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Does corruption benefit the rich or the poor?

Micro evidence from China

By

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Abstract:

Using a unique dataset from China for the period 1986-2012, we find a linear and positive association between corruption and income inequality. Further investigation indicates that causality runs from corruption to inequality in the long run. Population density, unemployment, investment, inflation, income level, market progress and urbanization are identified as significant channels through which corruption affects income distribution.

Key words: corruption; income inequality; economic development; China

JEL codes: