Is corruption in China “out of control”? A comparison with the US in historical perspective

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This paper compares corruption in China over the past 15 years with corruption in the US between 1870 and 1930, periods that are roughly comparable in terms of real income per capita. Corruption indicators for both countries and both periods are constructed by tracking corruption news in prominent US newspapers. Several robustness checks confirm the reliability of the constructed corruption indices for both countries. The comparison indicates that corruption in the US in the early 1870s, when its real income per capita was about $2800 (in 2005 dollars), was 7–9 times higher than China’s corruption level in 1996, the corresponding year in terms of income per capita. By the time the US reached $7500 in 1928, approximately equivalent to China’s real income per capita in 2009, corruption was similar in both countries. The findings imply that, while corruption in China is an issue that merits attention, it is not at alarmingly high levels, compared to the US historical experience. In addition, the paper articulates a theoretical framework within which the relationship between corruption and economic development can be understood. The model is used to explain the “life-cycle” of corruption in the development process—rising at the early stages of development, and declining after modernization has taken place. Hence, as China continues its development process, corruption will likely decline. Journal of Comparative Economics 42 (1) (2014) 76–91. George Mason University, Fairfax, VA 22030, United States.

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Undoubtedly, rampant and uncontrolled corruption is not an enviable feature for any country. High levels of corruption have been associated with undesirable social outcomes such as lower income levels (Rose-Ackerman, 1999), lower economic growth (Mauro, 1995; Li et al., 2000), less foreign investment (Wei, 2000; Javorcik and Wei, 2009), more social unrest (Manson, 2004a), and so on. Hence, from a social welfare perspective, it is important to contain, and even reduce, the level of corruption.

But although it may be socially desirable to reduce corruption, it does not necessarily follow that the optimal level of corruption is zero. Fighting corruption is not costless. In fact, as Rose-Ackerman (1999) argues, the cost of reducing corruption to zero would be prohibitively high. Therefore, it is inevitable that there will be some amount of corruption in equilibrium. Naturally, this brings up the issue of how much corruption should China, as a society, be willing to tolerate. Is China’s current level of corruption, for example, “too high”? If so, then, how low should it be? To answer these questions it is necessary to put in a proper context the current level of corruption in China. Unfortunately, the theoretical literature of corruption and development has not provided an answer regarding the “optimal” amount of corruption for a given level of development. Most of this literature focuses on indentifying conditions under which corruption may arise, or investigate how corruption affects economic growth. Therefore, we must rely on an empirically-based method for developing this context.

There is a strand of the literature which suggests that corruption goes through a “life-cycle” in the development process of a nation—rising first in the early stages of development, and subsequently decline, as the country becomes more developed (Huntington, 1968; Bardhan, 1997; Laffont, 2008). If this is indeed the case, knowing where China lies in this inverted U-shaped spectrum could be useful for providing a sense of how “bad” the corruption situation in China is, relative to its current stage of development and to the development experience of other countries.

In this paper, I compare China’s corruption experience with that of the US in historical perspective. There are several reasons why performing this comparison deserves research attention. First, the US development experience is often used as a model for other countries to emulate. Despite several setbacks, the US has, after all, experienced one of the most enviable development trajectories in history, with a sustained real per capita growth rate of approximately 1.7% since 1790, and about 1.85% since 1900. In addition, as I elaborate further below, the US experienced a tremendous amount of corruption during the early stages of development, and, by reasonable measures, was subsequently able to contain it, as its development process continued. Important lessons could be drawn from this experience.

Second, although the empirical relationship between corruption and democracy seems to be non-linear, some suggest that, unless China adopts far-reaching democratic reforms, its corruption situation may spin out of control (Johnston and Hao, 1995). Of course, we cannot use the US experience to evaluate the potential effect that the introduction of democracy, per se, may have on corruption because the US always had a democratic system. Nonetheless, comparing the corruption trajectory for both countries can help evaluate whether democracy makes a difference.

The idea of comparing China’s corruption experience with that of the US in historical perspective is not new. But research that discusses this comparison tends to be limited to either introspective evidence or intuitive argumentation. Thus far, the literature has not offered a measurable and quantifiable comparison. There are, of course, significant challenges that one must confront in such a study. Undoubtedly, the most important is reliable and consistent data on corruption. Validating the life-cycle theory of corruption or just comparing the corruption experience of China with the US requires, at the very least, long-run data on income and corruption. Although reliable data on income may not be an issue because these data are available, there are no reliable long-run measures of corruption. Of course, there are organizations that provide information regarding the level of corruption across countries and over time. But the time span that this data covers is far too short to gain a sense of the “life-cycle” hypothesis of corruption. Typically, data on corruption is available on a consistent basis for a large set of countries only since the mid 1980s. But if one wants to study the historical experience of the currently developed counties, it is necessary to obtain data on corruption that would span at least a century, if not more.

Nonetheless, these challenges have not discouraged researchers from attempting to gain insights into this issue. Based on impressionistic evidence and introspection, Huntington (1968) and Theobald (1990), for example, argue that corruption in the US peaked sometime in the 19th century, and that corruption in the UK peaked sometime in the 18th century, precisely at their take-off stages of economic development and growth. Using evidence from newspaper reports, Goldin and Glaeser (2006) are able to corroborate Huntington’s (1968) and Theobald (1990)’s perceptions. In particular, the time series they developed based on newspaper counts on articles about corruption suggests that corruption in the US peaked sometime between 1840 and 1875.

In this paper, I use the US historical experience to develop a context against which we can evaluate China’s current level of corruption. In particular, following the Goldin and Glaeser (2006) methodology, I first document the dynamics of corruption in the US using newspaper evidence from 1870 to 1930. Next, I develop a similar time series evidence for China for the 1990–2011 period, using prominent US newspapers as a source. Finally, I match both series at particular points in time when the level of real income per capita for these two countries was roughly similar. This matching process enables us to compare and contrast corruption curves for both countries at similar stages of development.

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1 See, for example, Ehrlich and Lui (1999), Barreto (2000), and Blackburn et al. (2010).
2 Growth is estimated using real GDP per capita data from 1790 (or 1900) to 2010 (source: www.measuringworth.com).
3 See, for example, Wedeman (2012) and Zhang (2012).
4 See data section for more details.
The results of this comparison are quite revealing. The newspapers-based corruption indicators suggest that the level of corruption in the US was 7–9 times higher than China’s level when income per capita in both countries was approximately $2800 (in real 2005 US dollars). That occurred in 1870 for the US and in 1996 for China. By the time the US income per capita reached $4200, the US to China corruption ratio was 1.7, implying a significant drop in corruption in the US (relative to China) as it developed through the 1890s and early 1900s. By the time the US reached approximately $7500 (in 1928)—roughly equivalent to China in 2009 (in real 2005 US dollars)—the newspapers-based corruption indicators were quite similar.

To ensure reliability of the newspaper-based indices, I construct corruption indicators for all countries covered by Transparency International’s Corruption Perception Index (CPI) for 1996, using the exact same criteria and newspapers as done for China and the US. I then compare the average 1996–2008 CPI scores with the average newspaper-based corruption measure. The results show that the newspapers-based measures of corruption correlates well with Transparency International’s CPI, even though US newspapers tend to give more coverage to corruption in China than corruption in any other country. Thus, despite the excess coverage for China, the constructed corruption indices appear to be a reliable indicator of the level of corruption as reported by Transparency International.

The analysis is completed by articulating mechanisms that explain in more detail the non-linear, inverse U-shape of corruption over the development process of a nation. They are based on theories advanced by several economists, political scientists, and sociologists. To facilitate understanding and better conceptualize these mechanisms, I develop a simple model of corruption based on Becker and Stigler (1974)’s framework.

The rest of this paper is organized as follows. The following Section 2 addresses in more detail the data underlying this study. It explains how the corruption indices were constructed, and provides data sources. Section 3 discusses in more detail the robustness exercise using Transparency International scores for validating the constructed indices. Section 4 develops a simple model of corruption and provides different theories that explain how corruption changes over the development process of a nation. Section 5 offers some concluding remarks.

2. Data

The most common definition of corruption is the abuse of a privileged government position for private gain. This abuse may entail bribes, embezzlement, kickbacks, fraud, or other forms of misconduct. Hence, a natural way of trying to measure corruption is to determine illegal payments to officials, relative to their formal sources of income. This measure could provide information on the magnitude or prevalence of corruption in the government. For obvious reasons, however, these data are not systematically available for a large set of countries.\(^6\)

Measuring corruption in a historical context is even more challenging. Modern indicators of corruption, such as the survey-based figures from Transparency International, are only available on a systematic basis since the mid 1980s. In addition, by its very nature, corruption is hard to quantify. In the end, whatever methodology is chosen to measure it will always be subject to criticism and debate.

Despite these challenges, however, some progress has been made. As indicated above, Goldin and Glaeser (2006) measure corruption by tracking the incidence of reported crimes in the New York Times as well as other newspapers. Using this methodology, they are able to corroborate an inverted U-shape pattern of corruption in US history, consistent with the prospec- tive evidence from Huntington (1968) and Theobald (1990), as well as the historical evidence from Menes (2006) and Engerman and Sokoloff (2006). Thus, this methodology for measuring corruption seems to be, at least, sufficiently reliable and informative. Besides, from a historical context, it may be the only resource available.


To measure corruption in the US from a historical context, I follow the Goldin and Glaeser (2006) methodology and construct time series indicators of corruption using contemporary newspapers. In particular, I use the Proquest historical newspaper search engine to track newspaper articles that contain the keywords “corruption” and “US government” or the keywords “corruption” and “Congress” for every year from 1870 to 1930. This series provides a count on the number of newspaper articles that covered corruption news in the context of the US government or Congress.\(^7\) Just as in Goldin and Glaeser (2006), the constructed series is deflated by the number of newspaper articles that contain the keywords “January” or “political” (expressed as “political” with the wildcard “*” to capture its variants). Deflating by “January” is a way of normalizing the series by the size of the newspapers. Deflating by “political” is a way of normalizing the series by all articles that are politically relevant. The analogy that Goldin and Glaeser (2006) offer is that deflating by “political” is like trying to look at corruption relative to the size of the government, while deflating by “January” is like trying to look at corruption relative to the size of the economy. Nonetheless, regardless of the deflating keyword chosen, the results are very similar.

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5 I used 1996 figures to ensure that all countries have consistent data through 2008. This avoids the attrition problem stemming from the fact that the CPI increases the coverage of countries over time.

6 Some papers report having been able to find these types of data, but only for specific countries and specific time periods. See, for example, Mcmillan and Zoido (2004).

7 The specific string searched is: “corruption” AND (“US government” OR “congress”).
In order to be as comprehensive as possible in terms of sources, I selected as many historical newspapers as I could from Proquest that also spanned an extensive number of years. The newspapers that satisfied these criteria were: The Atlanta Constitution, Chicago Tribune, Los Angeles Times (from 1881 onwards), The New York Times, and The Washington Post. These newspapers are important enough to render them reliable for tracking corruption-related articles. It is also worth mentioning that relying on geographically diversified newspapers offers the advantage of not focusing on a specific region or state in the US, thereby giving us a more nationwide view of corruption over time.

Figs. 1 and 2 display the time series of the constructed corruption indices from 1870 to 1930. Fig. 1 displays the series when the deflator is “politic*”, while Fig. 2 displays the series when the deflator is “January.” As can be easily discerned in both figures, the trend from 1870 to 1930 is, generally speaking, negative.

In the early 1870s the corruption index was approximately 5.4 percent for the “politics”-deflated series, and approximately 19 percent for the “January”-deflated series. This peak corresponds to the one of the most serious corruption scandals in US history, involving the administration of President Ulysses S. Grant and the Whiskey Ring. The ring was formed in 1871 by a large group of Republican politicians to raise money for political campaigns. It made money by underreporting sales of whiskey to the Treasury Department, thereby keeping the tax money the actual sales of whiskey had generated. To pull it off, the ring needed the cooperation and participation of a large network of individuals ranging from distillers, storekeepers, revenue agents, and Treasury Department clerks. The scandal culminated with the arrest and conviction of 110 individuals in 1875. Even the President’s secretary, Orville E. Babcock, was implicated in the scandal.

But the Whiskey Ring was not the only corruption-related scandal of that period. News about political machines and their effect on elections, as well corruption news involving the Ku Klux Klan were also reported during the early and mid 1870s. In addition, following the American Civil War, the US went through the Reconstruction Era (1865–1877), during which millions of acres of land were sold and many public infrastructure investment projects were undertaken (Blight, 2001). These events created many opportunities for corruption.

The figures also display a slight increase in corruption during the 1920s. At least two events explain this rise. During the late 1920s investigation of the famous “Teapot Dome” scandal, one of the most serious and egregious cases of fraud and kickbacks in US history, took place. The scandal involved the leasing of land with oil reserves at very low rates, and without a formal bidding process, to Sinclair Oil, in exchange for kickbacks. Albert B. Fall, Secretary of the Interior in the early 1920s, was deeply involved in the scandal, and was eventually convicted for bribery. The scandal tainted the reputation of President Warren Harding’s administration.

Besides the “Teapot Dome” scandal, the 1920s were known for corruption stemming from the rise in organized crime that Prohibition engendered. Terms such as “bootleggers”, “speakeasies”, “gangsters”, “blind pigs”, etc. are all associated with fraud, bribery, crime, and corruption arising from the general ban on alcohol between 1920 and 1933.

Despite the corruption incidents of the 1920s, the figures indicate that by the late 1920s corruption was still much lower than what it was during the 1870s. By 1930, the indices are less than 1 percent (for “politics” deflated index) and approximately 2 percent (for “January” deflated index). The 1870–1930 decline is very much consistent with the time series.

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8 Neither the Wall Street Journal or the Boston Globe were included in the search. Proquest coverage of the Wall Street Journal starts too late into the period, while Proquest coverage of the Boston Globe stops too early.

9 For more details, see Rives (2000).
corruption pattern reported by Goldin and Glaeser (2006), and consistent with the introspective evidence from Huntington (1968) and Theobald (1990).

The major corruption scandals of the 1870s took place during a period of relatively rapid growth and development. Shortly after the American Civil War in 1865, the US expanded westward very rapidly, extending a vast network of railroads that would eventually connect the two coasts. The birth of mass production and mass distribution took place during that period. Indeed, by the 1880s the US economy had overtaken that of the UK. Thus, the corruption and development experience of the US is consistent with the “life-cycle” theory of corruption.

So the natural question to ask is: How does the US experience of corruption and development compare to China’s experience? To answer this question, we need to do a similar search of news about corruption for China.


To create a corruption series for China and establish a comparison with the US historical experience, I repeated for China the search exercise done for the US. To ensure comparability, I constrained the search to the same keywords and the same newspapers, except for the replacement of “US government” or “Congress” with the keywords “China” or “Chinese government.” Thus, I searched for the terms “corruption” and “China” or “corruption” and “Chinese government” in the following newspapers: Atlanta Journal Constitution, Chicago Tribune, Los Angeles Times, The New York Times, and The Washington Post.

![Figure 2](image1.png)

*Fig. 2.* “January”-deflated corruption index for the US: 1870–1930. This figure reports the ratio (in percent) of the number of hits of articles printed in five prominent US newspapers (Atlanta Journal Constitution, Chicago Tribune, Los Angeles Times, New York Times, and Washington Post), published between January 1 and December 31 of each year, and that contained the keywords: (“corruption” AND “US government”) or (“corruption” AND “Congress”) divided by all articles printed in the same newspapers that contain the keyword “January”.

![Figure 3](image2.png)

*Fig. 3.* “Politic*”-deflated corruption index for China: 1990–2011. This figure reports the ratio (in percent) of the number of hits of articles printed in five prominent US newspapers (Atlanta Journal Constitution, Chicago Tribune, Los Angeles Times, New York Times, and Washington Post), published between January 1 and December 31 of each year, and that contained the keywords: (“corruption” AND “China”) or (“corruption” AND “Chinese government”) divided by all articles printed in the same newspapers that contain the keyword “politic” (or any of its variations, such as politics, political, etc.).
Post for every year from 1990 to 2011. Just as in the US case, the series are deflated by the keyword “politic*” or the keyword “January.” Thus, the constructed China corruption series parallels the one done for the US in a historical context.

Figs. 3 and 4 display the time series of the China constructed corruption indices from 1990 to 2011. Fig. 3 displays the series when the deflator is “politic*”, while Fig. 4 displays the series when the deflator is “January.” Regardless of the figure, a positive trend can be discerned. In 1990 the China corruption index is approximately 0.3 percent for the “politics”-deflated series, or about 1.2 percent for the “January”-deflated series. By 2011, both indices are significantly higher—almost 1 percent for the “politics”-deflated index and nearly 4 percent for the “January”-deflated series. This increase is consistent with the general perception among many scholars that the corruption situation in China has worsened over the last two decades Manion (2004b), Wedeman (2005), Wedeman (2012). It is also consistent with Transparency International’s Corruption Perception Index (CPI) figures. The CPI figure for China between 1988 and 1992 was 4.73. However, in 2008 this figure was 3.6, indicating that overall, the CPI had deteriorated between the early 1990s and 2008. Given that the variance in the CPI scores is generally quite low, the 24 percent decline is actually quite significant. Nonetheless, it is important to also mention that this deterioration is actually consistent with the “life-cycle” theory of corruption, as this experience is what one would expect to observe when modernization is taking place and income per capita is increasing rapidly.

2.3. Comparing China’s corruption with the US in historical perspective

We are now able to establish a comparison of the corruption experiences of the US and China at similar stages of development. The most obvious way of doing this is by looking at these corruption measures when both countries had similar levels of real income per capita.

Table 1 displays income per capita levels in real (2005) US dollars to ensure comparability over time. The table indicates that in 1870, the first year of US corruption index, the US income per capita was approximately $2800. According to the Penn World Tables, this was the level for China in 1996. As a result of the Asian financial crisis of 1997–1998, income per capita appears to have grown very slowly in China between 1997 and 1999, barely passing the $3000 level by 1999. The US had reached that level in 1872. After 1999, China experiences tremendous increments in its income per capita. As the table indicates, the US needed 55 years to accomplish the same growth in income that China did in just 10. By 2009, the income per capita in China was $7500, which corresponds to the US income per capita during the late 1920s.

The figures in Table 1 permit the identification of years at which both countries had similar stages of development. The next step is then to display the corruption levels for both countries during the years the income levels were similar.

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10 The exact search string used was “corruption AND (China or “Chinese government”)”. The search engine used was Factiva, restricted to retrieve articles from January 1 to December 31 of each year, after eliminating duplicate articles or news, obituaries, or recurrent financial market news.

11 The US real per capita GDP figures are from www.measuringworth.com. These figures have been put together through the efforts of many researchers and economic historians over the last four decades. According to their website: “The data have been created using the highest standards of the fields of economics and history, and they are rigorously refereed by the most distinguished researchers in the fields.”[http://www.measuringworth.com/aboutus.php] For China, real per capita GDP figures are from the Penn World Tables 7.0 database. In light of the controversy regarding the reliability of China GDP data, Heston (2001) elaborates how the GDP figures for China were adjusted following a methodology similar to that of Maddison (2007). As a robustness check, I compared the PWT figures with those from the World Bank database, after converting them into 2005 dollars using the implicit US GDP deflator. The correlation between the two series was 0.975. In addition, a regression of the PWT series on the WB series (in changes) produced a coefficient of 1.04, and was statistically significant at the 0.000 level.
These comparisons are done in Figs. 5 and 6. Fig. 5 presents the results for the “politics”-deflated series, while Fig. 6 presents the results for the “January”-deflated series. Both figures present a similar set of results. At the early stages of development, the level of corruption in the US was 7–9 times higher than that of China. As development took place and income per capita grew, corruption in the US declined to the level that China is currently at. According to the figures, corruption conditions at income levels over $4,500 are very comparable between the two countries. Thus, at similar stages of development, China’s corruption level is no worse than that of the US. This convergence in corruption is quite remarkable considering the fact that, according to many researchers, the US media tends to portray China in an overly negative or critical light. If one could adjust for this bias, it is quite possible that corruption in China is actually less serious than in the US at similar stages of development.

12 I elaborate on this issue in the following section.
3. Are newspaper-based corruption indices and comparisons reliable?

A skeptical reader may argue that newspaper-based indicators of corruption may not be all that accurate or that the time series contrast between China and the US may not be all that informative. Comparing these corruption indices may seem like comparing apples and oranges.

The corruption comparison discussed in the previous section entails a time dimension (corruption over 100 years ago versus corruption today) as well as a cross-sectional dimension (corruption in the US versus corruption in China). Therefore, the misgivings about the comparison can be classified into two categories: "Over time"-related concerns and "cross-section"-related concerns.

3.1. Over-time related concerns

Over time-related criticisms entail the possibility that the definition of corruption may have shifted over time, so that an action perceived to be corrupt in the 1880s, for instance, may not be considered as such today. These shifts may lead to changes in coverage or perhaps emphasis of corruption news over time.

The most generally agreed on definition of corruption is the abuse of public office for personal enrichment. Therefore, as long as public officials’ behavior deviates from accepted social norms, there is at least a perception that corruption has taken place. It is possible that social norms shift over time. However, what the constructed time series captures is behavior that deviates from these norms. The action of a public official violating some social norm for personal gain, and who is found out and reported, is likely to generate visibility. It is precisely this type of behavior that the constructed index intends to capture. Hence, to the extent that this behavior is denounced and reported, it ought to generate corruption-related media attention, be it in the 1880s, the 1920s, or even today.

It is also worth emphasizing that the time series that the constructed corruption series display is actually quite consistent with the historical experience of the US regarding corruption crimes (e.g. Goldin and Glaeser (2006), Huntington (1968), Theobald (1990), Menes (2006), etc.). For the case of China, the detected upward trend is consistent with existing measures of corruption, such as Transparency International’s CPI, and is also consistent with the evidence and opinion of many researchers and scholars.

3.2. Cross-section related concerns

Cross-section-related criticisms stem from the possibility that there are media biases in news coverage across countries. There are two related issues regarding these types of biases. The first one is more general and pertains to the possibility that

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Fig. 6. Corruption indices for the US and China at comparable stages of development: "January"-deflated series. This figure displays the constructed newspaper-based corruption index deflated by the keyword “January” for the US (solid line) and China (dashed line) at various levels of per capita real income. See text for derivation and sources.
newspapers may prefer to give different countries different coverage. For example, newspapers almost surely prefer to give more coverage to domestic corruption events over foreign ones. If this is the case, then the newspaper-based corruption indices may just reflect differences in coverage, rather than actual differences in corruption. The second media bias-related issue is more specific to China. A substantial number of scholars, both in the US and China, have pointed out that the US media tends to portray China’s policies and practices in an overly negative or highly critical light. This tendency has been referred to as “China bashing.” It is possible that bashing may influence comparability of the corruption indices.

The first and more general concern—regarding different coverage for different counties—ought to be mitigated by the fact that selected US newspapers are some of the most important and prominent in the US, not local newspapers. In particular, newspapers such as the New York Times and Washington Post pride themselves on the coverage of world news. Although they would surely put more emphasis on US-related events, presumably they also give ample coverage to events abroad. If their coverage is complete or at least very comprehensive, corruption news ought to get exposure, regardless of the country in which they take place.

In addition to this argument, it is possible to formally test the reliability of newspaper-based corruption measures. The test entails evaluating whether newspaper-based measures correlate with more formal indicators of corruption, such as Transparency International’s CPI. Because the CPI scores range from 10 (least corrupt) to 0 (extremely corrupt), and the newspapers-based index is constructed such that a higher ratio means more corruption, we would expect to observe a negative correlation between CPI and the constructed corruption indices.

To that end, I constructed newspaper-based corruption measures for all countries covered by Transparency International in 1996, following exactly the same methodology as explained above for the cases of China and the US. I then estimate the following regression:

\[
\text{CPI}_i = \alpha + \beta (\text{CNI}_i) + \epsilon_i
\]

where \(\text{CPI}_i\) is the average Transparency International’s CPI score for country \(i\) (computed over the 1996–2008 period), and \(\text{CNI}_i\) is the average newspaper-based corruption index for country \(i\).

Paralleling the computation done for China and the US, CNI is computed as the number of hits of newspaper articles with the keywords “corruption” and “country \(i\)” or “corruption” and “country \(i\)’s government” printed between January 1, 1996 and December 31, 2008, deflated by articles with the keyword “politic*” or the keyword “January” over the same time period. 14

The results are presented in Table 2. The table presents four regressions of Eq. (1). They differ by the version of the CNI included: CNI with the “politic*” deflated series (CNI-Politics), CNI deflated by the “January” keyword (CNI-January), and the logarithmic transformation of both of these series. The log transformations are included in order to capture possible non-linearities in the relationship between CPI and CNI.

Regardless of the specification considered (linear vs. non-linear, “January” vs. “politic*”), the results are unambiguous: the relationship between CNI and CPI is negative, and is always statistically significant at the 5 percent level of better. Thus, an increase in the newspaper-based corruption index is associated with a decline in the CPI score. Figs. 7 and 8 show the results graphically. Fig. 7 shows the relationship between CPI and CNI-Politics, while Fig. 8 shows the relationship between CPI and CNI-January. Both figures also display the line of best fit. Although the figures suggest that the constructed corruption indices display a fair amount of noise—probably reflecting variation in reporting intensity—they nonetheless corroborate the regression results: a negative relationship between CPI and CNI. This empirical relationship helps to validate the use of newspapers as a measure of corruption in a cross-sectional setting.

The second concern that merits discussion is more specific to China, and pertains to the issue of “China bashing” and its influence on the results. Consistent with the observation made by other researchers, in this study I find that US newspapers’ coverage of corruption in China is higher than for any other country, regardless of the level of development or income per capita. This can be seen in Figs. 7 and 8, which depict China with a square. The “China bashing” effect, therefore, creates an upward bias in the CNI series. From a statistical point of view, this bias strengthens the main findings because it suggests that the difference in corruption levels between the US and China is actually larger than what the newspaper comparison indicates. If corruption in the US was 7–9 times larger than in China at the early stages of development, and the China index is upward biased, then this would imply that the factor by which the US corruption was above China’s must have been even higher. Similarly, as indicated above, the bias suggests that actual corruption in China may well be lower than that of the US even at income per capita levels above $4500.

Despite upward bias in the CNI series for China, a skeptical reader may still argue that the comparison of US corruption news with those of China may be predisposed in favor of finding more US corruption news because domestic newspapers are likely to give coverage to a wider range of domestic corruption cases—major as well as minor ones—while giving coverage

13 See, for example, Sutter (2010), who writes (in p. 95): “The US media switched coverage and opinion of China, portraying the policies and practices of the Chinese administration in a much more critical light than in the years leading up to Tiananmen. Twenty years later, American and Chinese specialists continued to see US and Western media remaining focused on the negative in reporting and commentary dealing with the Chinese administration.” After tracking articles about China in both the New York Times and the Los Angeles Times published in 1992 and 2001, Peng (2004) comes to a similar conclusion. For more on “China bashing” see Ramirez and Rong (2012) and Ramirez (2012).

14 Because the test aims at evaluating the reliability of using US newspapers to construct corruption measures for other countries the US is excluded from this sample.
primarily to the relatively major ones when it comes to foreign corruption cases. This concern can be particularly worrisome as major corruption scandals that are reported in the newspapers are likely to be accompanied by relatively minor ones (e.g. more local corruption cases). After all, it is hard to imagine that corruption affects only government officials with a lot of visibility. In fact, a great deal of corruption in the US took place at the city level (Menes, 2006). If many of these relatively more local corruption cases are also reported in domestic newspapers around the time that major cases are also coming out, and domestic newspapers disproportionately report more domestic corruption cases relative to foreign ones, the constructed corruption index for the US may be upward biased, and the bias may be larger at times when the constructed index is relatively higher.

It is possible to test the validity of this concern. To evaluate it, I construct another US corruption news index for the 1870–1930 period, but using the London-based newspaper The Times (call this index the London-CNI). Presumably, the London-CNI is less sensitive to relatively minor US corruption news than the CNI constructed out of US newspapers (call this index the US-CNI). When a major corruption scandal event takes place, both US-CNI and London-CNI should increase. However, if the major corruption scandal results in the reporting of minor corruption cases as well, the US-CNI should increase by more than the London-CNI. Hence the test involves estimating the elasticity of the US-CNI with respect to the London-CNI. If the elasticity is equal to 1, this would imply that a one percent increase in the London-CNI results in a one percent increase in the US-CNI also. This result would suggest that the news reports that move the London-CNI also move the US-CNI by about the same magnitude, suggesting that the US-CNI is primarily tracking relatively major corruption news.

### Table 2
Relationship between transparency international’s corruption perception index and newspaper-based measures of corruption.

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<tbody>
<tr>
<td>Constant</td>
<td>6.115</td>
<td>6.115</td>
<td>0.407</td>
<td>0.600</td>
</tr>
<tr>
<td></td>
<td>(0.525)</td>
<td>(0.525)</td>
<td>(0.543)</td>
<td>(0.451)</td>
</tr>
<tr>
<td>CNI-Politics</td>
<td>-366.043</td>
<td></td>
<td>0.457</td>
<td>0.189</td>
</tr>
<tr>
<td></td>
<td>(145.089)</td>
<td></td>
<td>(0.451)</td>
<td>(0.451)</td>
</tr>
<tr>
<td>CNI-January</td>
<td></td>
<td>-120.680</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(47.835)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log (CNI-Politics)</td>
<td></td>
<td>-0.174</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.085)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log (CNI-January)</td>
<td></td>
<td></td>
<td>-0.174</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.085)</td>
<td></td>
</tr>
<tr>
<td>No. of Obs.</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.076</td>
<td>0.076</td>
<td>0.079</td>
<td>0.079</td>
</tr>
</tbody>
</table>

This table presents the regression results from model (1) in the text. The dependent variable is the average CPI score. Independent variables: the constructed, newspaper-based corruption index, normalized by “politic*” (CNI-Politics), the constructed, newspaper-based corruption index, normalized by “January” (CNI-January), the log transformation of CNI-Politics and CNI-January. Standard errors are included in parenthesis under each estimated coefficient. Number in italics represent the $p$-values.

### Fig. 7.
“Politic*”-deflated corruption news index vs. transparency international scores. This figure presents the 1996–2008 average of newspaper-based constructed corruption index (deflated by the keyword “politic*”), and the 1996–2008 average of Transparency International’s Corruption Perception Index. China is identified with a square. For sources and derivation, please see text.
Formally, I fit the following regression:

$$\log(US_{\text{CNI}}_t) = \alpha + \beta \log(London_{\text{CNI}}_t) + \epsilon_t$$  \hspace{1cm} (2)

In Eq. (2), $\log(US_{\text{CNI}}_t)$ is the natural log of the US-CNI index at time $t$, which is defined above in Section 2.\textsuperscript{15} The $\log(London_{\text{CNI}}_t)$ variable is defined as the natural log of all articles reported in The Times (London) newspaper that contain the keywords “corruption” and “United States” deflated by all articles that contain the keyword “January.”\textsuperscript{16} Since Eq. (2) is linear in logs, the coefficient can be interpreted as the elasticity. Thus, the test involves investigating whether it is statistically equal to 1.

Before discussing the results, it is worth pointing out that diagnostic tests were performed to rule out a unit root in the series. Standard augmented Dickey-Fuller tests as well as Phillip Perron tests (with up to 3 lags and a trend) indicate that both series are stationary. So concerns about non-stationarity in both series can be ruled out.

The results are presented in Table 3. The table presents four different regressions evaluating the magnitude of in Eq. (2). They differ by the number of lags included.\textsuperscript{17}

The results are unambiguous, regardless of the specification considered: the implied elasticity of US-CNI with respect to the London-CNI is not statistically different from 1. Thus, a one percent increase in US corruption news reported in The Times (London) result in about the same percentage increase in the US newspapers-based corruption news index.

The regression results reported in Table 3 can be confirmed graphically in Fig. 9. The vertical axis displays the value of Log (US-CNI) while the horizontal axis displays the value of Log (London-CNI). To ease visual display, the horizontal axis is adjusted by the intercept obtained in Regression 1 of Table 3.\textsuperscript{18} In addition, the 45-degree line is presented in the figure. As can readily be observed, the relationship between Log (US-CNI) and Log (London-CNI) is very tight. A visual “regression” would therefore suggest that the slope between these two variables should be slightly flatter than the 45-degree line. However, statistically, we cannot rule out that it is actually equal to 1. Hence, it is possible to conclude that the coverage of corruption news in the US during the 1870–1930 period indeed tended to focus primarily on the comparatively major cases.

4. Corruption and economic development

As pointed out in the introduction, the empirical analysis conducted above suggests that, as development takes place, corruption tends to decline. Naturally, this finding bring up the question: why or how does corruption respond to economic development?

The literature highlights several reasons explaining why corruption occurs and how it may change over the development process. In order to better conceptualize these reasons, it is helpful to develop a model of corruption. Because the purpose of

\textsuperscript{15} The US-CNI series used when estimating Eq. (2) is the one deflated by “January,” not “politic”\textsuperscript{“}. It is worth pointing out, however that both series (the one deflated by “January” and the one deflated by “politic”\textsuperscript{“}) display similar time series patterns. See Section 2 above for more details.

\textsuperscript{16} The search engine used to capture The Times (London) articles is Infotrac.galegroup.com.

\textsuperscript{17} The lagged dependent variable is included in order to correct for autocorrelation. With no lags, the Breush-Godfrey Lagrange Multiplier (BGLM) test of autocorrelation is 15.14 (p-value, 0.000); with one lag the test is 18.17 (p-value, 0.000); with two lags, it is 1.03 (p-value, 0.31); and with three lags, 0.002 (p-value, 0.97). Hence, there is no evidence of autocorrelation with 2 or more lags. Although autocorrelation does not necessarily bias the estimated OLS coefficients, it tends to underestimate the standard errors. In order to ensure robustness, all four specifications are presented in the table.

\textsuperscript{18} For brevity, the estimated value of the intercepts for regressions 1 though 4 in Table 3 are not reported in the table. None, however, were statistically significant at standard levels. Nonetheless, since the figure displays the results for Log (London-CNI) shifted by the intercept, it is worth reporting its value (0.704) and standard error (0.635) here.
this section is to offer a context within which the reasons can be understood, it is best to stick to a simple and straightforward framework. The model is an extension of the one originally developed by Becker and Stigler (1974).

The framework takes a microeconomic approach and assumes that a representative government official is making a rational choice when deciding to engage in malfeasance. To simplify the analysis, it is assumed that the official is risk-neutral and maximizes expected wealth.

Formally, let $p_t$ be the probability of discovering malfeasance at time $t$. Let $b_t$ the benefit or gain that the official obtains from engaging in corrupt behavior. We can think of $b_t$ as including both monetary gains as well as (possibly) non-pecuniary benefits. Note that, unlike Becker and Stigler (1974), both $p_t$ and $b_t$ are allowed to change over time. This particular feature is important in the context of this paper because it permits a dynamic structure within which development can affect the decision to engage in malfeasance. For simplicity, we assume that $p_t$ grows at rate $\gamma$, and that $b_t$ grows at rate $\theta$. Thus, $p_t = p_{t-1}(1 + \gamma)$ and $b_t = b_{t-1}(1 + \theta)$.

Next, define $a_t$ as the “alternative” salary at time $t$ that the official would earn in other occupations (for example, driving a taxi), should he be discovered. Let $w_t$ be the minimum salary the government official must earn to discourage malfeasance.

### Table 3

<table>
<thead>
<tr>
<th>Regression 1</th>
<th>Regression 2</th>
<th>Regression 3</th>
<th>Regression 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\log(\text{London}_CNI_t)$</td>
<td>0.935</td>
<td>0.389</td>
<td>0.191</td>
</tr>
<tr>
<td>(0.129)</td>
<td>(0.145)</td>
<td>(0.100)</td>
<td>(0.091)</td>
</tr>
<tr>
<td>$\log(\text{US}<em>CNI</em>{t-1})$</td>
<td>0.603</td>
<td>0.229</td>
<td>0.325</td>
</tr>
<tr>
<td>(0.093)</td>
<td>(0.105)</td>
<td>(0.182)</td>
<td></td>
</tr>
<tr>
<td>$\log(\text{US}<em>CNI</em>{t-2})$</td>
<td>0.563</td>
<td>0.605</td>
<td></td>
</tr>
<tr>
<td>(0.090)</td>
<td>(0.096)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\log(\text{US}<em>CNI</em>{t-3})$</td>
<td>0.000</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implied long-run elasticity</td>
<td>0.935</td>
<td>0.982</td>
<td>0.922</td>
</tr>
<tr>
<td>(0.129)</td>
<td>(0.283)</td>
<td>(0.456)</td>
<td>(0.353)</td>
</tr>
<tr>
<td>Reject $H_0$: LR elasticity = 1?</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.460</td>
<td>0.687</td>
<td>0.783</td>
</tr>
<tr>
<td>No. of Obs.</td>
<td>61</td>
<td>60</td>
<td>59</td>
</tr>
<tr>
<td>$F$-test</td>
<td>52.570</td>
<td>59.520</td>
<td>54.060</td>
</tr>
<tr>
<td>Prob &gt; $F$</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Dependent variable: $\log(\text{US}_CNI_t)$—log of the corruption news index constructed out of US newspapers, relative to the keyword “January” at time $t$. Independent variables: $\log(\text{London}_CNI_t)$—log of the corruption news index constructed using The Times (London) newspaper, relative to the keyword “January” at time $t$. Regressions 2 through 4 include various lags of the dependent variable. “Implied long-run elasticity” is the implied elasticity of US-CNI with respect to London-CNI. “Reject $H_0$: LR elasticity = 1?” reports the test of whether the implied long-run elasticity is statistically different from 1. Standard errors are included in parenthesis under the reported coefficients. $P$-values are included in italics under the standard errors.
As Becker and Stigler (1974) point out, the model can be solved by deriving the optimal behavior during the last period $T$, before the official “retires,” and then working backwards to the present time.

At time $T$, the official makes the following choice: receive $w_T$ with certainty, or indulge in corruption and have a probability $p_T$ of earning $a_T$ (if he is discovered during this period, he loses his government job and becomes a taxi driver). With probability $1 - p_T$ he receives $w_T + b_T$. Under the assumption of risk neutrality and expected wealth maximization, $w_T$ is therefore:

$$w_T = p_T a_T + (1 - p_T)(w_T + b_T)$$  \hspace{1cm} (3)

Eq. (3) implies,

$$w_T = a_T + \frac{(1 - p_T)}{p_T} b_T$$  \hspace{1cm} (4)

At time $T - 1$, he faces a similar trade-off, except that he now has to evaluate a 2-period income stream. Thus, if does not engage in corruption at $T - 1$, the present value of his income is $w_{T-1} + \frac{w_T}{1 + r}$, where $r$ is the (constant) discount rate. If he, however, does engage in corruption, he faces the following scenario: (i) with probability $p_{T-1}$ his income stream is $a_{T-1} + \frac{w_{T-1}}{1 + r}$, (ii) with probability $(1 - p_{T-1})$ he receives $b_{T-1} + w_{T-1} + \frac{w_T}{1 + r}$ Therefore, $w_{T-1}$ must satisfy:

$$w_{T-1} + \frac{w_T}{1 + r} = p_{T-1} \left( a_{T-1} + \frac{a_T}{1 + r} \right) + (1 - p_{T-1}) \left( b_{T-1} + w_{T-1} + \frac{w_T}{1 + r} \right)$$  \hspace{1cm} (5)

Eq. (5) simplifies to:

$$w_{T-1} + \frac{w_T}{1 + r} = a_{T-1} + \frac{a_T}{1 + r} + \frac{(1 - p_{T-1})}{p_{T-1}} b_{T-1}$$  \hspace{1cm} (6)

Dividing (4) by $(1 + r)$, and inserting the resulting expression into (6) yields:

$$w_{T-1} = a_{T-1} + \left( \frac{1 - p_{T-1}}{p_{T-1}} \right) b_{T-1} - \left( \frac{1 - p_T}{p_T} \right) \left( \frac{b_{T-1}}{1 + r} \right)$$  \hspace{1cm} (7)

Repeating this substitution process backwards results in the following expression:

$$w_t = a_t + \left( \frac{1 - p_t}{p_t} \right) b_t - \left( \frac{1 - p_{t+1}}{p_{t+1}} \right) \left( \frac{b_{t+1}}{1 + r} \right) ; \hspace{1cm} t = (1, \ldots, T - 1)$$  \hspace{1cm} (8)

The term $\left( \frac{1 - p_t}{p_t} \right) b_t - \left( \frac{1 - p_{t+1}}{p_{t+1}} \right) \left( \frac{b_{t+1}}{1 + r} \right)$ in Eq. (8) can be considered to be the “enticement” for corruption. Theoretically, this term can be positive or negative. Clearly, its magnitude will depend on the growth rate of the probability of getting caught, $\gamma$, and on the growth rate of the benefit of engaging in corruption, $\theta$. For example, if both of these growth rates are zero, so that neither $p$ or $b$ are changing over time, the term becomes the constant expression $\left( \frac{1 - p}{p} \right) b \left( \frac{1}{1 + r} \right)$, which is precisely the expression derived by Becker and Stigler (1974).

Perhaps more important, whether the “enticement” expression is increasing or decreasing is also a function of the underlying parameters $\gamma$ and $\theta$. Ideally, this expression should be decreasing over time. Holding $\theta$ equal to zero (just for intuitive clarification), the “enticement” expression would decline if $\gamma$ is positive (so that the probability of catching malfeasance is increasing over time). Similarly, holding $\gamma$ equal to zero, the expression would decline if $\theta$ is negative (so that the benefit of malfeasance in declining over time). If $\theta$ is positive, the enticement expression can still decline for a sufficiently high (and positive) $\gamma$. If $\gamma$ is negative, we would need a sufficiently negative value of $\theta$ for “enticement” to decline over time.

We can now make use of Eq. (8) (as well as the underlying parameters $\gamma$ and $\theta$) as a framework within which different theories of corruption and economic development can be understood.

A variety of theories in the sociology, political sciences, and economics literature explain how $\gamma$, $\theta$, and even $w_t$ change as economic development takes place.

### 4.1. Citizens demands

Sociologists, political scientists, and other scholars have pointed out that as economic development takes place in capitalist countries, the social and economic organization of the country changes. For example, urbanization rates increase, labor and industry becomes more specialized, etc.\(^{21}\) The increase in social complexity results in a rise of bureaucracy (more government agencies, ministries, levels of local government, etc.) which tends to breed corruption (Lu, 2000; Hope, 1985).\(^{22}\) Therefore,
during the early stages of development, γ is thought to be close to zero, or even negative. In addition, θ may be positive. Hence, corruption tends to rise. But as the development process continues, both the level of education and income rise, and societies become increasingly more dependent on a properly working social infrastructure and organization. Consequently, after a certain point, corruption leads to mounting social discontent. This discontent, in turn, pressures governments to “clean up” or face electoral consequences, if the political system includes a democracy (Lipset, 1960). But even if it does not, governments still have to react to the public demands because escalating social dissatisfaction could lead to civil unrest (Tanner, 2004), which could result in a dysfunctional development process (Ma, 2012). This argument implies that at some point in the development process, γ becomes positive and θ negative (or both) because of an increasing demand from the general public for a “clean” and working social environment. A public finance angle complements this argument because, for a given demand for a functional social organization, economic development makes it easier to devote more resources towards the detection and containment of corruption. Thus, the responsiveness of governments to social pressure should increase with development.

4.2. Productivity and industrial change

Economic theories that analyze how corruption and development interact with each other also highlight a non-linear, inverse U-shape relationship. As mentioned above, economic expansion leads to more social complexity, which tends to increase corruption. This process is particularly more pronounced in transition economies, such as China, because such transitions can involve institutional change. For example, for an extended period of time part of the economy operates in a non-market environment, while the other part is allowed to operate under a market system. A dual-track system tends to result in more opportunities for corruption and malfeasance. In addition, the process of privatization that transition countries go through often results in further opportunities for abuse (Bardhan, 1997; Roland, 2000, Chapter 3). However, with increases in productivity, entrepreneurs find investing in productive technologies more rewarding than investing in rent-seeking or bribery. In addition, productivity gains reduces transaction costs, including the cost of relocation. A firm that is facing a corrupt environment in a particular locality can move elsewhere (Bai et al., 2013). Hence, the share of private sector revenues that can be extracted through corruption and malfeasance tends to decline over time. This argument suggest that at some point in the economic development process, θ become negative.

It is also worth highlighting another public finance component that the literature has found to be empirically important: with economic expansion and development there are more resources to pay civil servants more competitive salaries, thereby reducing the incentive to engage in corruption (Bardhan, 1997). This can easily be discerned in Eq. (8): for a given $a$, a rise in $w_t$ means that the “enticement” term has to be higher in order to induce corruption.

4.3. Discussion

The theories discussed above suggest plausible mechanisms that explain how corruption follows a non-linear, inverse U-shape pattern over the development process. The observed historical pattern for the US is consistent with these theories. In China, despite the rising level of corruption in recent years, the degree of corruption since the mid-1990s compares favorably with that of the US in historical perspective.

What, then, can be learned from the US experience? At least two lessons: 1. Democratic institutions do not appear to be a panacea for controlling corruption. Even if one is willing to accept the proposition that democracy may have helped to control corruption in the post-1870 period, it does not seem to have prevented corruption from occurring in the first place. 2. The process of controlling corruption was remarkably slow—a period measured in decades, not years. This second lesson does not necessarily imply that it will take China decades to fully control corruption. The speed with which corruption in China will decline in the future remains uncertain. According to the theories delineated above, it will depend on the success of already implemented anti-corruption campaigns, and the degree to which economic growth and development can be sustained.

5. Concluding remarks

Corruption in China is an issue that has received a significant amount of attention over the past three decades. According to many scholars, corruption in China has not improved, and may have even deteriorated in recent years, despite repeated government efforts to contain it. But is corruption in China “out of control”? Is it “too high”?

This paper provides a proper context within which these questions can be analyzed. It particular, it uses the “life-cycle” theory of corruption—which asserts that countries tend to go through an inverted U-shape pattern in corruption during their modernization process—to create a framework within which the issue of corruption in China can be understood. To do so, it uses the US historical experience as an empirical setting against which the experience of China can be evaluated. To measure

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23 Philip Heymann, former Deputy Attorney General in the Clinton Administration, and law professor at Harvard, notes: “The people of every country hate corruption and feel cheated by it. The more a government is responsive to its citizens’ wishes, the more likely the agents of government will feel a counterbalance to the temptations of corruption.” Heymann (1996), pp. 328–329.

24 In the case of China, several researchers have argued that the institution of interregional competition brought about by federalism enables capital to be more mobile, thereby maintaining a check on local corruption (Qian and Roland, 1998).

The comparison exercise indicates that China’s level of corruption in the mid 1990s was nowhere near the degree of corruption the US had in the 1870s, when both countries had similar levels of income per capita. The results further indicate that the current level of corruption in China is no worse than that of the US in the late 1920s, which back then had an income per capita comparable to that of China’s in 2009 (in real terms).

Time series as well as cross-sectional robustness checks confirm the validity comparability of newspaper-based measures of corruption. The time series validation is done by comparing the constructed indices against what other researchers have found. Overall, the constructed measures correspond well with the perception that many researchers have about corruption in both the US and China.

The cross-section aspect of the measures is validated in various ways:

(i) By comparing the constructed measures with more formal indicators of corruption, such as Transparency International’s Corruption Perception Index. The results show that, in a cross-sectional setting, the newspaper-based measures track reasonably well the more formal measures of corruption.

(ii) By estimating the sensitivity of the US newspapers-based corruption news index to corruption news reported in The Times (London) newspaper. The estimated elasticity of unity indicates that corruption news that move the London-based newspaper, also move the US newspaper-based corruption news index by about the same percentage. Thus, the constructed US corruption index does not seem to be biased in favor of reporting relatively minor and more local corruption cases.

The fact that China’s current corruption level is, at worst, more or less on par with that of the US at similar stages of development suggests that, while it merits attention, China’s current corruption situation is not at a catastrophic level. Alarmists ought to look at the US historical experience before ranting about China’s corruption.25

The results also suggest that the “life-cycle” theory of corruption operated in the US and may well be operating in China. Corruption seems to be a negative by-product of modernization and development, as many researchers in the literature have suggested. As China modernizes and continues to develop, its government may be in a better position to implement corruption-control reforms.

As a corollary, the results also suggest that, despite experiencing high levels of corruption, countries can still grow and develop. If corruption has a negative effect on growth, as the modern literature generally finds, its magnitude does not seem to be exorbitantly high, at least for some countries during their early levels of development.

References


25 See, for example, Chang (2010) or Pei (2008).