



Analysis on the causes of the interaction between politics and business

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Abstract. The interaction between governments and enterprises can be examined from the perspective of enterprises and governments. From the perspective of the government, the motivation of participating in the interaction not only includes the responsibility, but also can obtain illegal interests by using the monopoly position; From the perspective of enterprises, whether it is institutional or non-institutional interaction with the government, the development interests of enterprises are paramount. The monopoly position of the government makes both officials and scholars regard regulating the behavior of the government and public officials as a key measure to establish a good political business interaction. Robert Klitsgard's corruption formula and the construction of anti-corruption systems in Nordic countries provide useful lessons for achieving the goal.

Keywords: Government and Business Interaction, Corruption.

1 Introduction

Government and enterprise play two indispensable roles in the modern society. Traditionally, the government is regarded as the representative of public interests, and its power has considerable monopoly in the society. Enterprises are considered to be an important subject in the field of social and economic activities and they play an irreplaceable role in the social and economic development. Because of the characteristics of politics and business, their connection is inevitable, and the interaction between politics and business exists widely under different social system backgrounds. Therefore, the research on the interaction between politics and business appeared very early, and now there have been very rich research results which can be divided into two categories: analysis on the interaction between governments and businesses from the perspective of the government, and analysis on why enterprises should contact with the governments from the perspective of enterprises.

2 The perspective of government

2.1 The governmental function

For modern governments, no matter which types of political systems they are, effective social and economic development is a key to maintain the rule of the government. There are abundant researches on the functions of governments in western economic theory. In the early economic theory, governments only needed to operate as a "night watchman", and the development of the social economy was regulated by the "invisible hand" of the market. However, Keynesianism began to prevail because the market failure led to a serious economic crisis. Keynesians, represented by Samuelson, affirmed the role of governments in the economic development and laid the theoretical foundation for government intervention in economy. The West generally fell into "stagflation" in 1980s. Economists reconsidered the relationship between the governments and the markets, which made economy prosperous again, but the economic functions of the governments were not denied completely. In addition, the economic functions of the government are almost all-encompassing under the foundation of public ownership economy represented by the Soviet Union, which is also an important reason for the stagnation of the social and economic development of socialism such as the Soviet Union in the later period. Now, the economic function of the government has been generally recognized. Formulating economic policies, constructing laws and regulations of economic leading rate and maintaining market order have become important means for the government to participate in the economic development. These are also the basic driving forces of the government in the interaction between politics and business.

2.2 Corruption

"Arrow Impossibility Theorem" indicates that a decision that meets the will of the majority is unlikely in most cases. Therefore, when the decision-making discretion is relatively broad, why don't decision-makers choose a decision that is more in line with their own interests? Similarly, the view of the New Institutional Economics School also points out that people who exist as "economic people" make a choice that is in line with their own interests to maximize by comparing costs and benefits. This behavior is rational, and the system is the most important factor affecting the choice of individual behaviors.

The interaction between politics and business is always easily linked with corruption. As the largest public sector in the society, the government has mastered plenty of monopoly powers since its emergence, such as legislation and violence. The emphasis of Francis Fukuyama on building national capacity is essentially to further centralize decentralized powers, because only in this way can effective governance be achieved. There are many studies on corruption in western academic circles, including Samuel Huntington's "modernization and corruption" theory and power rent-seeking theory. Huntington pointed out that modernization has changed traditional values based on the modernization of the countries of the third world, which was considered as a reasonable and legal behavior in the past, but it is a corrupt behavior in the eyes of people affected

by the modernization. The modernization brings new wealth sources and power points, and the distribution of wealth and power also leads to corruption. Otherwise, the further deepening of the modernization will also aggravate the original corruption. "Rent-seeking theory" was first put forward by Buchanan, who thought that the operation of government depends on government officials that are not always faithful representatives of public interests. Ordinary "economic man" are always willing to choose the decision that can maximize individual interests most. Faced with multiple public policy choices, government officials will tend to choose the latter at the time of making decisions that are beneficial to public interests and themselves. Buchanan called the improper income brought by officials' intervention in market activities rent, and the behavior of obtaining such income was called "power rent-seeking".

In reality, corruption has a variety of behaviors, far more than obtaining illegal interests. Therefore, there is no unified definition of corruption in the academic. However, government corruption has at least two characteristics from the existing theoretical researches: one is the improper distribution of power or wealth and the other is the use of public power to obtain self-interest by government officials. The corruption of government, especially government officials, is considered to break the market rules in the interaction between politics and business. A majority of scholars, such as Mauro [1], Monte [2] and Papagni [3], Tanzi [4] and Davoodi [5], insist that corruption is not conducive to the economic growth. However, some scholars think that corruption is the lubricant of economy. Leff [6] and Huntington [7] proposed that corruption is a rational reflection of government failure by private investors in order to avoid the wrong policies and regulations of the government, which is conducive to improving the efficiency of the allocation of resources. It seems that these views are supported by the coexistence of high economic growth and high domestic political corruption in some East Asian countries.

In short, the monopoly power of the government is the basis for the interaction between the government and enterprises. Because of the particularity of government status, the government often takes the initiative in the interaction between politics and business. On the one hand, this initiative can promote the development of enterprises and the growth of domestic economy. On the other hand, the widespread and even inevitable corruption not only erodes the credibility and efficiency of the government, but also affects the economic development.

3 The perspective of enterprises

For enterprises, maintaining a good relationship with the government is of great significance to the development of enterprises. Therefore, enterprises with certain scales have special departments which are responsible for dealing with the government. Their motivation in the interaction between politics and business is well understood, and most of them are for safeguarding the interests of enterprises or gaining more competitive advantages. The interaction with the government can be roughly divided into two ways from the perspective of the enterprises: institutional interaction and non-institutional interaction.

3.1 Institutional interaction

Institutional participation of enterprises mainly refers to the influence of the decision-making of the government related to the interests of enterprises through legal procedures or political procedures, and this interaction is further manifested in the political participation of enterprise managers. Moreover, government departments actively invite enterprises to participate in related issues, which can also be understood as an institutional participation. Currently, most countries all over the world belong to representative governments, and most legislatures and heads of the government are elected. Corporate managers can run for office as legislators or government officials, thus promoting the formulation or deletion of relevant policies.

Given China as an example, there are two main channels for Chinese entrepreneurs to participate in the system: one is to become members of the People's Political Consultative Conference (PPCC) or deputies of the People's Congress (PC) at all levels and the other is to participate in various symposiums organized by the government. Chinese entrepreneurs can also be divided into private entrepreneurs and non-private entrepreneurs because there are many economic components in China. Some influential entrepreneurs will be recruited as PPCC members or even PC deputies. The following table reveals the scale of entrepreneurs, the members of PPCC and related enterprises in Shaanxi PPCC. Once entrepreneurs are elected as members of PPCC or deputies to the PC, they can not only get more political resources, but also form proposals on topics of interest and submit them for deliberation according to procedures, thus gaining support. However, the political participation of Chinese entrepreneurs is more marked as a kind of self-protection than a practical appeal from the current research. Table 1[8] shows some entrepreneurs and relevant information of Shaanxi deputy to the People's Congress at all levels.

Table 1. The scale of enterprises affiliated to PPCC members or PC deputies from Shaanxi (Self Drawing)

Company name	Control people	Level	Total assets (100 million yuan per unit)	Number of employee
Dongling Group Co., Ltd	Hei-Ji LI	Deputy to the na- tional people's congress	400	20000
Maike Group	Jin-Bin He	Deputy to the na- tional people's congress	250	250
Shaanxi Yel- low River Mining Group	Bao-ping LI	Vice president of the provincial chamber of com- merce	200	10000
Landsea Tech- nology Group	Wu Wang	Deputy provincial people's congress	30	3000
Da Fang Group	Fang-Sheng Wang	Deputy to Municip- al People's Con- gress	160	1300

Bao Tian Group	Xiao-Qi Feng	Deputy to Municipal People's Congress	100	1000
Xian Shijie Decoration Building Materials Group	Ru-Feng Zhao	Deputy to District People's Congress	3	/
Chi Kuan Food Group	Zhi-Kuan Nian	Deputy to District People's Congress	2	/

Entrepreneurs can also support specific candidates in some countries by providing campaign funds. Supported candidates can reciprocate through policy or other means once successful. The United States is a country with a strong tenancy toward capitalist and bourgeois government, but it can hardly simply say that politicians are puppets of capitalists. In fact, the American political system leaves politicians in a state of uncertainty about the degree to which American is subject to capital constraints with the system. In the past, many economists have said that clear economic property rights have a very negative effect. Actually, clear political power is similar. The so-called issue of clear government, simply put, is who has the power to govern the country and what responses to bear.

Who is the ruler of the United States? Is it due to politicians? Probably not, because the American is strongly constrained by capital constraints, centred on big-spending election cycles and presidential term limits. But does governance go to the capitalists? It's not that easy because capitalists do not come to the front office to govern. In addition, the conflict between the transnational capital caused by globalization and the nation-building based on patriotism, the unstable pattern of the ebb and flow of capital power in economic development (at least without institutional guarantee), and the increasing difficulty of regulation under the technological revolution all aggravate the problem of unclear American governance.

3.2 Non-institutional interaction

The institutional participation of enterprises in the interaction between politics and business is becoming more and more mature, which is manifested in the fixed channels of participation. However, the government departments are aware of the negative effects brought by the interaction between politics and business and will formulate relevant laws and regulations in order to restrict these behaviors. For enterprises pursuing efficiency and profit, institutional participation is not only low in risk, but also unstable in return on investment (the candidates who support it did not succeed in the election), and has great competitive pressure, which is far less obvious than the advantages brought by non-institutional participation. The so-called non-institutional participation refers to the behavior that enterprises or citizens influence government decision-making in a way that is inconsistent with the law or violates the concepts of fairness and justice without legal and legal political channels. The specific situations of entrepreneurs' non-institutional participation include bribing government officials, absorbing government officials to join enterprises, obtaining and maintaining personal relations with

government officials, bribing members of government and legislative bodies, pressure from public opinion, supporting violence or other illegal activities, etc.

In China, a vigorous anti-corruption campaign has been launched since Xi was elected president, and thousands of middle and senior officials have been punished in the past decade. In the official punishment notice, almost all of them take advantage of their positions to seek improper benefits for others in business operations. Table 2[9] shows some senior officials who have been punished in recent years and the data is collected by the author from the official website¹.

Table 2. List of recently punished CPC officials (Self Drawing)

Position	Rank	Punish
Vice President, China Everbright Bank	Bureau-Director level	Being expelled from the CPC
Deputy Director, Regulations Department, China Banking Commission	Bureau-Director level	Expelled from office
General Manager of China Bank-note Printing and Mining Corporation	Bureau-Director level	Being expelled from the CPC
President of Tianjin Branch of Guangfa Bank	Bureau-Director level	Being expelled from the CPC
Former Deployment Director, Department of Science and Technology, Ministry of Transport	Deputy Director Level	Being expelled from the CPC Expelled from office
Xi'an Former Deputy Director of Railway Supervision Administration	Deputy Director Level	Being expelled from the CPC
Former Department Director of the High-tech Department of the Ministry of Science and Technology	Deputy Director Level	Being expelled from the CPC Expelled from office

The people above seriously violated political discipline, collected with others, formed official and defensive alliances, and thought against organizational censorship; in serial violation of the spirit of the eight-point regulations of the CPC Central Committee, accepting gifts, luxury travel and high-end banquets that may affect the fair performance of official duties; in serial violation of organizational discipline, the use of power to arrange sons-in-law, young brothers and other relations and the children of related people, for many people in the promotion, job transfer and other aspects to seek benefits, damage the Everbright system political ecology; in serial violation of honesty and diversity, taking advantage of position to seek benefits for specific stakeholders, illegally engineering in profile-making activities, illegally holding shares of unlisted companies and illegally participating in private lending; These people book advantage of position and influence to gain profits for others in financing, loans, personal arrangements and other aspects, and illegally accept a large amount of money and property.

¹ <https://www.ccdi.gov.cn/scdcn/zggb/zjsc/>

The United States also has non-institutional participation represented by "revolving door". The channel cost is reliably heavy in its small government system, and the function of the government is incrementally extended, the scope of social interval is extended, and it becomes a necessity for interest groups to lobby the government. There are three channels in the United States: legislative process, judicial process and lobbying process. The lobbying Process has been the most active political channel in the United States since the 19th century. This channel typically invokes three things: think tanks, lobbying firms, and the private sector. The counterpart of these three is the U.S. government and Congress.

Between the private sector and the government sector:

(1) The government sector incrementally needs private sector staffs with practical experience and professional knowledge to join in policy-making, regulation and adjustment.

(2) The opportunities and willingness of private groups to participate in policies have correspondingly increased. It has also become more common for guides, unions, and NGO of variable backgrounds to lobby for the right of private groups or guides themselves to participate in legalization and have a say in political discourse.

(3) Private group incrementally needs people with government background and political work experience to participate in social coordination work, especially the coordination of government departments. For example, in the rehiring of NASA employees by Space X, it was a few veteran employees who took the lead and lobbied the regulatory authorities to get the entire NASA team transferred to Space X, and successfully completed the coordination work on the confidence agreement. Moreover, the government has strengthened its review and formulated more completed and detailed adjustment specifications.

(1) People with relevant experience in government departments and extended interpersonal relationships have joined the group, so as to get a head start in the channel of the group to the government. For instance, the group can adjust and supervise the department agreement to the requirements of the government.

(2) Help the private sector lobby the government to make decisions that which benefit the sector. Of course, this area can also be outsourced to specialized lobbying firms.

The revolving door phenomenon is born out of this demand. That is to say, under the lobbying system, independent switch roles between the public sector and the private sector in both directions and cross over to make profits for the group in the channeling principle of the American political system. Secondly, the revolving door also inverses think-tanks and lobbying firms. Generally speaking, the United States is a type of one-dynasty courtier with each change in personal transfers in about 4000. In addition to the new cabinet members coming from universities and a small number of civil servants, think tanks are also a major source of decision-making. And the former officials who were themselves invoked in that decision, in that legislative decision, would come back to these think tanks, both to work on the residual heat and get a decent retirement job.

This is another revolving door phenomenon. It is mainly based on the following three needs:

(1) Build an interactive power network based on power and knowledge, public opinion and decision making, legalization and law revision. In particular, the personal relationship of the people with government background is very effective, which is good for the think tank to participate in decision-making or get first-hand information.

(2) Build a platform not only for scholars and decision makers, but all for associations, government departments and private groups. Foreign work at the executive level is also effective. For example, diplomatic work is generally on Track 1 (official diversity) and Track 3 (people-to-people exchange), and the think tank platform can offer a track 3 diversity between the two. Its unofficial nature and cosy relationship with the authorities has made its influence and execution amazing. As far as China is concerned, the exchange between the SEF and ARATS on cross-Straits issues belong to Track II diplomacy.

(3) Keep the diversity, style, reality and effectiveness of decision-making research. Lobbying firms are much the same, except that they tend to focus on government officials at the enforcement, legislative and public levels.

To sum up, capitalists control the economic life of the country by controlling the right to issue national currency, make national government agencies subordinate to capital, the legal, judicial and military power of the country, and eventually control the entire country.

The non-institutional participation motivation of enterprises is similar to the institutional participation motivation, and both expect to obtain more competitive advantages or economic benefits. The government is the biggest monopolist of social power. The exploitation of mines and other resources needs the approval of the government in many countries. In order to obtain the approval, entrepreneurs often get the support of responsible officials through direct benefit transfer. Besides, the business development of enterprises often needs a lot of financial support, and this kind of external funds often comes from banks. Officials of state-owned banks have room to seek rent, and enterprises are willing to take illegal measures to obtain loans as soon as possible. Enterprises usually tend to be more active in the interaction between politics and business, and the reasons for this initiative also have cultural factors. Countries like China have a strong plot of official standard. From the ancient "learning to be an official" to the modern "business to be an official", it is a concrete portrayal of the official standard. Other countries have similar conditions, and becoming a successful businessman often brings them great prestige, which can be transformed into their competitive advantage after entering politics. Moreover, the non-institutional participation of enterprises may also be a manifestation of lack of security, which is mainly reflected in countries that are short of institutional arrangements. The corruption effectiveness theory mentioned above refers to this condition. Some enterprises or entrepreneurs must participate in politics, especially in countries with strong government authority for the purpose of preventing the harm from the irregular behavior of the government. Due to the slow change of ideas, many government departments regard enterprises as direct "subordinates" in the process of modernization; Or the development of enterprises will also be restricted by the bureaucratic system in the government system with strong bureaucratic atmosphere. Enterprises have to follow the "hidden rules" under these circumstances, and ensure their normal development through bribery or political contributions.

4 How to regulate the interaction

Normative interaction between government and business can bring more positive impact to the society. Similarly, corruption or collusion between government and business is generally considered to damage the fair and just market and the social environment. Therefore, how to ensure the healthy and orderly conduct of government business interaction is not only a problem for public power departments to consider, but also a concern of the academic community. In the political business relationship, the public power often occupies a strong position in the political business interaction due to the unequal power between the two. Therefore, whether it is the specific practice of the country or the research of scholars in this issue, the focus of the solution is on how to make the behavior of the government or public officials more standardized.

In terms of theoretical research, Robert Klitgaard proposed two famous formulas on how to control corruption: when the proceeds of corruption - (moral loss + legal risk) > wages + honest moral satisfaction, corruption is easy to occur; The conditions for corruption = monopoly power + discretion responsibility system². It can be seen from these two formulas that corruption is very easy to occur if the power is too large and there is no effective restriction. Besides, some scholars have discussed the root causes of corruption from the human nature, social culture and other aspects, but the focus of corruption control is on sound institutional arrangements supplemented by effective social supervision.

In regulating the behavior of the government and public officials, the state often starts with prevention and punishment, mainly through institutionalized arrangements, including legislation, institutional settings, arrangements for specific official duties and other means. Finland, Sweden and other Nordic countries have been listed as the "most honest countries" in the annual report on corruption in the world released by the International Transparency Organization. These countries have enacted anti-corruption legislation as early as the beginning of the 20th century and established a sound and effective power system mechanism. Sweden initiated the Ombudsman System, whose main responsibility is to supervise and investigate the dereliction of the duty of public officials, and act as a dispute between citizens and administrative agencies. This system was followed by most countries later. As corruption of public servants involves economic problems, it is normal to provide higher salaries and benefits for public servants. The purpose is to reduce the possibility of corruption and other non-standard behaviors in public servants by means of "high salaries to maintain integrity". In addition, the supervision of public opinion is also an important way to prevent corruption and other acts. We can create a moral tradition and social atmosphere of common supervision in the whole society through public opinion, proud of integrity and efficiency, and shameful of corruption.

² Robert Klitgaard. Controlling Corruption by [J]. American Political Science Review. 1989, 83(4), 1423.

5 Conclusions

By analyzing the roles of government and enterprises in the interaction between government and business, we can clearly understand the context of this interaction. This helps individuals understand why the relationship between politics and business is extensive. At present, the need of social development makes it impossible to completely separate the relationship between politics and business, but a healthy relationship between politics and business is an important support for sustainable economic and social development. Therefore, how to build a benign relationship between government and business not only prevents the irregular behavior of the government, but also reduces the non-institutional participation of enterprises, which is the test of modern and effective state governance.

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