Corruption and Economic Growth Summary

*Eight Questions*

**General conclusions**

Corruption closely related to GDP per capita and human capital; given level of income, corruption varies greatly, partly by the degree of market and political competition

**Mauro(1995)**

Regressions with economic growth (1980-2000) and corruption (ICRG indicator 1982-2000); negative but insignificant (-0.33)

No macro evidence suggests corruption retards development, and in cross-country data, corruption does not affect growth. It might because of the coarse data for corruption.

*Corruption and Growth*

**Corruption and Investment**

A negative and significant association

A one-standard-deviation increase (an improvement) in the corruption index (equals 2.51) is associated with an increase in the investment rate by 2.9 percent of GDP.

**Corruption and Growth**

The corruption is significantly associated with average per capita GDP growth over 1960-1985.

Controlled other determinants of growth included in LR specification, the relationship is significant at the 5 percent lever for the bureaucratic efficiency index, though only at the 10 percent level for the corruption index.

A one-standard-deviation improvement in corruption index (2.51) is associated with a 0.8 percentage point (absolute) increase in the annual growth rate of GDP per capita.

**Channel**

Corruption could affect the steady-stat level of income (misallocation of production among sectors); when the economy is below its steady-state income level, higher corruption could lead to lower growth, for a given level of income.

After add investment to independent variables, the coefficient on the corruption index falls substantially and becomes insignificant (0.003(1.91)->0.002(1.13)) in LR specification.

Overidentifying instruments shows only channel through which institutions affect economic growth is through investment can be rejected only at the 10 percent level. Weak support for that corruption reduces growth by leading to inefficient investment choices.

*Corruption and Economic Growth*

**Transmission Channels**

Corruption has a significant negative effect on the growth rate when all plausible transmission channels are not included in the regression.

When the share of investment get into the model, magnitude and the significance level of the corruption coefficient decrease but still significant at the conventional interval. About 28% of the growth rate reduction in the corruption-growth linkage is due to the investment channel.

Human capital and political instability make the coefficient of corruption decrease substantially. About 9.7% of the rate of productivity reduction is due to human capital channel. Political instability accounts for about 64% of the effect of corruption on the rate of productivity growth.

**Decomposition**

Overall effect of the corruption coefficient on the growth rate equals 0.545, or 0.72 in elasticity terms. Direct impact for 11.8%, human capital for 14.8%, political stability for 53% and investment channels for 21.4%, respectively.

1% increase in the corruption level reduces the growth rate by about 0.72%; namely one-unit increase in the corruption index reduces the growth rate by 0.545 percentage points. Political instability accounts for about 53% of the overall effect.

*腐败与经济增长实证研究*

**实证结果**

对发达国家，CPI项及平方项均为负，腐败不利于经济增长；CPI与PR，GF小互相系数为正但不显著，与IV，FDI及HC的交互项为负，说明发达国家已从经济主体活动领域退出，腐败无法提高劳动生产率以及减少管制以促进经济增长，并且腐败减少国内投资、外商直接投资和人力资本，降低经济增长。

对发展中国家，CPI项为负，平方项为正，腐败与经济增长关系为倒U型；CPI与PR，GF为正，与IV，FDI及HC系数为负，均显著，即发展中国家腐败能提高劳动生产率，减少政府管制以促进经济增长，但也减少国内投资，外商投资及人力资本