institutional incompatibility and institutional disorganisation, as far as they still exist, will remain a source of economically motivated crimes.

Discussion and Conclusions

The literature has firmly established the role of anomie in explaining increases in crime during social change. The economic motivation thesis proposed here does not dispute the explanatory power of the anomie perspective. It adds to and goes beyond the traditional explanations based on anomie, pointing out new sources of crime at an institutional level. I emphasise the role of economic motivation as a result of institutional change during the transition from a state socialist society to a market economy. In particular, I call attention to the apparent rational basis of the massive pursuit of economic interest. In contrast, anomie perspectives explain high levels of crime through the breakdown of values consensus, unregulated desires, innovative reactions to frustrations with inequality, or cultural tolerance to illegal means. The explanations all point to some intrinsic cultural expressive components of human action. In China, along with the traditional values breakdown, there is clear development of a new 'get rich' cultural value consensus. While the anomic conditions of unregulated desire and frustration are the cause of many crimes, the rational actions of 'plunge into the sea of businesses', getting rich by employing bribes and occupational crimes are deeply ingrained into methods of doing business. In contrast with relying on the expressive components of behaviour as the explanation of crimes, I stress crimes as purposive actions of pursuing economic gain.

Consistent with the expressive feature of criminal behaviour, anomie perspectives predict and explain a rise in all crimes and violence, though they do not predict systematic differences between patterns of different crimes. However, focusing on the rational features of economically motivated crimes, the economic motivation thesis predicts a differential pattern of crime: economically motivated crimes increase faster and become more serious over time than noneconomically motivated crimes due to expanding rational economic motivation during transition.

The only existing theory that conducts institutional analyses is the institutional anomie theory, aimed at explaining high crime rates in American society. In comparison, the economic motivation thesis proposes a set of institutional features and processes very different from those at play in American society. Although I stress the impact of the introduction of market institutions, this impact does not occur in the ways it occurred in the United States, as analysed by institutional anomie theory. There is no evidence of devaluation of education. Rather, education has become much more important and highly valued than in prereform years, partly because it brings clear advantages in the pursuit of economic interests. There is no evidence of lack of appreciation for the functions of family. Rather, family is the most common basis for small private businesses. Weak social control is not due primarily to weak social institutions such as the weakened family and education, as in American society, but to institutional disorganisation, a result of the loss of coordination among traditional social control institutions under the rapidly developing demands of market institutions.

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