

The Impacts of Anti-Corruption on Economic Growth in China

Luyao Wang

Institute of Economics in Jinan University, Guangzhou, China
Email: wrookielulu@126.com

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Abstract

Exploiting quarterly data of 31 provinces in China from the 18th National Congress of the Communist Party of China to the end of 2014, this paper empirically analyzes how the anti-corruption of central government affects economic growth. We find that the news of a bureaucrat investigated by the CCP'S Central Commission for Discipline Inspection significantly curbs the economic growth in provincial level. On average, the quarterly economic growth decreases by approximately 0.1 percentage when there is one more government official ranking higher than vice department of provincial level (included), and this effect is immediate and last shortly. Furthermore, we find that anti-corruption campaign depresses economic growth by slowing down investment growth. Therefore, we make a conclusion that the anti-corruption makes an adverse influence on investment, so that the economic growth declines.

Keywords

Anti-Corruption, Investment, Economic Growth

1. Introduction

Since China's reform and open-up more than 30 years ago, China's economy has maintained a high-speed growth, with its economic system gradually developing from planned economy into market economy. However, due to the high concentration of government power in the past, the power of the government officials are abnormally expanded, thus leading to the prevailing phenomenon of corruption with extremely weak supervision restraint. Pei (2007) [1] pointed out that the ratio of prison sentences due to filing of the embezzlement and corruption cases of Chinese government officials was lower than 3%. With China's economy entering the "new normal", scholars and the political circle generally hold that the problem of corruption is the biggest obstacle for the sustained and high-speed growth of China's economy. Upon the completion of the 18th CPC National Con-

gress, the leaders of the new official term have launched a large-scale anti-corruption campaign, whose wide range and intensity are unmatched by the previous anti-corruption campaigns. What is especially worth mentioning are the joint actions taken by the Commission of Discipline Inspection of the CPC Central Committee as well as the commissions of discipline inspection of the various regions, which resulted in the rising of number of probing cases within 2014 to 182,000, which was an increase of 30% compared with 2013?

To what extent has the anti-corruption, especially the anti-corruption after the completion of the 18th CPC National Congress affected the economy, are these effects positive or negative, are they long-term or short-term effects, and through what mechanism has the anti-corruption affected the economic growth? Such questions have aroused broad concerns; however, there is a lack of relevant empirical research. Furthermore, will there be any differences in the influences of the regions with various degrees of economic development, are there any differences in the influences of the dismissed officials with different ranks? All such questions are still pending, but they all have to do with the political foundation of the sustainable development of China's economy. This paper attempts to seek answers to the above questions.

Using the quarter panel data from Quarter4, 2012 (upon completion of the 18th CPC National Congress) to Quarter4 of 2014 of China's 31 provinces and autonomous regions, this paper conducts empirical research on the influences on the local economies by the probing and penalty incidents of the carders above the Deputy Department Director level which were publicized by the Commission of Discipline Inspection of the CPC Central Committee. We found that the dismissal events of carders of above the Deputy Department Director level which were publicized by the Commission of Discipline Inspection of the CPC Central Committee only exerted short-term influences on the economic growth of the province; on average, with the addition of the dismissal of one official, there would be a reduction of close to 0.1% magnitude of economic growth. Although such a percentage point of 0.1% is trivial in contrast to the recent about 7% economic growth, in terms of economic scale, this is still an effect that shall not be neglected. More importantly, in many provinces, there are not just a couple of dismissed officials; therefore, sufficient attention shall be paid to the cumulative effects brought about by the dismissals of multiple officials.

In terms of the effect channels, anti-corruption features substantial inhibiting roles on investment, while it features no significant impacts on consumption. Long Xiaoning and Huang Xiaoyong (2015) [2] theoretically indicated that anti-corruption would reduce the investment of the fixed assets of various cities; this paper verifies its discovery and further probes the generation mechanism for the effects so as to rationally prove how anti-corruption affects investments and further affecting the economic growths. All these enrich the research on anti-corruption and also enrich the literature on the influences of the political quality on the endogenous economic growth.

The rest of the paper is organized as follows: part 2 is mainly about the literature review of the relation between corruption and economic growth based on other scholars; part 3 combining with the situation in China proposes two theoretical hypotheses; the fourth explains the model and the sources of data; the fifth part shows the results of equation regression and provides the robustness test; part 6 discusses the conduction mechanism of the influence of anti-corruption on economic growth; the last part makes a conclusion of this paper and puts forward some related policy proposals.

2. Literature Review

It is held by a multitude of economists that corruption is an important obstacle of economic growth [3]-[6], and many scholars conducted wide-spread research on the impacts of corruption in economic growth using the cross-country samples, and they unanimously found that [7]-[10] corruption features significant negative impacts on economic growth and investment growth.

A large amount of literature explored the means and channels on how corruption does harm to the economic growth. These channels include the reduction of investment levels [7], decrease of transnational Foreign Direct Investment [11] [12], reduction of the efficiency of foreign aids [13] [14], breeding of public departments with excessively large sizes, distortion of the structure of government expenditures, and resulting in the zero efficiency of the public investment allocation [15]-[19]. Meanwhile, other scholars held that corruption is not an activity with no efficiency, because, during a short period, it solved the partial government failures to some extent [20] [21]. The ineffective political system usually impedes the economic developments, while corruption can serve as the lubricant, thus reducing system friction. Such a theory of "lubricant" confines this enhancement ef-

fect to special circumstances, *i.e.* the circumstances with failures of the government governance or invalid economic policies.

3. Theoretical Hypothesis

During the anti-corruption campaign guided by Xi Jinping after the 18th CPC National Congress, more and more government officials have been investigated and punished, especially some high-ranking officials cannot escape from the fate of being dismissed. Such a high-pressure anti-corruption action may have broken up the original steady state equilibrium; however, it is difficult to transfer to the new steady state equilibrium with no corruption and the promotion of economic growth, thus being bogged in a short-term downturn of economic growth. Based on this, this paper proposes the basic hypothesis that needs to be verified:

Theoretical hypothesis 1: the dismissal events of the officials announced by the Central Discipline Inspection Commission will result in the short-term turndown of the local economy.

Lan and Li (2013) [22] found that during each five years of the replacement period of leaders and government officials, China's imports of the luxurious watches increased by three times, and it was very likely that this was a phenomenon that during the transitional period of the political powers the subjects of bribery were mainly the male officials. Qian and Wen (2015) [23] studied the impacts of China's anti-corruption policies (the anti-corruption storm since the 18th CPC National Congress) on the consumption of luxurious goods by the government officials, and it was found that such an anti-corruption policy caused the imports of such kinds of luxurious goods like jewelry, high-grade watches decreased by about 55%; but it featured no impacts on the import consumptions of some hidden consumptions (high-grade liquor and food). Long Xiaoning and Huang Xiaoyong (2015) [2] found that during short terms the anti-corruption will reduce the role of "lubricant", thus resulting in a drop in the investment growth. Although the existing empirical research discovered that the anti-corruption actions after the 18th CPC National Congress resulted in a large-scale drop in the consumptions of luxurious goods, the scale of the amount of these kinds of consumptions in the entire economic activities might not be so big and the multiplier effect was smaller; meanwhile, anti-corruption action can further causes the local officials to be faced with a tough political atmosphere, reduce the reviews and approvals of the planned investment projects, as well as the progress of the investment projects involved, thus generating even bigger multiplier effects and ultimately resulting in the downturn of the entire economic growth. Based on this, this paper proposes an extended hypothesis that needs to be verified:

Theoretical hypothesis 2: the dismissal events of officials announced by the Central Discipline Inspection Commission mainly affect the economic growth by impacting the investments.

4. Model and Data

4.1. Empirical Model

This paper uses the number of dismissals of officials above the Deputy Department level as the measurement of the strength of the anti-corruption, studies the impacts on economic growth of anti-corruption after the 18th CPC National Congress; all the samples used are the data of 31 provinces of mainland China from 4th quarter of 2012 to 4th quarter of 2014¹. The fixed effect model of panel data are adopted for the basic model of this Paper:

$$gr_{it} = \beta_0 + \beta_1 drop_{it} + \gamma_1 \ln y_{it-1} + \gamma_2 \ln I/GDP_{it} + \tau_t + \delta_i + \varepsilon_{it} \quad (1)$$

In Formula (1), the subscript i represents the province, t represents period, the explanatory variable gr_{it} is the actual growth rates of the various provinces' GDP, $drop_{it}$ is number of dismissals of the officials above the Deputy Departments levels of that province in a certain quarter and it is the core interpretation variable of this Paper. τ_t is the fixed effect of the quarter, which controls and impacts the regional factors that impact the provincial economic growth without changes in accordance with time, such as geographical features; ε_{it} is a random disturbance term.

On the basis of surveying the impacts of the officials resulted from the anti-corruption on economic growth, this paper studies the conduction mechanism of the impacts of the impacts on economy of the dismissals of officials resulted from the anti-corruption. Specifically, this paper conducts empirical research on the impacts of the

¹We chose the number of dismissals of officials in 2012 for the reason it was the symbol of a new session of central leaders and the beginning of extremely strong anti-corruption measures in China. Due to the lack of other related data, the sample only lasts to the 4th quarter of 2014. Maybe the effectiveness of anticorruption is more obvious in 2015, this could be discussed continuously in the future.

number of dismissed officials of anti-corruption on such three carriages as investment, consumption and import/exports on China's economic growth.

This Paper conducts a series of robustness tests on the basic regression results. First of all, this paper changes the form of variable $drop_{it}$ to a dummy variable to verify correctness of the based equation. The arrival of the Central Inspection Group will likely increase the number of dismissed officials of that province, and with the addition of the variables, it is possible to further verify the accuracy of the explanatory variables with the number of official dismissals. This Paper further adds the dummy variable x_{it} , of the inspections by the Central Inspection Group in the regression, and when the Central Inspection Group resides in that province in a certain period for inspection work, the value of 1 is taken, otherwise it is 0.

4.2. Data

The corruption dismissal events announced by the Supervision Department of the Central Discipline Inspection Commission are representative, and the data of the number of official dismissals of the various provinces are from website of the Central Discipline Inspection Commission and the online news websites, and other economic data are taken from the data base of <http://www.drcnet.com.cn>.

The quarterly data² of the economic growth rate of the various province are from www.drcnet.com.cn; for per capita output(per capita GDP), only annual statistical data are available; therefore, the quarterly per capita level is expressed in the annual per capita output³; for the investment rates, the ratio of the total investment in fixed assets of that quarter with the GDP of that quarter, and it reflects the contribution of the investment in fixed assets in the economic growth; this indicator manifests the capital accumulation intensity of that province, and the higher the theory anticipated capital accumulation intensity, the faster the economic growth. The quarterly data of the investments, consumption and import growths in the research of the influencing mechanism of corruption are directly from www.drcnet.com.cn. Descriptive statistics of the main variables are described in **Table 1**.

5. Basic Empirical Research

This section conducts empirical research on the impacts orientations and extents of the number of dismissed officials as announced by the Supervision Department of the Central Discipline Inspection Commission, and on such a basis, it probes whether such impacts features delaying effects; subsequently, it conducts robustness tests regarding the relevant results.

5.1. Baseline Regression Result

Table 2 reports the basic regression results of the economic growth effects of the anti-corruption. Column 1 uses the most original pool regression, without controls of the provincial and prefectural fixed effects and time fixed effects; the regression coefficient of the number of dismissed officials is -0.24 , featuring significant at the statistical level of 1%. Column 2 adopts the regression method of the fixed effect, with controls of the provincial and prefectural fixed effects; the regression coefficient of the number of dismissed officials is -0.27 , featuring significance at a statistical level of 1%. For Column 3, the time fixed effects are further added, and at this time, the increase in the number of dismissed egression coefficient of the number of dismissed officials is -0.15 , with a decline of the absolute value and it still features significance at a statistical level of 1%. This initially indicated that after the regional heterogeneous factors and the time heterogeneous factors are controlled, the number of dismissed officials is increased and the local short-term economic growth is significantly reduced. For Column 4, following the conventional practice of the empirical literature of the economic growth, the per capita log of the delayed phase is added as the control variables; the regression coefficient of the number of dismissed officials is -0.09 , and it still features significance at a statistical level of 10%. This indicates that under the empirical framework of the neo-classical economic growth still significantly reduces the speed of the local short-term economic growth. On average, the addition of one dismissed official in this region reduces the magnitude of the economic

²The economic growth rates gr_{it} of the various provinces were subject to seasonal adjustments.

³This paper adopted the method of dividing the annual total output values of the various provinces by the past non-permanent population to derive at the annual data of the per capita output; then, through the average method, the relevant quarterly data were derived; when studying the economic growth of 2nd quarter of 2014, the quarterly data of per capita output of the delayed phase in the control variables adopted the per capita output of 1st quarter of 2014, while the per data of the capita output of the delayed 4 periods adopted the per capita output value of 2nd quarter of 2013.

Table 1. Descriptive statistics of the main variables.

Variable	Mean	Standard deviation	Minimum value	maximum value	Number of observation
gr_{it} (economic growth of a certain province)	0.094	0.018	0.046	0.138	279
$drop_{it}$ (number of official dismissals)	1.702	2.403	0	12	279
$\ln y_{it}$ (log of per capita output)	10.701	0.3973	9.886	11.548	279
$\ln i/gdp_{it}$ (log of investment rate)	0.364	0.6555	-2.598	1.288	279
inv_gr_{it} (investment growth rate)	0.2039	0.0709	-0.306	0.431	279
$consume_gr_{it}$ (consumption growth rate)	0.128	0.01808	0.0157	0.1609	279
$exim_gr_{it}$ (Import and export growth rate)	0.1209	0.1543	-0.4094	0.7418	279

Data source: the author used STATA for calculation.

Table 2. Results of the basic regression of the effects of anti-corruption on economic growth.

dependent: gr_{it}	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$drop_{it}$	-0.241*** (0.0418)	-0.266*** (0.0571)	-0.151*** (0.0435)	-0.0893* (0.0477)	-0.0836* (0.0480)	-0.0981* (0.0518)	-0.0968* (0.0514)
$L.\ln y_{it}$				-6.496* (3.405)	-6.884** (3.337)		
$\ln i/gdp_{it}$					-0.319* (0.161)		
$\ln y_{it-4}$						-8.377*** (1.160)	-8.213*** (1.225)
$\ln i_w/gdp_w$							-0.310 (0.320)
Constant	9.768*** (0.123)	9.810*** (0.234)	9.770*** (0.0842)	78.87** (36.42)	83.24** (35.72)	98.62*** (12.25)	96.78*** (12.99)
Region fixed effect	N	Y	Y	Y	Y	Y	Y
Time fixed effect	N	N	Y	Y	Y	Y	Y
Observations	279	279	279	248	248	279	279
R-squared	0.108	0.243	0.527	0.608	0.615	0.580	0.581

Note: (1) ***, ** and * respectively indicate the statistical significance levels of 1%, 5% and 10%; (2) the values in the brackets are the standard errors of the heteroscedasticity robustness.

growth by nearly 0.1 percentage point. Although the percentage point of 0.1 is not very high in contrast to the about 7% economic growth rate in recent phase, seen from the economic scale, this is an effect that should not be neglected. More importantly, there are more than a couple of dismissed officials in many provinces, so sufficient attention shall be paid to the cumulative effects brought about by the dismissals of officials. Regarding the control of the variables, the regression coefficient of the per capita output log of the delayed phase is significantly negative, indicating that the economic growth of the backward regions is faster, which is consistent with the discoveries of [24]. The reason that the regression coefficient of the investment rate log is significantly negative may be due to the reason that the frequencies of the data are too high, *i.e.* the length of each period is too short.

The two-way fixed effect model was adopted for Column 6, and the control variables are the logarithm values of the per capita output of the same period of the previous year, and at this time, the regression coefficient of the number of dismissed officials which is the concern focus is still stabilized at about -0.1, and featured statistical significance at 10%. For Column 7, on the basis of Column 6, the investment rate from Q1 of the previous year to the previous quarter of the same year was added as the control variables; at this time, there are almost no changes in the size of the regression coefficient of the number of dismissed officials and the statistical signifi-

ance. On the whole, it is revealed by the regression results in **Table 1** that when observed from the quarter frequencies, the rise in the number of the dismissed officials of the locality significantly slows down the economic growth of that period, with its marginal effects being about 0.1 percentage point.

5.2. Robustness Test

In this Section, this paper mainly conducts robustness test on the above main contents, including the transformation of the number of official dismissals into dummy variables as the measurement indicators for measuring the intensity of anti-corruption. Secondly, from the angle of external environment, the dummy variable of the inspections by the Central Inspection Group is added.

5.2.1. The Person Times of Dismissals Were Changed into the Dummy Variables of Whether There Are Dismissed Officials

In the baseline regression, this Paper adopted the number of dismissed officials as the core explanatory variables and discovered that the increase of the number of dismissed officials reduced the local short-term economic growth. However, there exists a concern that since different regions features different number of carders, this may lead to the differences in the number of dismissed officials. This Paper alters the setup method of the core explanatory variables and adopted the setups of dummy variables, *i.e.* in case there are the dismissal events of the carders above the Deputy Department level as announced by the Central Discipline Inspection Commission, then a value 1 is taken, otherwise the value is 0. The regression results are shown in **Table 3**, and the regression coefficient of the dummy variables are all negative, and all reach the basic statistical significance levels. Take the regression results of Column 5 and Column 7 as examples, in case there are dismissals of officials above the Deputy Department level, then accordingly there will be a reduction of 0.2 to 0.3 percentage point in the economic growth rate of the locality of that quarter. This is consistent with the discoveries of the previous papers. In view that on average there are dismissals of more than one officials above the Deputy Department level in a quarter in a certain province or prefecture, therefore, when the dummy variables are taken as the values for the core explanatory variables, the absolute value of its regression coefficient was about 3 times of the absolute values of the regression coefficient set up in accordance with the original person times.

5.2.2. In Consideration of the Inspections by the Central Inspection Group

Table 4 reports the regression results with the addition of the dummy variable xs_{it} of the inspection of the Cen-

Table 3. Robustness test: Setups of the dummy variables of the dismissal events.

Dependent: gr_{it}	(1)	(2)	(3)	(4)	(5)	(6)	(7)
D_1	-1.015*** (0.205)	-1.159*** (0.168)	-0.497*** (0.112)	-0.247** (0.120)	-0.230* (0.115)	-0.299** (0.110)	-0.304*** (0.110)
$L.lny$				-7.115* (3.554)	-7.513** (3.446)		
lni/gdp					-0.366* (0.183)		
lny_{it-4}						-8.915*** (1.080)	-8.663*** (1.130)
lni_w/gdp_w							-0.413 (0.328)
Constant	9.921*** (0.153)	10.00*** (0.247)	9.783*** (0.0696)	85.46** (38.04)	89.98** (36.88)	104.3*** (11.45)	101.5*** (12.01)
Region fixed effect	Y	Y	Y	Y	Y	Y	N
Time fixed effect	Y	Y	Y	Y	Y	Y	N
Observations	279	279	279	248	248	279	279
R-squared	0.082	0.22	0.496	0.593	0.601	0.568	0.570

Table 4. Robustness test: In consideration of the inspection of the central inspection group.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
$drop_{it}$	-0.238*** (0.0419)	-0.262*** (0.0571)	-0.156*** (0.0453)	-0.0999* (0.0513)	-0.0854* (0.0497)	-0.0962* (0.0517)	-0.0962* (0.0517)
xs_{it}	-0.318 (0.325)	-0.308** (0.137)	-0.358** (0.164)	-0.0673 (0.140)	-0.0484 (0.129)	-0.188 (0.135)	-0.188 (0.135)
$L.lny_{it}$				-8.520** (3.665)	-8.157** (3.477)		
lni/gdp_{it}					-0.524*** (0.167)		
lny_{it-4}						-7.937*** (1.274)	-7.937*** (1.274)
lni_w/gdp_w						-0.309 (0.317)	-0.309 (0.317)
Constant	9.797*** (0.126)	9.836*** (0.233)	9.931*** (0.103)	100.7** (39.20)	97.11** (37.18)	93.88*** (13.49)	93.88*** (13.49)
Region fixed effect	N	Y	Y	Y	Y	Y	Y
Time fixed effect	N	N	Y	Y	Y	Y	Y
Observations	279	279	279	248	248	279	279
R-squared	0.111	0.25	0.522	0.581	0.599	0.584	0.584

tral Inspection Group on the basis of Model (1). It can be seen from the table that when the regression coefficient of the number of dismissed officials of that period was basically consistent with the previous statements, with the symbol still being negative and the absolute value stabilized at about 0.1, and is statistically significant at 10%. On the other hand, when more variables are controlled, the dummy variable of the inspection of Central Inspection Group is no longer significant. This indicates that with the addition of the inspection of Central Inspection Group, the original results are robust. Therefore, although the inspection of Central Inspection Group will increase the possibilities of the dismissals of officials, the reduction effect of the economic growth brought about by the anti-corruption is resulted from the substantial dismissals of officials.

6. The Conduction Mechanism of the Influence of Anti-Corruption on Economic Growth

It is indicated by the basic regression analysis of this paper that the dismissal events of the officials as announced by the Central Discipline Inspection Commission exert significant negative influences on the short-term economic growth. Then, how is corruption conducted and further impact the economic growth? The existing literature provides this paper with some initial clues. [22] discovered that during the process of change of government power every five years from 1993 to 2010, China's imports of luxurious goods tripled; recently, [23] discovered that the high-pressure policy since China's the 18th CPC National Congress reduced the imports of the luxurious goods in the general sense by about 55%, and it exerted no impacts on the imports of some hidden luxurious goods; [2] found that the investigation and punishment events announced by the Central Discipline Inspection Commission exerted significant inhibiting effects on the delayed phase of the investments of the fixed assets. The three carriages of the economic growths are investment, consumption and exports, and this paper further analyzes the impacts of the number of dismissals of officials on local investments, consumption and imports/exports so as to probe the influencing mechanism of anti-corruption on economic growth.

It can be learned from the regression results of Columns 1-2 of Table 5 that the number of dismissed officials exerts significant inhibiting effects on investments, and on average, the addition of one dismissed official above the Deputy Department level results in a reduction of 0.2 percentage point in the investments. It is indicated by Columns 3-4 that the impacts of the number of dismissals of corrupt officials on the region's overall consumption growth are insignificant. Since bribery actions usually involve the purchase of luxurious goods, most corruption

Table 5. The impacts of anti-corruption on investment, consumption and imports.

	(1)	(2)	(3)	(4)	(5)
Dependent	<i>inv_gr_{it}</i>	<i>inv_gr_{it}</i>	<i>con_gr_{it}</i>	<i>con_gr_{it}</i>	<i>ex&im_gr_{it}</i>
<i>drop_{it}</i>	-0.407** (0.176)	-0.248* (0.145)	-0.125*** (0.033)	-0.011 (0.025)	-0.120 (0.418)
<i>L.lny_{it}</i>		17.93 (23.77)			
<i>L.lnpc_{it}</i>				-19.76*** (25.53)	
Constant	21.98*** (0.298)	-170.9 (254.0)	13.11*** (0.086)	181.00*** (248.85)	15.28*** (3.116)
Region fixed effect	Y	Y	Y	Y	Y
Time fixed effect	Y	Y	Y	Y	Y
Observations	279	248	279	248	279
R-squared	0.322	0.345	0.304	0.562	0.026

Note: In Column 2, explanatory variable *L.lny_{it}* is the log of the actual per capita output of the previous quarter; in Column 4, explanatory variable *L.lnpc_{it}* is the log of the per capita consumption sum of the previous quarter.

funds are usually spent on some luxurious goods; therefore, the supervision on bribery by the CPC Central Committee is bound to weaken the consumptions of these luxurious goods. Based on the survey statistics by Bain & Company, in 2014, China's consumption of luxurious goods (including overseas entrusted purchases, entrusted purchases as well as the consumptions of domestic market) accounted for about 1.4% of the total consumption aggregate, and the proportion of the domestic consumptions of luxurious goods is even lower. Therefore, anti-corruption may pose impacts on the consumptions of luxurious goods, but its impacts on the overall consumption may not be so significant; maybe due to the same reason, in the regression of Column 4, the impacts of the number of dismissals of corrupt officials are also insignificant.

Therefore, this paper concludes that anti-corruption exerts significant inhibiting effects on the investments; since investments are the direct dynamics of economic growths, then anti-corruption exerts negative short-term impacts on economic growth.

7. Conclusion and Policy Proposals

In the empirical portion of this paper, it verifies that the increase of the official dismissals of officials due to corruption will result in a downturn of the economic growth, and this provides the central government with feasibility descriptions in the economic level in the selection of the overall anti-corruption work. Regarding the probing of the influencing mechanisms, this paper found that corruption featured significant negative effects on investment increase, while investment was the direct dynamic of economic growth in China; therefore, we could make an conclusion that anti-corruption would result in the downturn of the economic growth in recent years by influencing investments.

The research of this paper yields the following enlightenments. First of all, the government needs to face up with the negative effects brought about anti-corruption and also pays proper attention to the dual mission of anti-corruption and economic corruption so as to reach an adequate balance between the anti-corruption and stabilizing the economic growth. Secondly, the slogan "Hunting tigers and flies" proposed by General Secretary Xi Jinping is really enlightening, and it is necessary to persist in anti-corruption; meanwhile, the main efforts should be focused on the hunting of "tigers", for this can form excellent deterrent effect in the whole CPC party and the whole society. Thirdly, in consideration of the adverse effects of the anti-corruption activities on economy over short terms through investment demands, the governments of various levels, especially the Central Government can take a multitude of measures within short terms so as to safeguard the investment activities of the normal public infrastructures, and to ensure the enthusiasm of the market investment activities and the normal conducting of the investment projects without delaying those production and investment activities that should have been conducted. Seen from the long term, anti-corruption is beneficial for China's economy to de-

velop into a freer and more mature market mechanism, thus becoming an important step in the reform of China's economy and laying an excellent foundation for the long-term development of the economic growth.

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