

# 腐败的成因与后果： 经济实证分析

董斌 著

The Causes and Consequences  
of Corruption: Economic Analysis



南京大学出版社

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## Statement of Original Authorship

The work contained in this thesis has not been previously submitted to meet requirements for an award at this or any other higher education institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Signature: *Bin Dong*

Date: 17 - 02 - 2014

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# Chapter One Introduction

## 1.1 Motivation of Thesis

Corruption, understood as “abuse of public office for private gain,” is a persistent feature in human societies throughout time and space. Contemporaneous corruption scandals occur not only in developing countries such as Nigeria, India and China, but also in developed economies such as France, Britain and America. The sale of parliamentary seats in “rotten boroughs” in England before the Reform Act of 1832<sup>①</sup> and “machine politics” in larger cities in America in the late 19th and early 20th century<sup>②</sup> are two famous historical examples. Even in Scandinavian countries, like Sweden and Norway, which are supposedly free-from-corruption, managers of state-owned companies have been found to take bribes.

Corruption in the public sector is viewed as the major obstacle to economic development (Kaufmann, 1997). Solid evidence (for example, Mauro, 1995; World Bank, 1997) demonstrates the pernicious effects of corruption upon, among other things, investment, economic growth, environmental quality and therefore social welfare. In effect, a country is

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① Pearce, R. & Stearn, R. *Access to History, Government and Reform: Britain 1815-1918* (Second Edition). Hodder & Stoughton, 2000.

② Clifford, T. P. *The Political Machine; An American Institution*. Vantage Press, 1975.

adversely affected by the existence of corruption, and therefore anti-corruption policies are important.

Reducing corruption requires a precise understanding of its causes and consequences. The development of effective anti-corruption policies is based on a thorough investigation of corruption within and across countries. However, in current research, the causes and consequences of corruption remain poorly understood and are broadly disputed. As a result, it is difficult for governments to design coherent policies to control corruption.

This study provides new insight into the causes and consequences of corruption. We explore the discussed factors in a within-country environment to provide evidence outside the US and in a more controlled environment, and also provide within-country and cross-country evidence at the micro level to explore new theories in the area of corruption such as conditional corruption. The thesis first empirically examines the theoretical causes of corruption suggested in literature in both cross-country and within-country contexts in detail. The author robustly identifies the effects of its economic, political and social determinants on corruption, employing solid statistical tools dealing with causal relationship between observed factors. Secondly, this study comprehensively investigates the various consequences of corruption, focusing on China, the largest developing country central to world economy. According to my knowledge, there are few studies on the consequences of Chinese corruption. In summary, this study is expected to make a substantial contribution to the research of the causes and consequences of corruption, and therefore to add to effective policy guidelines to curb corruption.

## **1.2 Content of Thesis**

This section provides a succinct portrait of the thesis. Initially, we briefly review previous literature to build up the logical framework of the thesis (specific literature reviews are provided in each of the individual chapters that follow). Then based on the framework that has been introduced, the main findings of the thesis are presented.

### **1.2.1 Causes of Corruption**

There has been a wave of empirical studies on the causes and consequences of corruption in recent years. With respect to the causes of corruption, this study, similar to Bardhan (2006), points out that there are generally two different approaches to research the causes of corruption, namely the standard economic approach and also the social economic approach. The standard economic approach emphasizes incentives and punishments in corrupt acts following Becker's analytical framework (1968). According to this approach, there are three prerequisites necessary for the incidence of corruption (Jain, 2001). First, bureaucrats have discretionary power. Second, this power is associated with economic rents. Finally, the deterrence to corruption, as a function of the probability of being caught and the penalty for the corrupt act, is adequately low. The first two preconditions determine the benefit of corruption, while the last precondition influences the cost of corruption.

Many studies adopting this approach concentrate on economic conditions and policies influencing the cost and/or benefit of corruption. Literature shows that regulation and

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decentralization are the main determinants of the discretionary power of a government. Economic rents, on the other hand, increase with natural resource abundance, but decrease with economic competition proxied by trade openness. All of these factors are observed to substantially affect the benefit of corruption (for example, Ades & Di Tella, 1999; Fisman & Gatti, 2002a, b).

The deterrence of corruption is a joint function of the possibility of being detected and the punishment once caught. High levels of economic development, education attainment and media access have been documented to reduce corruption by raising the possibility that corrupt acts are detected (for example, Treisman, 2000). Historical influence also plays an important role in corruption (see also, Treisman, 2000). Furthermore, corruption has also been found to be negatively correlated with female representation in politics, possibly because women may feel a larger probability of being caught in an act of corruption (for example, Dollar et al. , 2001). Social and economic heterogeneity is also an indirect determinant of the probability of corrupt acts being caught. For example, ethnical fractionalization is believed to promote corruption since corrupt officials may be protected by their own ethnic groups for political reasons (see also, Treisman, 2000). Finally, the relatively high wage of the public sector implies a high opportunity cost when officials are ousted due to corruption. As a proxy for the punishment, the (relative) wage of the public sector is found to be negatively associated with the corruption level (for example, Van Rijkeghem & Weder, 2001).

Studies on the causes of corruption by and large perform cross-national analyses using subjective survey data (for

example, Treisman, 2000; Fisman & Gatti, 2002a). This kind of study, although fruitful, cannot circumvent two problems. Firstly, subjective survey data might be biased as Treisman (2007) argues, “the data do not measure corruption itself but opinion about its prevalence” (p. 215). Secondly, cross-country analysis often suffers from omitted variable bias. Substantial unobservable or unmeasurable differences in institution and culture between countries make cross-country results problematic. The disadvantages experienced by cross-national studies can be avoided if we use within-country objective data, since objective data do not suffer the bias of subjective data. Furthermore, homogeneity within a country also mitigates the omitted variable bias troubling the cross-country analysis. However, current within-country data are only proxies for corruption since corruption is actually secretive and hence difficult to measure directly. Goel and Nelson (1998), Fisman and Gatti (2002b), and Glaeser and Saks (2006) utilize the objective data; the number of public officials convicted for abuse of public office as an indicator of the actual levels of corruption in American states. However, this indicator may also reflect the anti-corruption efforts of local judiciary. As Lambsdorff (2005) points out “the appropriateness of such data as a proxy for corruption has thus been widely disputed” (p. 1). Therefore, the ideal strategy might be to investigate the causes of corruption with both the cross-country analysis using subjective data and the within-country analysis using objective data to get complementary results, which also makes empirical findings robust.

While there have been enormous cross-country studies, papers on the causes of corruption using within-country data are

few, and most of them are working with US data. This thesis hence initially contributes to literature with a study on the causes of corruption in China. A study of China has a unique advantage. Firstly, it is helpful to understand corruption in developing and transitional economies where it is one of the central issues. Secondly, China is fairly homogenous in institutions, culture and social structure. This helps us to mitigate the omitted variable bias in empirical analysis. Besides, there are great economic differences between the eastern and western provinces in China, which might make findings of corruption in China more generalizable on a global level.

Chapter 2 in the thesis adopts a standard economic approach to explore the causes of corruption in China using two different data sets, namely a province-level data set and a citylevel data set, to obtain robust results. China is a key player in the world economy and will gain even further importance in the future. This study examines almost all cross-country findings in a Chinese context using the regional number of registered cases on corruption as a measure of corruption. Besides confirming most cross-country findings in a more controlled setting, this study adds to literature in several ways. Firstly, this chapter uses behavioural variables<sup>①</sup> rather than attitudinal variables (perceptions of corruption) to proxy for corruption. Secondly, anti-corruption efforts are always controlled in this study to isolate the component of anti-corruption efforts in our corruption measure though many studies including the small amount of

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① The registered cases on corruption in procurator's offices of provinces, and the average ratios of the travel and entertainment costs relative to the sales of investigated firms in Chinese cities in the survey are conducted by World Bank in 2005.

studies using a behavioural proxy for corruption have neglected this. Thirdly, this study identifies a positive relationship between corruption and economic development (and marketization) in China due to the transition process in China. Fourthly, this study provides some novel within-country evidence such as the negative effect of British historic influence, the positive effect of natural resource abundance and the negative effect of female representation in politics on corruption. Lastly, this study presents solid evidence that even in a nondemocratic country the access to controlled media still checks corruption.

There are a number of studies concentrating on the influence of political institutions on corruption using the standard economic approach. Good political institutions help to control and monitor the government and therefore reduce corruption. There are actually two kinds of political institutions: formal institutions such as democracy and informal ones such as political interest. Econometrically, the effect of formal institutions like democracy on corruption can only be analysed at the macro-level in the cross-country context, while political interest is useful to analyse (informal) institutions at the micro/individual level. Democracy is theoretically supposed to reduce corruption mainly because political competition may provide checks against corruption. "In democratic systems, competitors for office have an incentive to discover and publicize the incumbent's misuse of office whenever an election beckons" (Treisman, 2000, p. 404). This therefore raises the possibility that corrupt acts can be detected. However, the relationship between corruption and democracy is empirically found to be complex. Besides the linear relationship mentioned above, a quadratic relationship between these factors is also supported by several theoretical and



empirical articles (for example, Mohtadi & Roe, 2003; Rock, 2007). Moreover, some scholars such as Treisman (2000) suggest that it may take a long time for democracy to substantially reduce corruption. Further evidence is clearly necessary. It is worth noting however that variation in political institution within a country is not large enough in many cases for economists to identify the relationship between democracy and corruption. This thesis therefore mainly utilizes cross-country data sets to examine the influence of political institutions on corruption.

The thesis, for the first time ever, investigates in Chapter 3 the relationship between political interests; an informal aspect of political institution and corruption since citizens' political interest contributes to the probability of their being involved in the political process (Verba et al. , 1995). Innovatively, this study uses the micro-level data from the World Values Survey to explore the impact of political interest represented by three different proxies on both the perception of corruption and the justifiability of corruption reflecting the social norm of corruption. It is worth noting that unlike the macro-level analysis which is popular in the corruption study, the micro-level study is able to measure the individual characteristics and induce robust relationships due to the large amount of observations. Furthermore, as can be seen below, it allows researchers to explore new theories such as conditional corruption. Specifically, this study first performs a cross-country analysis with a huge data set, and then runs a within-country analysis focusing on Switzerland to check the robustness of crosscountry results. Both analyses clearly show that a high level of political interest helps to reduce the level of corruption within a society.