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# Anti-corruption campaign in China: An empirical investigation

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ABSTRACT

Using official information published by Central Commission for Discipline Inspection (CCDI) of the CPC, we construct a database of officials who have been found guilty of corruption in China in the period 2012-21 with their personal characteristics and the amount of embezzled funds. We use it to investigate the correlates of corruption, estimate the effects of corruption on inequality, and find the expected increase in officials' income due to corruption and the gain in income distribution ranking. We find that the amount of corruption is positively associated with education, administrative (hierarchical) level of the official, and years of membership in the Communist Party. The sample of corrupt officials belongs to the upper income ranges of Chinese income distribution even without corruption. But corruption is a significant engine of upward mobility. While only one-half of the corrupt official would be in the top 5 percent of urban distribution without illegal incomes, practically all are in the top 5 percent when corrupt income is included.

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## 1. Short history of corruption control in China and the new database

### 1.1 Anti-corruption measures in China's history

From imperial times until the present, the Chinese state has a long tradition of trying to measure and reduce perceived corruption, sometime with extreme measures attempting to eliminate it.[2] The first major anti-corruption campaign in China can be traced back to the Han Dynasty (202 BC-220 AD), when Emperor Wu of Han (156-87 BC), a particularly active anti-corruption campaigner, established the office of regional inspector (*cishi*) to control and supervise the officials in the thirteen provinces (*zhou*). From Han to Ming to China's inter-war republican government to the People Republic of China, offices whose role was to fight corruption and ferret out the criminals have been common. The first full-time central supervisory agency, Yushi Tai (also known as the Imperial Censorate), was established in the Han Dynasty (206 BC-220 AD). In the following millennium, despite changes in organization and prescribed functions, it played a significant role in maintaining the integrity of the Chinese government and ensuring that officials were held accountable for their actions. In Ming Dynasty (1368-1644), Yushi Tai was replaced by Ducha Yuan (Chief Investigating Bureau).

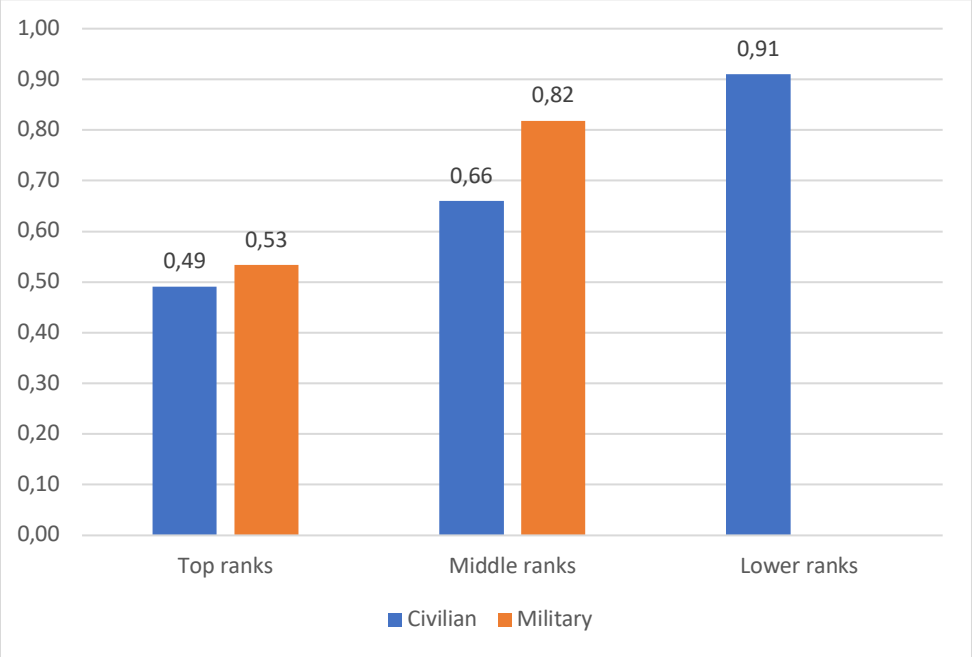
The so-called censorate institutions (督察院) were thus a prominent part of China's governmental structure for more than two thousand years. The censorate was a part of government apparatus (with officials, in principle, competitively chosen) whose role was to surveil the realm and check how government policies are implemented, to control lower-level administrators who are in charge of applying such polices, but also to remonstrate with the Emperor and the "inner court" when some policies, according to the censors, are wrong or unimplementable. The censors' role even included possible rebuke of emperors if they decide to ignore sensible censorial recommendations ("the speaking [to the Emperor] officials"). Censors were thus both an arm of government and its controllers. In modern systems like the American, their role could be seen to combine that of the Government Accounting Office with the court system. The censors during the Ming dynasty had a judiciary role because they were empowered, without further check with top authorities, to impeach, demote or punish lower-level officials whom they found incompetent, venal or immoral. Charles Hucker's 1966 book *The censorial system in Ming China* provides both political and empirical analysis of the role of the censors and the censorial system during two different periods of Ming dynasty: the first 1424-34, the one of relative domestic tranquility, and the second 1620-27 when, almost at the end of the Ming

[2] Chunyu Wang (2002) and Maura Dykstra (2020).

dynasty, the Northern borders were assaulted by the Manchus and domestic politics were in turmoil. Hucker's objective was to compare the functioning of the censorial system under two politically very different periods and to study if the system and its actors behaved differently under different conditions.

Given the topic of this paper, Hucker's book is important in providing a striking amount of early empirical evidence regarding censors' decisions. For example, at least 261 civilian and 398 military officials were denounced during the ten-year period 1424-34. (Incidentally, the data on corruption analyzed in this paper cover also a decade-long period, 2012-21.) This is the average of some 70 officials per year. Among the overall total, at least 67 (i.e. about 10 percent) were nobles and category 1 (highest rank) officials. Despite the fact that demotion and punishment were, once a person was investigated, more likely to be meted out to lower ranks (see Figure 1), the top officials were not exempt from denunciation and about one-half of them were demoted or otherwise punished.

Figure 1. Share of denounced individuals who were demoted or punished in Ming China (1424-34)




Notes: Calculated from Hucker (1966, Tables 2 and 3 in the Appendix).

In the Republic of China (1912-1949), Ducha Yuan was replaced by the Control Yuan(监察院). It was one of the five Yuans or branches of government according to Sun Yatsen's principles, namely executive, legislative, judiciary, examination and recruitment of officials, and finally control. The Control

Yuan was responsible for investigating and disciplining government officials who engaged in misconduct or abuse of power. It still exists in the Republic of China (Taiwan).[3]

People's Republic of China maintained from its inception similar organs, working through two channels: the government administrative channel with the Committee of Public Supervision, and the Communist Party of China (CPC) channel with the Disciplinary Commission (which typically exists in all communist parties). Today's anti-corruption controls in People's Republic of China are carried by (i) Central Commission for Discipline Inspection (CCDI, 中央纪律检查委员会) which is an arm of the Central Committee of CPC, with CCDI ruling body selected for five-year terms to coincide with those of the Central Committee members, and by (ii) the National Supervision Commission (NSC, 国家监察委员会) which is a government body.[4] CCDI in particular plays a central role in investigating and punishing corrupt officials, who are almost all Communist Party members, from the central, provincial and county levels.

With China's economic reform in the late 1970s, and then again with a pro-market turn in 1992-93, corruption became increasingly visible. Since growth has been the top priority for China's leadership, tackling corruption took a back seat in the past four decades. Meanwhile inequality, some of it probably fueled by corruption, increased significantly too (see, inter alia, Gustafsson, Shi and Sato (2014), Xie and Zhou (2014). Zhuang and Shi, (2016), Piketty, Yang and Zucman (2017), Yang, Novokmet and Milanovic, 2021, Zhang, 2021). By 2012 corruption became the most compelling challenge confronting the ruling power of Communist Part of China (CPC).[5] Driven by such perception, a far-reaching anti-corruption campaign was started under the aegis of Xi Jinping, General Secretary of the Chinese Communist Party since the 18th Communist Party Congress. For a decade, Xi's anti-corruption campaign, sweeping across the party, state, and enterprises, targeting not only "tigers" (high-ranking corrupt officials), but also "flies" (low-ranking corrupt officials), was the largest organized anti-corruption effort in the history of CPC rule. Table 1 presents the impact of anti-corruption campaign on top government officials or

[3] Based on Hucker (1951).

[4] Their predecessors are Central Control Commission of CPC established in 1927 (中央检查委员会) and Committee of People's Supervision (人民监察委员会), established in 1951 under the State Administration Council. See also Xie (2016).

[5] As concluded by both Hu Jintao and Xi Jinping in their speeches at the 18th Communist Party Congress. Xie (2016, p. 21) writes, paraphrasing CPC documents, "to govern the country, [the Party] must first run the Party well, and to run the Party, it must reinforce strict discipline."

"tigers". Between 2012 and 2021, the average annual conviction rate for corruption among leaders at national, and provincial levels was approximately 1%, which is twice the rate observed among prefecture-level leaders.[6] By May 2021, a total of over four million cadres and officials had been investigated, with 3.7 million of them having been punished by the CCDI. [7]

Table 1. Impact of Anti-Corruption Campaign on top government officials (2012 – 2021)

| | No. of Officials | | No. of officials convicted of corruption | | Percentage of officials convicted of corruption per year | | |
|---|---|---|---|---|---|---|---|
| Position | Principal | Deputy | Principal | Deputy | Principal | Deputy | Total |
| National Leaders | 12 | 65 | 1 | 6 | 0.8% | 0.9% | 0.9% |
| Departmental leaders of the State Council | 41 | 177 | 5 | 17 | 1.2% | 1.0% | 1.0% |
| Provincial Leaders | 124 | 756 | 10 | 92 | 0.8% | 1.2% | 1.2% |
| Prefecture Leaders | 1332 | -- | 62 | -- | 0.5% | -- | 0.5% |

Notes: Data of number of national leaders is from http://cpc.people.com.cn/GB/64162/394696/index.html (2023.03.03). Data of number of provincial leaders is from http://district.ce.cn/zt/rwk/index.shtml (2023.03.03). Data of number of Departments of the State Council officials is from http://www.ce.cn/ztpd/xwzt/rwk/index.shtml (2023.03.03). Principal provincial leaders include Secretary of the Provincial Party Committee, Provincial Governor, Chairman of the Provincial Political Consultative Conference, and Director of Provincial People's Congress from 31 provincial administrative units in China. Deputy provincial leaders include Deputy Secretary of the Provincial Party Committee, Deputy Governor, Vice Chairman of Provincial Political Consultative Conference, Deputy Director of Provincial People's Congress from 31 provincial administrative units in China. Departmental leaders of the State Council come from 26 Departments of the State Council, 1 Special agency directly under the State Council, and 10 Institutions directly under the State Council. Principals include secretaries of the party committee, ministers or directors, deputies include vice ministers, vice directors, director of political department, or discipline inspection team leader. Principal prefecture leaders include Secretary of the Prefecture Party Committee, Prefecture Governor, Chairman of the Prefecture Political Consultative Conference, and Director of Prefecture People's Congress from 333 prefecture administrative units in China. Number of officials convicted of corruption is calculated based on the corruption dataset which is constructed from the corruption cases published in by the Central Commission for Discipline Inspection (CCDI) and used in this paper (for further explanation see Appendix A).

[6] The conviction rate is obtained as the ratio of convicted officials during five years over the number of officials during the same period. It is then annualized. The five-year period is chosen because the officials' terms are normally five years and thus the overall number ("stock") of officials is normally fixed during that period.

[7] https://finance.sina.com.cn/tech/2021-06-28/doc-ikqcfnca3716443.shtml

There has been a consistent debate about whether or not the current anti-corruption campaign is entirely genuine or contains some political elements used to reinforce Xi Jinping's power. The findings in the existing literature are inconclusive. While political influence is believed to be a major factor in the current anti-corruption campaign (Tong, 2021), emerging empirical evidence, however, suggests that the effort is genuine and has transformed the incentives of individuals, political entities, and State-Owned Enterprises (SOEs) to reduce the chances of corruption as well as the structural obstacles to anti-corruption enforcement (Lorentzen and Lu, 2018; Manion, 2016).

While corruption as a topic is much studied both in China and worldwide (see detailed IMF-commissioned survey in Abed and Gupta, eds. (2002); and similar surveys in Jain (2001), Zimelis (2020), Tong (2021), and Dong and Torgler (2013)), large and detailed individualized data on corruption are almost never available and the Chinese data that provide such information give probably a unique possibility to look at determinants of corruption empirically and systematically, that is, going beyond anecdotal evidence.[8] Yet despite the fact that various government and CPC bodies publish data on corruption, including detailed informational on personal characteristics (age, education, job position) of the convicted perpetrators[9] and including the amount of embezzled money, the empirical work on the results of the current campaign has been scant. Minxin Pei (2016, Appendix) presents a dozen data to illustrate the type of perpetrators and the extent of corruption. These data, with some additional information, were used by Milanovic (2019, p.p. 110-1) to show that the extent of corruption increases with the administrative level as one moves from county to prefecture to province, and that, at a given level, it tends to be higher among those working for CPC bodies than among the government and SOEs officials. The most detailed work to date, similar to ours, was done by Aidt, Hillman and Liu (2020) who conducted analysis based on the judicial documents of bribe taking cases from 1991 to 2015 posted by the Supreme People's Court in China Judgement Online[10]. Most of the convicted individuals in the dataset are low rank officials, while a relatively small proportion are high rank officials.[11] The authors use the data on the amount of bribe-taking combined with the personal characteristics of the perpetrators to study the determinants of corruption. They find that the administrative level, education,

[8]

[9] We use the terms the perpetrator, the accused and the defendant interchangeably.

[10] https://wenshu.court.gov.cn/

[11] That is, out of 45,846 individuals, less than 2% hold a rank equal to, or higher than, sub-provincial ministerial level, while 8% hold a rank of prefectural-bureau level (including sub-prefectural-bureau level). Our dataset however covers predominantly the "tigers": the corresponding percentages in our dataset are 14 and 85.

and ability to make economic vs. purely administrative decisions are positively associated with the amount of corruption.[12]

Lorentzen and Lu (2018) and Shi (2022) are two other studies that utilized information from the CCDI website regarding convicted officials or those who were under investigation. However, these two studies only made use of a narrow range of information, such as the names of the officials being inspected, the objectives of the inspection, and the timing of the Central Inspection Team's investigations.

The contribution of out paper is threefold. First, we use a more recent database regarding corruption, covering the entire anti-corruption campaign that began under Xi Jinping leadership. In contrast, the paper by Aidt, Hillman and Liu ends in 2015 when the current campaign was in its early stages. Second, we look at inequality in the amount of corruption (a topic that was not covered by Aidt, Hillman and Liu paper) and compare it with the data on income distribution obtained through the regular Chinese Household Income Surveys (CHIP). We are thus able to look how corruption, considered as a "rent" income, compares both in size and distribution to other sources of income. Third, and for the first time in literature, we estimate, using the known perpetrators' characteristics. where in the income distribution they would be located without corrupt income, and how much they gain through corruption both in absolute amount and in income ranking. The objective of our paper is therefore to go beyond the determinants of corruption alone, and to study how much corruption increases income of individuals who engage in it and how much they gain positionally.

On each of the three contributions, our results can be summarized as follows. First, we find that the amount of corruption (which includes all kinds of corruption: bribery, embezzlement, unexplained source of money etc.) increases with the level of education, number of years of CPC membership, and administrative level of the job. In effect, there is a strong positive relationship between the administrative level and amount of corruption.[13] We also find that age and gender are not significant

[12] It is noteworthy that based on the Criminal Law of China, corruption-related crimes include bribe-taking, bribe-extortion, bribe-giving, misappropriation of state assets, embezzlement, holding property with unidentified legal sources, and concealing offshore deposits. Aidt, Hillman and Liu (2020) focus only on the bribe-taking, while our study extend to all type of corruption related illicit gains.

[13] These results align with those of Aidt, Hillman, and Liu (2020); however, we also find that the amount of corruption for officials at the provincial level is, on average and holding other variables constant, more than three times as high than that of prefecture- level officials. In contrast, Aidt, Hillman, and Liu (2020) find that the amounts of corruption for these two levels of officials are almost the same.

predictors of the amount of corruption. Thanks to a very comprehensive database we are also able to observe that graduating from specialized Communist Party schools is inversely related to amount of corruption. We also find that the cohorts that have become CPC members after 1978, and especially after 1992, are associated with greater amounts of corruption (compared to Party members since before 1978).

On the second topic, we find that inequality of income acquired through corruption is much greater than inequality of disposable income. If corruption were treated as a "rent", its inclusion would increase income inequality. Inequality of corrupt income is about the same as inequality of income from capital (calculated only across positive values of both corruption and capital income): Ginis are 0.69. Strong concentration of corruption is also reflected in the fact that the top decile of perpetrators is responsible for 58% of total corruption, and the top 1 percent, for close to 21%.

Third, combining the information about the skewness of corruption with the ability to locate the position of the perpetrators in income distribution before and after corruption, we show that 80% of perpetrators (when we include only their legal income) belong to the top decile of Chinese urban income distribution. On average, corruption allows them to increase their income by between 4.7 and 7 times (depending on the method of annualization of the stock of corruption) and leapfrog many others in income distribution rankings. While without corrupt income only 6% of those convicted would be in China's urban top 1 percent, with corrupt income between 83% and 91% are (again, depending on the method of annualization). We argue that corruption, at least as revealed by the results of the current campaign. is an upper-income group phenomenon, it increases dramatically income of people who engage in it, and enables them to join the very top of China's income distribution.

## 1.2 Data

We compiled our corruption dataset using mostly data obtained from the website of the Central Commission for Discipline Inspection (CCDI)[14]. CCDI has been consistently updating corruption cases involving senior officials in China since 2012 to demonstrate the progress and outcomes of anti-corruption efforts.[15] The dataset includes senior officials categorized by CCDI as Centrally-Managed

[14] https://www.ccdi.gov.cn/scdc/

[15] The last data point is collected on May 28, 2021.

Cadres (CMC)[16], Provincially-Managed Cadres (PMC)[17], and central-level cadres (CLC) from the party, state institutions, state-owned enterprises, and financial institutions (excluding CMC or CPC).[18] Therefore, our dataset can be referred to as the "Tigers" corruption dataset. It contains 1451 cases of officials convicted of corruption between 2012 and 2021. To the best of the our knowledge, we are the first to systematically compile relevant information from the CCDI website and construct a comprehensive corruption dataset. In cases where essential variables were missing from the primary data source, an extensive search of various online platforms was conducted to supplement our dataset.[19]

To be more precise, our dataset offers detailed information on convicted officials, beginning with their demographic particulars, including their name, gender, age, birthplace, and education level and major of studies.[20] As a distinctive aspect of the education of Chinese officials, we introduce a dummy variable to indicate whether the officials have graduated from the Central Party School of the Central Committee of the CPC (中央党校). Approximately one-third of the defendants in our dataset have graduated from the Central Party School, and as we shall demonstrate later, the Central Party School dummy variable is inversely associated with the amount of corruption.

[16] Centrally Managed Cadres (中管干部) refer to the positions of leading cadres who are listed in the "List of Positions of Cadres Managed by the Central Committee of the Communist Party of China" and appointed and removed by the Central Committee of the Communist Party of China. The Organization Department of the Central Committee has the right to make suggestions on the appointment. Generally speaking, CMCs are above the Sub-provincial-ministerial level; some cadres at the Prefectural-bureau level have also been included in the cadres of the central management.

[17] Provincially Managed Cadres (省管干部) refer to the positions of leading cadres of provincial cadres appointed and removed directly by the Organization Department of the Provincial Party Committee. Therefore, the scope of provincial cadres generally covers the chief and deputy secretaries, municipal party committee members, and chief and deputy mayors of prefecture-level cities; chief and deputy officials of provincial departments, secretaries of universities and colleges, principals, chairmen of provincial enterprises, enterprise party secretaries, general managers etc.

[18] The officials in the CLC group come from central enterprises, universities, Ministries or Bureaus at provincial level (but the administrative rank is relatively low, i.e. it is prefectoral-level or below).

[19] Including Xinhua News Agency (http://www.xinhuanet.com), The Paper (https://m.thepaper.cn), The State Council, The People's Republic of China (http://www.gov.cn), Reuters (http://www.reuters.com), Sina (https://news.sina.com.cn,https://finance.sina.com.cn), and The Chinese Court Net (http://www.chinacourt.org).

[20] We use the terms "defendant" and "convicted official" interchangeably because all defendants included in our database have bee found guilty.

Secondly, given that high-ranking officials in China are predominantly members of the CPC (99.5% of the officials in our dataset), we introduce a variable indicating the year when the defendant joined the CPC, enabling us to have information on defendants' duration of CPC membership and to generate dummy variables for various CPC cohorts (by year of membership).

Moreover, we have comprehensive employment information regarding the defendants, including geographical location of their workplaces, the year of initiation and termination of their most recent job, as well as the classification and administrative level of their respective job posts. We categorize the defendants' job assignments into five employment types[21] and seven administrative levels (see Tables 3 and 4 below).[22]

The crimes in CCDI database are divided into seven types: (1) corruption and taking of bribes, (2) organized crime, (3) drug- and sex-related crimes, (4) bribes given, (5) homicide, (6) unauthorized access to national secrets, and (7) malfeasance. The defendants may have committed more than one type of crime. We are only interested in (1) which also accounts for the overwhelming number of cases reported. The illicit gains in (1) are themselves classified into five types: general corruption, unexplained sources of income, illegally obtained money, illicit earnings, and embezzlement (see Table 1). We were able to obtain data on 686 defendants using, as mentioned above, an extensive search through other databases. We provide the sources for each data point in our online-appendix.

The amount of corruption in our dataset measures the stock of illicit gains accumulated over years. That stock however is estimated at the time the corrupt official is arrested, and is expressed in the values of that year. (From the readings of individual cases, we note that the stock often consists of foreign currencies, gold, works of art and jewelry.) We convert the nominal value of the stock into 2018 prices using the ratio between the price level in the year when the official was arrested and 2018. For

[21] Namely, government, court system (judiciary), public institutions (including junior colleges, universities and hospitals), state-owned enterprises, and social organizations (Including Union of Supply and Marketing Cooperatives(供销社), Credit Union(信用社), Federation of Industry and Commerce(工商联), and other social associations with government backing.). Additionally, two finer classifications of job posts of the defendants are available in our dataset, with 14 and 84 categories of posts respectively.

[22] The administrative level is coded according to the level and ranking system stipulated in "Civil Servant Law of the People's Republic of China (2018 Revision)". In total there are 12 administrative levels i.e., 1. National level, 2. Sub-national level, 3. Provincial ministerial level, 4. Sub-provincial ministerial level, 5. Prefectural-bureau level, 6. Sub-prefectural-bureau level, 7. County-division level, 8. Deputy-county-division-head level, 9. Section-head level, and 10. Deputy-Section-head level, 11. Section member and 12. Ordinary staff. In our dataset, the defendants are only from the top 7 levels.

example, if the official was arrested in 2012, the estimated stock of corruption will be increased by 1.12 times, reflecting the inflation between 2012 and 2018. We thus obtain all the corrupt amounts expressed in 2018 prices and these are the amounts we use in the entire analysis.

Finally, to allow a comparison between the amount of corruption and the likely legal earnings of the convicted officials, we integrated our corruption dataset with the China Household Income Project 2018 (CHIP18), which is the latest wave of a nationally representative household income survey. This survey contains comprehensive data on earnings (including annual wage and business income), occupation, and demographic characteristics of 70,431 individuals living across 16 provinces.[23] We estimated the earning function using the data from CHIP18 and to do so selected the same variables regarding individual characteristics as available in our database. They are gender, age, CPC membership status, educational level and major of studies, type of contract, industry of work unit, ownership and region of the work unit, and the administrative level of the job post of the respondents. We were thus able to "locate" where the defendants would be in China's urban income distribution if they had only legal earnings.

## 2. Describing and analyzing income from corruption

### 2.1 Corruption by type of employment

As already mentioned, our database contains seven types of crimes, the most frequent, 1409 out of total 1728 cases (or more than 80 percent), being corruption. For 686 individuals we have full data in the sense that the case has been carried to the end and information about perpetrators is complete. These are the closed cases on which we shall focus in the rest of the paper.[24]

Table 2 summarizes the five types of corruption according to the type of employment held by the officials when they were arrested. In some cases, individuals are guilty of several types of corruption. Therefore, the total number of cases of corruption is 822, i.e., it is greater than the total number of convicted individuals (686). Almost 500 of the convicted 686 individuals were employed in

[23] The sample of CHIP 18 is coming from the big sample of the annual integration household survey sample of NBS in 2018. The latter contains 160 thousands households in 31 provinces. The CHIP sample was selected by systematic sampling method in three layers of east, center and west and contains 15 provinces. For more details, please see http://www.ciidbnu.org/chip/chips.asp?year=2018&lang=EN.

[24] However, they represent about one-half of all individuals covered by the database (1451 individuals). The other half are the cases where some of the information is not available because it was not made public even after the case was closed, or the cases are still ongoing.

the government administration (see Table 2, column 1). Or differently, 577 out of 822 cases (or 70%) are related to the individuals who were working in the government apparatus (Table 2, column 6). About 20% of the cases are linked to the individuals working in SOEs. Thus these two groups account for 90% of either individuals convicted or cases investigated. The remaining three types of employment (courts and prosecution, and public institutions, and social organizations) are of marginal importance.

Table 3 breaks down both the total number of cases and the total amounts of corrupt money by the five employment types. The two key types of employment connected with corruption (namely, work in the government apparatus[25] and in SOEs) have a slightly higher share of stolen money than the share of cases. For example, 18% of cases concern government officials, but they are convicted of having stolen 23% of the total amount. The basic picture, namely of SOEs employees and those working in the government apparatus being both the most frequent culprits and stealing most of the money remains. In terms of the latter, in effect, 93% of corruption is done by these two employment types. It is also revealing to look at the amount stolen per case.[26] Here, SOEs employees are placed at the top as most corrupt with 44 million yuan (or about $6.6 million at the 2018 average exchange rate). They are followed by government officials (34 million yuan, or about $5.1 million at the 2018 average exchange rates). For those working in health and education (public institutions), corruption per case was significantly less.

[25] It includes all those working at different types and different levels of governmental organs (CPC apparatus, People's Congress, Political Consultative Conference, Commission for Discipline Inspection etc.)

[26] These are cumulative amounts (stock of corruption) which the defendants are accused of having stolen over a number of years, extending to several decades and which we have converted into constant 2018 amounts. We shall later annualize these amounts in order to compare them with yearly earnings.

Table 2. Number of cases of corrupt behavior by type of corruption and type of defendant's employment

| | Corruption (general) | Unexplained source of money | Illegal money | Illegal earnings | Embezzlement | Total number of cases |
|---|---|---|---|---|---|---|
| Government | 487 | 35 | 19 | 22 | 14 | 577 |
| Court system | 22 | 1 | | 1 | 3 | 27 |
| Public institutions | 43 | | | 1 | 5 | 49 |
| SOEs | 119 | 6 | 8 | 5 | 9 | 147 |
| Social organizations | 15 | 5 | 1 | | 1 | 22 |
| *Total* | *686* | *47* | *28* | *29* | *32* | *822* |
| *% of defendants* | *100%* | *7%* | *4%* | *4%* | *5%* | |

Note: The total number of individuals convicted is 686, but the total number of cases is 822 with some individuals being accused of more than one type of corrupt behavior. Public Institutions (事业单位) include schools (including junior colleges and universities) and hospitals. Social organizations include Union of Supply and Marketing Cooperatives (供销社), Credit Union(信用社), Federation of Industry and Commerce(工商联), and other social associations with government backing. Total percentage of defendants exceeds 100% because some are accused of two or more crimes.

Table 3. Number of cases of corruption and the amounts of corruption by type of employment

| | Total corrupt money | | Total number of cases | | Corruption per case | |
|---|---|---|---|---|---|---|
| | In 10k yuans | Share (in %) | Number | Share (in %) | In 10k yuans | Relative (average=100) |
| Government | 1,953,505 | 70 | 577 | 70 | 3,386 | 99 |
| Court system | 58,567 | 2 | 27 | 3 | 2,169 | 63 |
| Public institutions | 35,866 | 1 | 49 | 6 | 732 | 21 |
| SOEs | 642,056 | 23 | 147 | 18 | 4,368 | 128 |
| Social organizations | 119,928 | 4 | 22 | 3 | 5,451 | 159 |
| *Total* | *2,809,923* | *100* | *822* | *100* | *3,418* | *100* |

Note: The amounts are expressed in 10,000 yuans in 2018 prices.

2.2 Corruption by administrative level

People accused and convicted of corruption can work at different administrative levels. For example, a worker in the government apparatus can work at the national level (the highest level in our database) or at the country level (the lowest level in the database). Here we are concerned with the hierarchical level at which corruption takes place. Table 4 shows a positive relationship between the average amount of corruption per case and hierarchical level. At country, sub-prefectoral and prefectoral levels, corruption per case is below the average; at sub provincial level and provincial, it is about twice the average; at subnational and national level, it is about three times the average. The ratio between the average amount stolen at national or sub-national vs. sub-prefectoral level is around 8-to-1. If we assume that power is proportional to the hierarchical level, it is not surprising that corruption (per case) will be proportional too, as the value of favors given by higher-level officials outstrips by far the amount of potential favors that can be provided by low-level officials.

But when we look at what level the bulk of corruption takes place, the situation changes. The most important levels are middling levels. Officials at the sub provincial and prefectural levels account for about one-half of all cases and almost three-quarters of stolen money. Combining this finding with the previous we note that the "heart" of corruption lies at the government apparatus and SOEs at just below the provincial level.

Table 4. Number of defendants and the amount of corruption by administrative level of the defendant's job

| | Total corrupt money | | Total number of defendants | | Corruption per defendant | |
|---|---|---|---|---|---|---|
| | In 10k yuans | Share (in %) | Number | Share (in %) | In 10k yuans | Relative (average= 100) |
| National level | 12,096 | 0.4 | 1 | 0.1 | 12,096 | 295 |
| Sub-national level | 41,545 | 1.5 | 3 | 0.4 | 13,848 | 338 |
| Provincial ministerial level | 186,578 | 6.6 | 23 | 3 | 8,112 | 198 |
| Sub-provincial ministerial level | 1,314,744 | 46.8 | 140 | 20 | 9,391 | 229 |
| Prefectoral- level | 760,460 | 27.1 | 219 | 32 | 3,472 | 85 |
| Sub-prefectural-level | 483,205 | 17.2 | 297 | 43 | 1,627 | 40 |
| County-division level | 11,296 | 0.4 | 3 | 0.4 | 3,765 | 92 |
| *Total* | *2,809,923* | *100* | *686* | *100* | *4,096* | *100* |

Note: The amounts are expressed in 10,000 yuans in 2018 prices.

2.3 Corruption by type of cadre

The data provide also the information on the type of cadres who were convicted of corruption. This refers to the classification used by CCDI that distinguishes Centrally-Managed Cadres (CMC), Provincially-Managed Cadres (PMC), and Central Level Cadres of the party and state institutions, state-owned enterprises and financial institutions (CLC).

As shown in Table 5, the amount of corrupt money increases with the cadre level: CMCs, on average, have been convicted of stealing more than 4½ times as much per case as the PMCs. In fact, the corruption-amount gap between the CMCs and the other two categories is very high. While the number of cases of corruption is the highest at middling levels (two-thirds of corruption cases are due to PMCs), the per-case amounts of corruption are much greater for CMCs, and consequently, the share of total stolen money that is attributable to the higher level cadres is very large (63 percent).

Table 5. Number of defendants and the amounts of corruption by CCDI-defined type of cadre

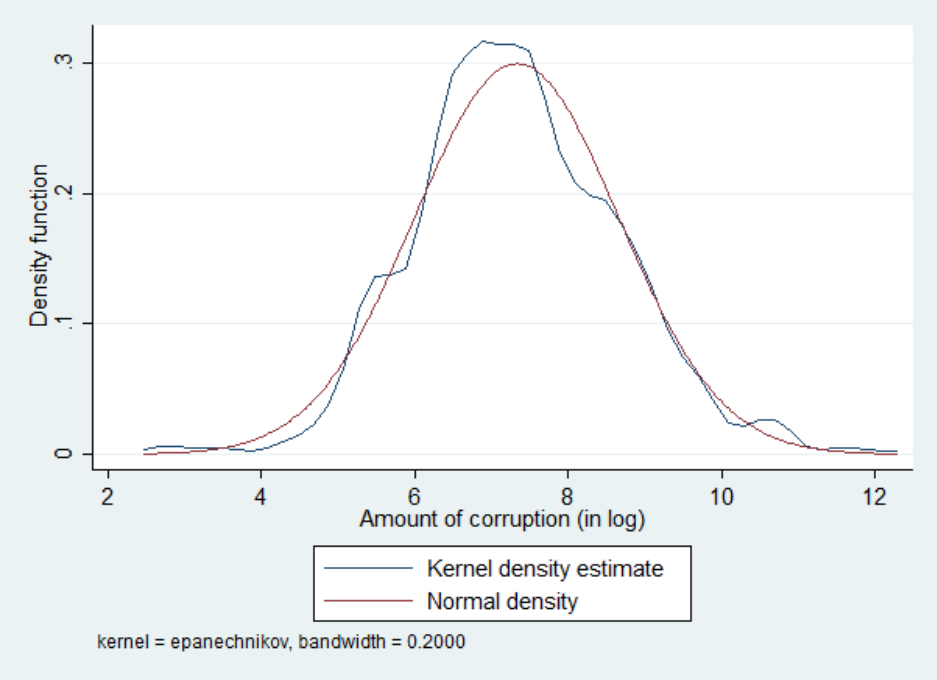
| | Total corrupt money | | Total number of defendants | | Corruption per defendants | |
|---|---|---|---|---|---|---|
| | In 10k yuans | Share (in %) | Number | Share (in %) | In 10k yuans | Relative (average=100) |
| CMCs | 1,766,165 | 63 | 182 | 27 | 9,704 | 237 |
| PMCs | 891,363 | 32 | 453 | 66 | 1,968 | 48 |
| CLC | 152,395 | 5 | 51 | 7 | 2,988 | 73 |
| *Total* | *2,809,923* | *100* | *686* | *100* | *4096* | *100* |

Note: The amounts are expressed in 10,000 yuans in 2018 prices.

2.4 Corruption as an income source and its distribution

Figure 2 shows the density function of corruption. Its shape is similar to lognormal, but with a noticeable thicker upper tail, and a somewhat greater kurtosis. As discussed below, the top of corruption follows a very clear Pareto distribution.

Figure 2. Distribution of total amount of corrupt money




Note: Corruption amounts expressed in 2018 yuans.

Table 6 gives data for 686 defendants divided into ten deciles by the amount of corruption. It compares it then with the similar partitioning into ten deciles according to per capita disposable income in China in 2018. The objective is to contrast the concentration of corruption to that of disposable (after-tax and after-transfer) income. Obviously, the deciles are composed of very different individuals, and the "horizontal" comparison of corruption amount of (say) first decile with disposable income of the first income decile is meaningful only after the nominal amounts of corruption which are stocks are annualized (and thus converted into flows). We proceed to do that in the next section.

Here, however, we simply compare the concentration of corruption with that of disposable income. The former is much more concentrated with the top decile receiving almost 58 percent of all corruption whereas the top decile by income receives about a third of total Chinese income. The

difference is also reflected in the Gini coefficient: it's 0.69 for corruption and 0.46 for total income.[27] The gap is even more striking at the level of the top 1 percent: the top 7 cases of corruption, which is approximately equal to the top 1 percent of the defendants from our sample, account for 20.6% of total corruption, while the top 1 percent income share for disposable income is 7%. Much greater concentration of corruptions is also reflected in the Lorenz curves (see Figure 3) with the one for corruption clearly much further away from the 45-degree line.

Concentration of corruption however has a strong similarity with concentration of (legal) capital income as reported in household surveys. Figure 4 shows the Lorenz curves for the two. Corruption however is more concentrated above the median, with the top decile taking (as we have seen) almost 58% of all corrupt income against 53% of capital income. The Gini coefficients for capital income, and for corruption are both 0.69.

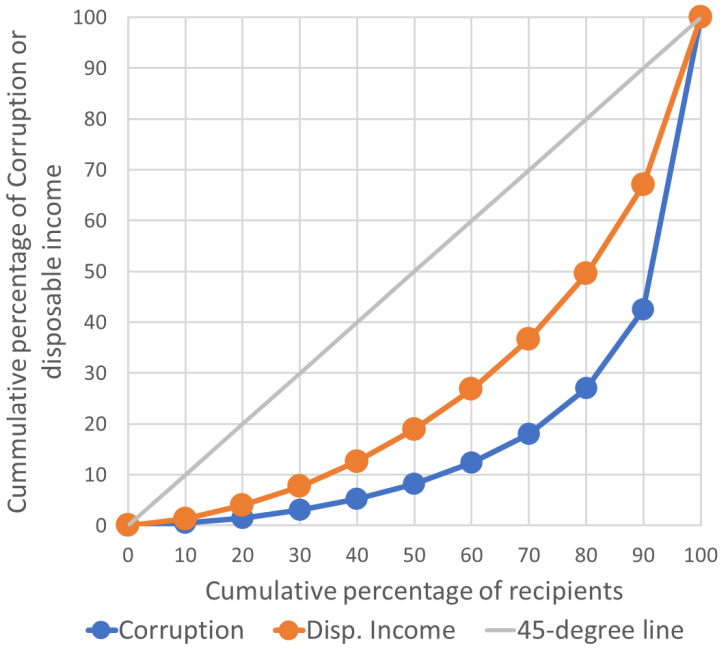
Table 6. Concentration of total corruption compared to concentration of disposable income

| | Total corruption | | Disposable income | |
|---|---|---|---|---|
| Decile | Average amount per recipient (in 10k yuans) | Share (in %) | Average amount per capita (in yuan) | Share of total (in %) |
| 1 | 190 | 0.5 | 2927 | 1.3 |
| 2 | 421 | 1.0 | 5884 | 2.7 |
| 3 | 644 | 1.6 | 8213 | 3.7 |
| 4 | 888 | 2.2 | 10896 | 4.9 |
| 5 | 1216 | 3.0 | 13899 | 6.3 |
| 6 | 1676 | 4.1 | 17408 | 7.9 |
| 7 | 2313 | 5.6 | 21942 | 9.9 |
| 8 | 3756 | 9.2 | 28241 | 12.8 |
| 9 | 6300 | 15.4 | 38584 | 17.5 |
| 10 | 23746 | 58.0 | 72891 | 33.0 |
| *Mean/total* | *4096* | *100* | *22085* | *100* |
| Gini | 0.69 | | 0.46 | |

Note: The amounts of corruption are cumulative (in real 2018 yuans); the amounts of income are annual (calculated from the China Household Income Project 2018 as standardized by Luxembourg Income Study).

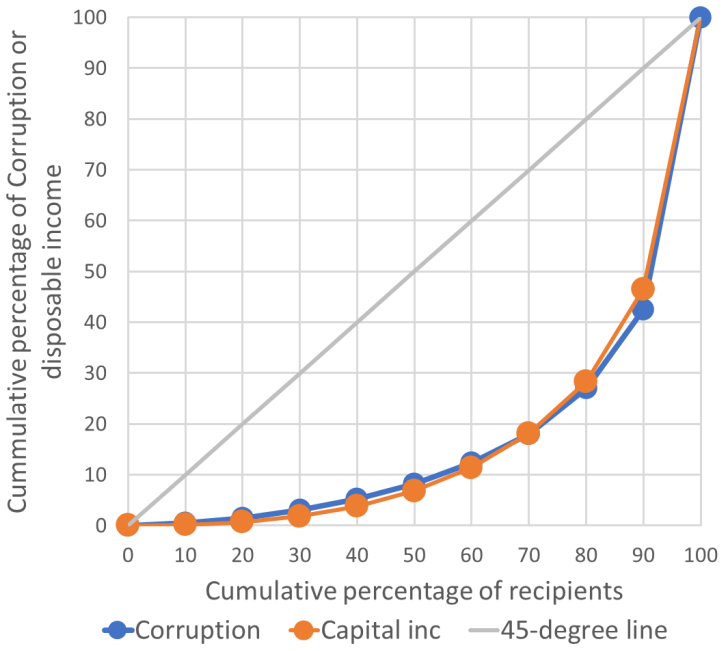
[27] It should be noted that the Gini of 0.69 is calculated across positive value of corruption only.

Figure 3. Lorenz curves for corruption and disposable income




Note: The Lorenz curve for corruption refers to total amount of corrupted money over 686 cases with detailed information and with recipients divided into ten deciles. The Lorenz curve for per capita disposable income refers to the 2018 data obtained from CHIP 2018 as standardized by LIS, divided into ten deciles. The point x=90% at the horizontal axis for corruption corresponds to y=42% on y axis. This means that the highest decile of corruption recipients has received (100-42)=58% of all corruption income. The richest 10 percent of Chinese by income have in 2018 received 33% of all disposable income.

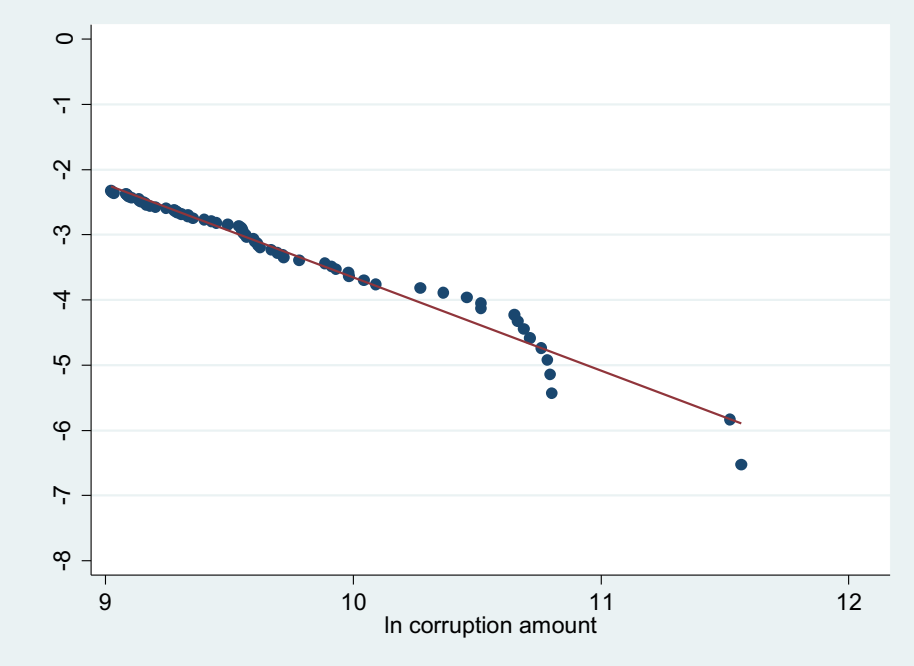
Figure 4. Lorenz curves for corruption and income from capital




Note: The Lorenz curve for corruption refers to total amount of corrupted money over 686 cases with detailed information and recipients divided into ten deciles. The Lorenz curve for per capita income from property (or capital income) refers to the 2018 micro data obtained from CHIP/LIS 2018, with recipients divided into ten deciles. The point x=90% at the horizontal axis for corruption corresponds to y=42% on y axis. This means that the highest corrupt decile of recipients has received (100-42)=58% of all corruption income. The richest 10 percent of Chinese by capital income have in 2018 received 42% of all capital income.

Given the high concentration of corruption income, we can focus more on the top end. As we expect, top-end corruption follows a Pareto distribution. In Figure 5, this is shown by looking at the top decile of corruption income. The Pareto line matches the actual data quite well with an R-square of 0.97 and a highly significant Pareto coefficient of -1.43. A glance at the graph allows also to notice the likely truncation of corruption income at the very top, where the two highest recipients both show the same corruption income, and to surmise that, by prolonging the line, one might find some people with even higher corruption incomes. In other words, it seems that the full upper right-end tail of corruption is not shown in the actual data.

Figure 5. Pareto relationship for the top decile of corrupt officials




Note: The horizontal axis gives natural logarithm of amounts of corruption (in real yuans) among the top decile of recipients of corruption. The vertical axis shows the logarithm of the inverse cumulative distribution of recipients. The relationship between the two shows by how much a given increase in (log of) corruption amounts reduce the percentage of recipients of such (high) corruption. The coefficient linking the two is the so-called "Pareto constant". The regression line in this figure shows that its value for the top decile is -1.43.

## 2.5 CPC membership and corruption

All but seven individuals accused of corruption in our dataset are CPC members. Therefore, in the analysis we do not discuss CPC membership as a binary variable (member/no member), but take membership as a given. The correspondence between membership in the Party and corruption is not only due to the presumed likelihood that top positions at which corruption takes place are mostly filled by CPC members, but also to the fact the campaign to uproot corruption is conducted by the Party and its Disciplinary Commission and consequently, by definition, the focus is almost solely on Party members.

The median age of the person convicted or accused of corruption[28] is 58, the median number of years of CPC membership is 34, and the median year when they joined the party is 1985. As the distribution by age in Figure 6 shows, the defendants are people who are probably around the peak of

[28] For the age and other similar variables, the data are available not only for the convicted individuals but those whose process is ongoing.

their careers. There is a noticeable absence of old people (many of them retired, and less likely to be troubled by investigation even if they might have been involved in some corruption in the past) and younger people whose positions are probably not high enough to "deserve" (or attract) much corruption. The distribution by age is also reflected in the year when defendants have jointed CPC: 75 percent of defendants have joined the Party before 1988, and 87 percent before, and including, 1992 (Figure 7). Practically nobody among the defendants has joined the Party after 2012 when Xi Jinping became the President and the head of the Party.

Figure 6. The distribution of the defendants by age at the time of punishment

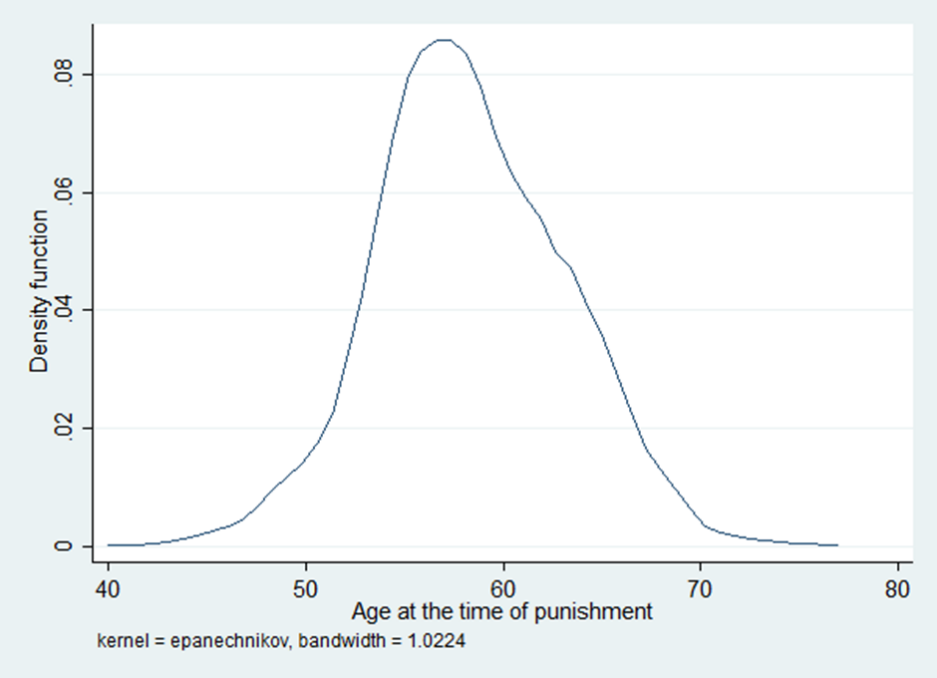
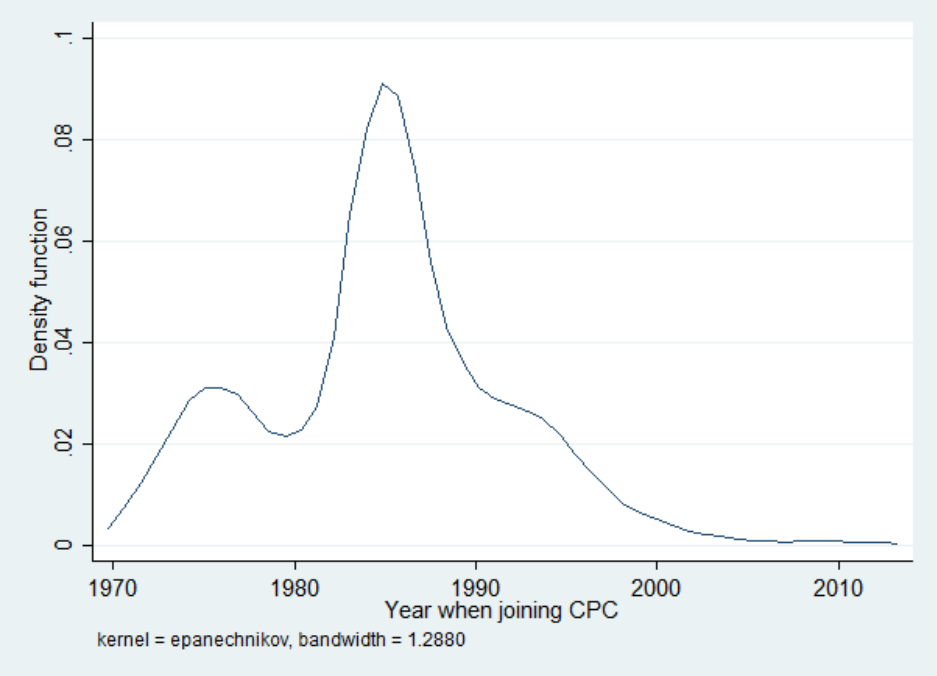



Figure 7. The distribution of the defendant by the calendar year when joining CPC



3. Correlates of the amount of corruption

Table 7 looks at the amount of corruption in function of the various characteristics whose bilateral relations with corruption we have just explored. We show two specifications: with and without provincial fixed effects. The results are practically the same and we shall discuss them together. Age and gender are not statistically significant. Variables that are significantly positively associated with the amount of corruption (at least at 5% level) are education, years of CPC membership, having joined the Party after 1978 (as opposed to the control of having joined before 1978), administrative level, and working in SOEs or social organizations (as opposed to working in the government apparatus). The fact that age, neither linearly nor in a life-cycle formulation (with age squared), is not a significant predictor of the amount of corruption is important. It shows that it is other factors, like the length of CPC membership, or level of education (which may be associated with age) that exert their own independent effect. It is remarkable that cohorts that joined CPC after 1978, and especially so the cohort that joined the Party after 1992, tend to engage in greater corruption. This cannot be explained by unusually different sizes of these cohorts: the pre-1978 cohorts contain 131 defendants, the 1979-1992 cohort 380 defendants, and the post-1992 cohort, 75 defendants. Education is a significant predictor of greater corruption, but the attendance of the Central Party School has the opposite effect, almost fully offsetting the effect of graduate education on corruption.

When we turn to the type of employment (with employment in government being the control variable), SOE employment adds, statistically significantly, to corruption between 27% and 45% (between $e^{0.24}$ $and$ $e^{0.37}$), and even more so employment in government-backed social organizations. Employment in public institutions (health, education etc.) is, compared to the control, negatively correlated with the amount of corruption. The most likely interpretation is that the opportunities for large scale corruption are much greater in SOEs than in health or education.

Administrative level of the defendant is very strongly, and clearly positively correlated with the amount of corruption. It is notable that in both formulations (with and without provincial fixed effects), the size of the coefficient monotonically increases with the administrative level. While at the prefectural level, the amount of corruption is likely to be only 30% higher than at the sub-prefectural-or-lower (control variable) level, at the provincial or sub provincial level, it is about 4 to 5.5 times greater, and at national or subnational level, it is estimated to be 9 to 16 times greater. Finally, the four standard Chinese regions do not appear to be different from each other in respect of corruption. None of the coefficients is statistically significant.

Table 7. Determinants of Amount of Corruption

| | Formulation (1) | Formulation (2) |
|---|---|---|
| **Male** | -0.084 | -0.032 |
| | (0.221) | (0.238) |
| **Age** | -0.175 | -0.213 |
| | (0.195) | (0.193) |
| **Age2** | 0.002 | 0.002 |
| | (0.002) | (0.002) |
| **Education Level (baseline: Bachelor or below)** | | |
| Graduate education dummy | 0.307*** | 0.293** |
| | (0.101) | (0.108) |
| Central Party School dummy | -0.243** | -0.208* |
| | (0.114) | (0.115) |
| **Years of CPC membership** | 0.060*** | 0.051** |
| | (0.020) | (0.020) |
| **CPC Cohort (baseline: joined CCP before 1978)** | | |
| 1979 and 1992 | 0.712*** | 0.706** |
| | (0.259) | (0.263) |
| After 1992 | 1.243*** | 1.113** |
| | (0.398) | (0.405) |
| **Employment type (baseline: Government)** | | |
| Court system | -0.094 | -0.170 |
| | (0.252) | (0.270) |
| Public institution | -0.59*** | -0.62*** |
| | (0.118) | (0.134) |
| State Owned Enterprises | 0.243** | 0.372** |
| | (0.119) | (0.138) |
| Social Organizations | 0.973*** | 0.965*** |
| | (0.265) | (0.230) |
| **Administrative level of the defendant (Baseline: Sub-prefectural-bureau level or below)** | | |
| National level and sub-national level | 2.396*** | 2.758*** |
| | (0.194) | (0.213) |
| Provincial ministerial level | 1.466*** | 1.698*** |
| | (0.218) | (0.263) |
| Sub-provincial ministerial level | 1.381*** | 1.379*** |
| | (0.180) | (0.196) |
| Prefectural-bureau level | 0.283** | 0.259** |
| | (0.103) | (0.111) |
| **Job Region (baseline: Central)** | | |
| East | 0.284 | |
| | (0.180) | |
| Northeast | 0.163 | |
| | (0.151) | |
| West | 0.378 | |
| | (0.235) | |
| Constant | 8.650 | 9.819* |
| | (5.673) | (5.613) |
| **Province Fixed effect** | No | Yes |
| **Cluster** | Province level | Province level |
| **Observations** | 567 | 567 |
| **R-squared** | 0.297 | 0.376 |

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Our analysis is based CCDI dataset. We restrict our sample to only CCP members. The dependent variable is natural log of the amount of corruption in 2018 yuans.

4. Where in the distribution are the corrupt officials and how much do they gain from it?

The location of corrupt officials within the distribution of income, specifically in terms of earnings (i.e., annual wage and business income), remains unanswered in the literature due to data limitations. However, leveraging the comprehensive data available in our dataset and access to separate data on China's income distribution, we can offer the initial estimations for these inquiries and explore how corruption assists officials in advancing up the income ladder.

By combining our corruption dataset with the China Household Income Project 2018 (CHIP18) we are able to estimate the positions of corrupt officials within the income distribution. Using CHIP18 dataset, we estimate the earnings regression for employed adults residing in urban areas.[29] We limit the CHIP18 sample to employed adults aged 18 to 65 who possess an urban residence permit (hukou). [30] The variables used in the earnings regression include gender, age, CPC membership dummy variable, education level, type of education (social or natural science), type of work contract, industry (manufacturing, energy, finance, etc.), ownership of the work unit, and leadership position variables that indicate the administrative level (prefecture, country, province) or executive status. We also control for region and apply sample weights. Table 8 displays the results of the regression.

Unsurprisingly, education level, type of education, and industry sector are influential factors in the earnings regression analysis. However, the variables that are of particular interest to us, given the profile of individuals who engage in corrupt activities (as described in Section 2), are those related to leadership/executive positions and the corresponding administrative level. These variables are highly significant in the earnings regression, which aligns with our expectations that higher-level positions have a significant impact on earnings.

[29] The earnings include after-tax wages plus fringe benefits, and net business income. The regression is run across individuals.

[30] Excluding rural-urban migrants.

Table 8. Earnings regression estimates (based on CHIP18)

| | Coefficient | Std. |
|---|---|---|
| **Male** | 0.263*** | (0.021) |
| **Age** | 0.089*** | (0.014) |
| **Age2** | -0.001*** | (0.000) |
| **CCP membership dummy** | 0.038* | (0.012) |
| **Education Level (baseline: secondary education or below)** | | |
| Master's degree or above | 0.755*** | (0.048) |
| Bachelor's degree (benke) | 0.421*** | (0.037) |
| Junior college (zhuanke) | 0.190*** | (0.029) |
| **Major of Education (baseline: Others)** | | |
| Science | 0.164*** | (0.015) |
| Social Science | 0.107** | (0.023) |
| **Permanent Contract Dummy** | 0.207** | (0.045) |
| **Industry of Work Unit (baseline: Others)** | | |
| Finance | 0.073 | (0.034) |
| Energy | 0.067** | (0.018) |
| Transportation | 0.058 | (0.037) |
| Manufacturing | 0.163** | (0.030) |
| Media, Culture, and Tourism | 0.052 | (0.038) |
| Public Sector and Social Organization | -0.090* | (0.034) |
| **Ownership of Work Unit (baseline: Others)** | | |
| Government and Party Agencies | 0.105*** | (0.009) |
| Public institutions | 0.071** | (0.014) |
| SOEs | 0.072*** | (0.009) |
| **Dummy for Principal at Work Unit** | 0.261*** | (0.006) |
| **Dummy for Prefectural or above level of official** | 0.407* | (0.169) |
| **Dummy for County level of official** | 0.213** | (0.066) |
| **Dummy for Executives in Enterprises** | 0.499*** | (0.068) |
| **Regions (baseline: Central)** | | |
| East | 0.267*** | (0.003) |
| Northeast | -0.075*** | (0.007) |
| West | 0.074*** | (0.004) |
| **Constant** | 8.380*** | (0.265) |
| **Cluster** | **Regional level** | |
| **Observations** | 9,229 | |
| **R-squared** | 0.272 | |

Notes: Robust standard errors in parentheses. *** p<0.01, ** p<0.05, * p<0.1. Our analysis is based CHIP 2018. We restrict the sample to employed adults aged 18 to 65, who live in urban area of China with urban hukou (thus excluding rural-urban migrants).

We then proceed to predict the earnings of corrupt officials in the absence of corrupt activities, utilizing the estimated coefficients from the earnings regression and the characteristics of the corrupt

officials from our corruption dataset. The median of the predicted annual earnings of corrupt officials is about 157,000 yuans per year[31], which is more than three times the median of the earnings in the CHIP18 urban subsample (48,000 yuans), and would also place such an official at the 95 percentile of the urban income distribution. The results regarding the mean are similar: the ratio is in excess of 3 (see Table 9, column 3). This indicates that the corrupt officials are not just a random sample of the urban working population. They seem to be significantly better off (excluding their corrupt earrings) than the average urban worker, and thus to belong to the top portion of the distribution.

To estimate the officials' total earnings, we add the amount of corrupt earnings to their predicted legal earnings. Corruption may be considered as a "bonus" or "rent". The challenge is to determine the size of the "bonus" accurately. As explained in Section 1, the stock of corruption is expressed in 2018 prices. That stock however was acquired over the years. We annualize it by estimating the number of years of corruption (N) in two different ways.[32] First, we estimate $N_i$ for each corrupt official using the number of years they have been a member of the CPC.[33] This is an individual-based annualization, and is justified by the likelihood that the membership of the party was a facilitating, or perhaps often the indispensable, condition for getting involved in corruption. The second assumption is simpler: we use a given number of years of corruption across the board, that is for all individuals. We present the results for individual $N_i$ and for N=20 in the main text, and the results for other Ns in the Appendix (see Appendix B, Table AP2).[34] In all cases, the corruption "bonus" gives a dramatic increase to annual income of the corrupt officials.

When we annualize the overall amount of corruption by the number of years of CPC membership, the new mean income of corrupt officials (legal plus corrupt income) is estimated at 3.7 times individuals' legal earnings, and when the annualization is uniform (20 years of corruptions), the new mean income is 13.6 times greater than the legal income (see Table 9, column 5). It is clear that, for

[31] This is about $23,000 at 2018 average exchange rate.

[32] Under both scenarios, the implicit assumption is that yearly corruption is constant. That, of course, is unlikely to be true in real life but we have no information on the dynamics of corruption. Furthermore, our objective is to "locate" individuals in the "average" income distribution of the urban China over a number of years, and consequently the variability of his or her position between the years Is of little importance.

[33] The corruption amount could be interpreted as the "compensation" the corrupt officials took illegally for themselves since in Chinese public administration, individuals are often overly qualified for the tasks they are assigned and are underpaid relative to their qualifications (Wu & Wang, 2018).

[34] While N is equal to 30, 40 or 50.

most corrupt officials, the amount of corrupt income is severalfold greater that the amount of legal income. Corruption therefore advances the corrupt officials' income position significantly up.

Table 9. Annual earnings of the overall urban sample of workers and of the corrupt officials

| | 1 | 2 | 3 | 4 | | 5 | |
|---|---|---|---|---|---|---|---|
| | Annual earnings from CHIP2018 (all urban residents) | Estimated annual earnings of corrupt officials (before corruption) | Ratio (2):(1) | Predicted annual income of corrupt officials (including the corruption bonus) | | Increase in income due to corruption (times) | |
| | | | | Using years of CPC membership * | Assuming 20 years of corruption | Using years of CPC membership * | Assuming 20 years of corruption |
| Mean | 46,019 | 169,031 | 3.7 | 1,292,409 | 2,305,980 | 7.6 | 13.6 |
| Median | 48,370 | 156,888 | 3.2 | 634,706 | 906,843 | 4.0 | 5.8 |
| No of observations | 9,229 | 1,322 | | 567 | 642 | | |

Notes: The complete corruption dataset contains 1451 observations. However, due to missing values in the explanatory variables in Table 8, we could only estimate the annual earnings of 1322 convicted officials in column 2. The decrease in the number of observations from 642 to 567 in column 2 is due to missing information on party membership.

Column 1 in Table 10 shows at what percentile of income distribution in urban China the corrupt officials would be when using their predicted legal income alone. A very large majority of the corrupt officials (80%) would be in top ten percent of the distribution; 50% of the corrupt officials would be in top five percent, 6.5% would be in top one percent, and 3.4% would be in the top 0.5 percent. As we have already mentioned, the corrupt officials –even without corrupt earnings—would be placed fairly high in the Chinese urban income distribution.

Table 10. Change in the rankings in income distribution of officials before and after corruption (all calculated in 2018 yuans)

| | Percentage of officials ranked above the threshold (without corrupt income) | Percentage of officials ranked above the threshold (including corrupt income) | |
|---|---|---|---|
| | | Using years of CPC membership* | Assuming 20 years of corruption |
| Top 40 percent | 99.62 | 100 | 100 |
| Top 10 percent | 79.27 | 99.47 | 99.69 |
| Top 5 percent | 54.54 | 97.88 | 99.53 |
| Top 1 percent | 6.51 | 82.01 | 91.12 |
| Top 0.5 percent | 3.4 | 74.96 | 86.92 |
| Top 0.1 percent | 0 | 43.03 | 60.28 |
| Number of observations | 1322 | 567 | 642 |

Notes: The complete corruption dataset contains 1451 observations. However, due to missing values in the explanatory variables in Table 8, we could only estimate the annual earnings of 1322 convicted officials in column 2. The decrease in the number of observations from 642 to 567 in column 2 is due to missing information on party membership. Appendix B, Table AP1 presents comparable results obtained from a restricted sample that includes only 567 convicted officials.

But corruption makes them move up higher. While one-half of corrupt officials were in the top 5 percent when corruption was not taken into consideration, with corruption, between 98 and 99 percent are in the top 5 percent, and 43%-60% of them (depending on the assumption of N) became part of 0.1 percent.[35]

To better understand the income mobility of convicted officials due to corruption, we present the distribution of convicted officials in different income groups before and after embezzled money was taken into consideration (Table 11).

As we have seen, almost one-half (54%) of officials were in the top 5 percent if excluding illicit incomes, and another half (46%) were in the bottom 95 percent. For the latter group, when the embezzled money is taken into consideration, more than two-thirds (33%/46%) move to the top 1%. For

[35] There is an issue of endogeneity here. When we add the corrupt income, these new values do not affect the distribution of legal income from CHIP18. In other words, if we had the distribution of earnings that would include both legal and illicit earnings, the position of corrupt officials would be somewhat lower than as shown here. The income distribution that we use to find out where the corrupt officials are is in principle an income distribution of legal incomes. If there are, in addition to the illegal incomes considered here, other illegal incomes that have not been found out, the "true" income distribution has higher incomes throughout and hence the position of the corrupt officials may be somewhat lower than estimated.

the officials who were already in top 5 percent before corruption, adding the annualized corruption "bonus" pushes more than nine out of ten (49%/54%) into the top 1 percent. Corruption is thus a very powerful mechanism of upward income mobility. The outcomes are similar when we assume N=20 (see Appendix B, Table AP3)

Table 11. Change of the ranking in earning distribution of officials before and after corruption (all calculated in 2018 yuans, N=years of CCP membership)

| | Post-corruption ranking | | |
|---|---|---|---|
| Pre-corruption ranking | Bottom 95% | Between the 95$^{th}$ and top 1 percent | Top 1% |
| Bottom 95% | 2% | 11% | 33% |
| Between the 95$^{th}$ and top 1 percent | 0% | 5% | 44% |
| Top 1% | 0% | 0% | 5% |

## 5. Conclusions

The government- and Communist Party of China-led anti-corruption campaign has probably for the first time in history allowed researchers to access a consistent dataset on corrupt officials. The Information includes name, gender, age, education, duration of membership in the ruling party, position of authority, the amount of embezzled money and several other characteristics.

The studies of corruption have so far been hampered by the lack of similar data for those accused or convicted of corruption. Thus studies were limited to individual or ethnographic case studies, general discussion of corruption, or use of expert opinions to gauge the extent of corruption. This was due to the fact that corruption was almost never prosecuted as a matter of specific policy; the cases were dealt with sporadically, at different courts, and information was neither uniform in its form (i.e. the same information was not available for each defendant) nor centralized.

Our empirical knowledge of characteristics of people who engage in corruption, where in the income distribution they are, and the amounts of money stolen has therefore been limited. The database on 686 officials convicted of corruption in the period 2012-21 that we have constructed allows us in conjunction with China-wide 2018 urban income survey to predict corrupt officials' legal income

and to estimate where in China's urban distribution they would be in the absence of corruption. We are thus able for the first time to calculate gains from corruption relative to corrupt officials' legal income and to their estimated original position in income distribution.

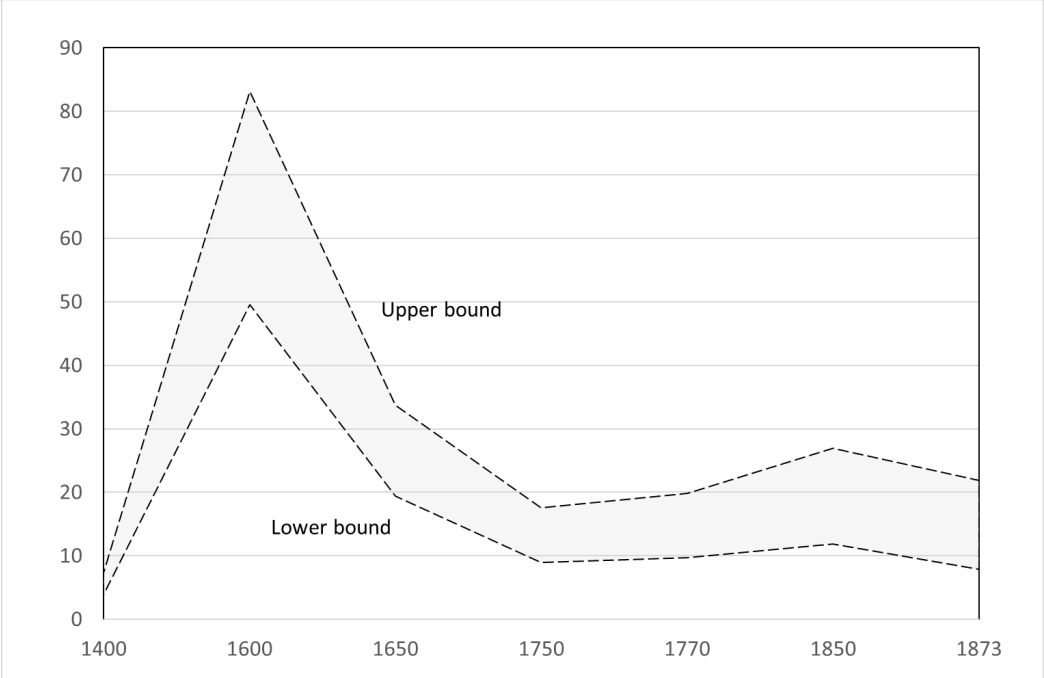
It should be noted that our database, given the objectives of the campaign, covers (a) almost exclusively CPC members, (b) people with high level of education and reasonably high executive power whether in the Party or government apparatus, SOEs or elsewhere, and (c) people whose legal income would have been rather high.

We consider three related, but separate, questions. First, what are the correlates of corruption (measured by the amount of money individuals are accused of having embezzled); second, what are the features of corruption as a source of income (treating it as any other source of income); and third, what are the gains, both in relative terms and in income position, that the individuals accused of corruption realize.

We find that that age and gender are not correlated with the amount of corruption; neither do different regions of China display differences in the determinants of corruption. The use of provincial dummies does not make much of a difference either. The variables that are positively associated with the amount of corruption are education, administrative level at which the corrupt official is, number of years of CPC membership, and having joined the party after 1978. (or even more so after 1992). It is important to note that variables that may be thought correlated, e.g., age, number of years of CPC membership, and level of responsibility, enter our the analysis independently, and thus their individual effects can be distinguished. We also use information on whether the defendant has graduated from the CPC party school and find that it is negatively correlated with the amount of corruption.

When we consider corruption as an alternative source of income and compare its distribution with the distribution of disposable income from the 2018 income survey of urban population, we find that corruption is much more unequally distributed than disposable income (Gini of 0.69 vs. 0.47), and that its distribution is very similar to the distribution of income from capital.

Figure 8. Ratio of potential corruption income to salary (1400-1873)




Source: Ni and Van (2006), table 1.

The estimated average legal earnings of corrupt officials are more than 3.5 times greater than the overall urban median. Consequently, 80% of them would belong to the top urban decile and 6% to the top percentile, even without corrupt earnings. However, corrupt earnings are huge and allow them to climb much higher in income distribution hierarchy. Thanks to corruption, the average earning of corrupt officials surge by between 8 and 14 times (depending on the assumption used to annualize the data).[36] Notably, our findings align with Ni and Van's (2006) estimate of the ratio of potential corruption income to salary during the Ming and Qing periods in China (1400-1873, see Figure 8). According to their data, the corruption-salary ratio in the period 1750-1873 varies between 8 to 27 (lower to upper ratios), which is remarkably close to our estimation. In our analysis, thanks to corruption, between 82% and 91% percent of corrupt officials "end up" in the urban top one percent. This shows that corruption is an important tool for upward mobility even among those that are already highly placed in income distribution.

[36] Meaning the annualized corruption income is on average between 7 and 13 of the official's legal earnings.

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Appendix A: Construction of “Tigers” Corruption Dataset

We name our corruption dataset "Tigers" Corruption Dataset, since it includes only the corruption cases of the high-ranking officials. Starting in 2012, the Central Commission for Discipline Inspection of the Communist Party and the National Supervisory Commission of China (CCDI) has been regularly updating corruption cases involving high-ranking officials in its website (https://www.ccdi.gov.cn/scdc/). This website serves as a platform to showcase the progress and results of anti-corruption efforts. The website reports on two types of cases: officials who have been investigated and officials who have received administrative punishment. Our dataset only includes cases in which officials received administrative punishment.

CCDI has categorized theses convicted officials into three types: Centrally-Managed Cadres (CMC), Provincially-Managed Cadres (PMC), and central-level cadres (CLC) from the Party, state institutions, state-owned enterprises, and financial institutions (excluding CMC or CPC). We have collected data for each type within the timeframe specified below:

| Type of Cadres | The last data access date | No. of cases |
|---|---|---|
| CMC | 04/30/2021 | 227 |
| PMC | 05/28/2021 | 1105 |
| CLC | 04/23/2021 | 119 |

Once we collected the information of the corruption cases of the convicted officials, we then collect the demographic and employment information of each convicted officials from Baidu Baike (https://baike.baidu.com)

After collecting information on corruption cases involving convicted officials, we proceeded to gather demographic and employment details for each individual from Baidu Baike (https://baike.baidu.com).

In cases where essential variables were missing from the primary data source, we conducted a extensive search to supplement our dataset using various online platforms listed below:

- Xinhua News Agency ( http://www.xinhuanet.com)
- The Paper (https://m.thepaper.cn)
- The State Council, The People's Republic of China ( http://www.gov.cn)
- Reuters (http://www.reuters.com)
- Sina Corporation (https://news.sina.com.cn; https://finance.sina.com.cn)
- The Chinese Court Net (http://www.chinacourt.org/)

Our Online Data Appendix provides both raw data, which specifies the data sources for each convicted official, and a cleaned dataset for publication.

Raw data can be found in our online appendix folder China_Corruption\Analysis\IN:

- CGO_final.xlsx is the raw dataset for Centrally-Managed Cadres (CMC)
- PGO_final.xlsx is the waw dataset for Provincially-Managed Cadres (PMC)
- SOCO_final.xlsx is the raw dataset for central-level cadres (CLC) from the Party, state institutions, state-owned enterprises, and financial institutions (excluding CMC or CPC).

Appendix B: Figures and Tables (**download**)

Appendix C: "Tigers" Corruption Dataset (**download**)