

**FT Alphaville** Chinese politics & policy

## Estimating Chinese corruption

Flies and tigers alike are being swatted



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**Robin Wigglesworth** 4 HOURS AGO

How much graft is there in China's vast bureaucracy? Quite a lot, and it rises with seniority, even though Xi Jinping's [corruption crackdown](#) seems to have moderated things.

Estimating how much money officials make from bribes is obviously tricky, especially in a country like China, where data is patchy and bungs are so common it is sometimes referred to as "grey income".

But in a [paper just published by the NBER](#), Yongheng Deng of Wisconsin School of Business, Shang-Jin Wei of Columbia Business School and Jing Wu and Rongjie Zhang from Tsinghua University (!) have come up with an interesting way of doing it.

The economists looked at the administrative records of the Housing Provident Fund, a state-backed house purchase savings scheme that gave them a detailed history of the legal income of every individual in a "large Chinese city".

They then compared the reported earnings of officials to the income implied by their house purchases. Here's what the researchers found, with Alphaville's emphasis below:

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Our estimation indicates that during our sample period between 2006 and 2013, **an average government official's unofficial income amounts to 83% of her official income.** More interestingly, we find the **unofficial income (as a percentage of the official's legal income) increases with her rank and the prerogative power of her government bureau.** For example, the unofficial income of a director general of a government department (which is ranked at the zheng ju level, equivalent to the level of a mayor of most medium or small cities in the Chinese political hierarchy) is **more than 424% of the official income.**

**In terms of the prevalence of corruption, about 13% of officials are estimated to obtain unofficial incomes, and this proportion also tends to increase with the official's rank. For example, whereas 8% of non-official government employees take unofficial incomes, 65% of zheng ju officials — the highest-ranking officials in the sample—are likely to have unofficial incomes.** Our data also find the officials tend to be paid somewhat better than their private-sector counterparts, on average, conditional on observable personal characteristics. Therefore, we reject the hypothesis that unofficial incomes are compensation for earning a low official salary in the public sector. Thus, increasing public sector pay per se may not be enough to prevent government officials from taking unofficial incomes.

The researchers said that they looked at various factors that might have influenced their findings — such as whether officials got a discount on apartment purchases, affluent parents, subsidies for utilities that enabled larger property purchases etc — and said that “in each case, our conclusion is not materially affected.”

The main sample period was 2006-13, after which president Xi's “tigers and flies” corruption crackdown really took off. Since Xi's ascent to the top of the CCP in 2012, the dragnet has ensnared at least 4.7mn lowly officials (the “flies”) and thousands of higher-ranking “tigers”, according to state media. These days, even [senior cabinet members](#) and [corruption investigators themselves](#) aren't safe.





The researchers therefore also looked at an alternative data set on home purchases in 99 Chinese cities in 2005-18 and compared it to the reported income levels from the China Family Panel Studies, a twice-yearly household survey run by Peking University. This revealed that the crackdown has had an impact.

We find the unofficial incomes estimated by our methodology are systematically and significantly higher in cities whose chief leaders (the party secretary or mayor) are subsequently removed for corruption during the anti-corruption campaign. In addition, we find the unofficial incomes implied in newly purchased homes decreased significantly after the anti-corruption campaign starting in 2013, especially in places where the officials have witnessed a crackdown on corrupt local chiefs. All these findings support the linkage between officials' unofficial incomes and corruption.

It's unclear how significant the post-crackdown decline in corruption is, at least from our quick read of the paper. But let us know if we're missing something.

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