

What does the Communist Party of China Care about the Most? Evidence from Its Official Newspapers

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Abstract: This study concentrates on the decision-making process of the Communist Party of China. According to relevant text analysis of the articles published on the Party's official newspapers, we examine the interdependence of the three primary concerns of the Party, delivering economic prosperity, cracking down corruption, and maintaining social stability, across 31 provinces between 2000 and 2015. We compute the frequency of the articles discussing each of the three issues and argue that the frequencies can serve as the proxies for the Party's concerns in these areas. For instance, a higher frequency of articles published on a provincial, official newspaper discussing economic policies implies that the Party's has more economic concerns in that province than anywhere else. The evidence indicates that the Party did put enhancing economic growth before the other two. What comes after economic prosperity is anticorruption, which is only affected by the Party's economic concerns. Maintaining social stability is the last one among the three on the Party's priority list. Our findings suggest that the Party is very rational in its policy-making process.

Key Words: Official Newspapers; Communist Party of China; Prioritization; Anticorruption; Economic Prosperity; Social stability.

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1. Introduction

The literature has long documented that the Communist Party of China (the Party, hereafter) took delivering economic prosperity as its most important, urgent task in the past several decades (Dickson, 2016). Several studies of political science argued that the Party reached a *de facto* agreement with its people that it made consistent efforts to promote economic growth and, in return, the people gave up their voices on the authoritarian regime (see Wright (2010) for an in-depth analysis of this perspective).

To stay in power, it is apparent that the Party has to deal with a variety of issues other than economic development. For instance, President Hu Jintao advocated in the mid-2000s the building of a Harmonious Society (和谐社会), which was widely accepted as the Party's response to issues of social injustice and income inequality during the economic take-off. It was repeatedly reported by the media that every year the Party spent billions of dollars and countless personnel resources in dealing with protests and demonstrations across the country. Although these social events were short-term, problem-oriented and the participants did not intend to challenge the regime, the Party was worried that these isolated events could potentially lead to countrywide disapproval of the Party's ruling. How does the Party handle the situation where both issues of economic development and social stability arise simultaneously? Does the Party devote equal amount of resources to addressing these two issues? If not, which one receives more attention of the Party? If the fiscal and personnel resources are too scarce to address both, which one comes first?

Besides economic development and social stability, rampant corruption in the public sector has been official acknowledged by the administration of President Xi Jinping and a series of massive anticorruption campaigns have been run since 2012. At the 19th National Congress of the Party held in October 2017, Xi claimed that strict self-governance of the Party (从严治党), represented primarily by the anticorruption campaigns, was the major achievement of the Party in the past five years. Given rampant corruption in China and limited resources of law enforcement, the extent to which the Party chose to combat corruption varies geographically across the nation (Qu, Sylwester, and Wang, 2016). How did the Party pick the provinces to crack down corruption harder? Do economic development and social stability play a role in the Party's decision-making process? Specifically, did the Party intentionally choose economically more prosperous provinces to combat corruption harder as it is less concerned about the detrimental effect of anticorruption on economic growth? Or, did the Party intentionally choose provinces lack of economic growth to go after corrupt officials so as to divert the public's dissatisfaction with economic troubles? As for social stability, did the Party run more anticorruption campaigns in the socially less stable provinces as a tool to address the issues on social injustice and income inequality? Or, was the Party worried about the uncertainties caused by the anticorruption campaigns and tended to let go corrupt officials in the socially less stable provinces? The literature does not offer insights to these crucial questions.

This study aims to quantitatively investigate the Party's decision-making process, in particular its prioritization among the three issues mentioned above. We take advantage of the Party's official newspapers to gauge its concerns on economic development, social stability, and anticorruption, respectively, across 31 provinces between 2000 and 2015. These official newspapers are the mouthpieces of the Party and serve as one of the core components of its propaganda machine. Articles published on these newspapers are carefully chosen, edited and screened by the Party to sway the public's opinions. By searching certain key phrases, we come up with the proxies for the extent to which the Party cares about an issue. On the basis of these proxies we employ the fixed-effects and three-stage least squares estimations to examine the interdependence of the Party's concerns on the three aspects, delivering economic prosperity, maintaining social stability, and fighting corruption.

We find that the Party did put delivering economic prosperity before the other two in its decision-making process. The evidence suggests that the Party cares about economic growth so much that, whenever (or wherever) it considers the issues of corruption and social instability, it is worried about their possible harmful influences on economic growth. Anticorruption comes after promoting economic growth on the Party's priority list, and it is only affected by the Party's economic concerns. It is likely that the Party perceives corruption as a fundamental cause of economic and social issues, such as inefficient state-owned enterprises and unequal distribution of wealth. As a result, it cracks down corruption in the hope of improving economic efficiency and reducing social injustice. It is also possible that the Party ran the anticorruption campaigns merely to divert the public's dissatisfaction with economic slowdown and social injustice. Social stability is the least urgent concern among these three. It makes sense given that there is no opposition parties or forces that could immediately challenge the Party's ruling.

The remainder of this paper is organized as follows. Section 2 discusses in detail our newspaper-based measures of the Party's concerns in various aspects. Section 3 discusses the empirical model and presents the results. Section 4 concludes the paper.

2. Measurement of the Party's Prioritization of Various Issues

In this section we first discuss the role of the Party's official newspapers which we will rely on to develop our proxies for the Party's concerns, efforts, and policies on various issues. We then analyze these proxies at both national and provincial levels.

2.1. The Party's Official Newspapers

As a core component of the Party's propaganda machine, the official newspapers were established by the Party to communicate with its cadres at various levels and the general public. Different from the newspapers in the western world, these official newspapers are bureaucratically affiliated with the Party and their publications must be cleared by the

Propaganda Department of the Party (Wu, 1994; Shambaugh, 2007). As the mouthpiece of the Party, the official newspapers publish articles, editorials, and commentaries which are widely accepted as authoritative statements of policies and standpoints of the Party (Wu, 1994; Luther and Zhou, 2005; Mao, 2014).

Among the official newspapers, the most well-known one is the *People's Daily* (the *PD*, hereafter). The *PD* is a national newspaper which was established in 1946 and, since then, has been directly controlled by the Propaganda Department and the Central Committee of the Party. In order to keep the nation's media "on message", the *PD* offers various announcements of the Party's policies and the most authoritative explanations of the policies. Under the supervision of the Propaganda Department, the *PD* often "set and enforces the exact wording to be used by journalists, scholars, and broadcasters in reporting on a given event" (Shambaugh, 2007). At the provincial level, each provincial committee of the Party, the *de facto* highest political authority of its jurisdiction, has its own official newspaper, such as *Chongqing Daily* and *Tibet Daily*. Following the tone set by the *PD*, the provincial newspapers push propaganda further down to lower levels of government and advocate province-specific policies (Qu, Sylwester, and Wang, 2016).

We make use of the official newspapers at both national and provincial levels to analyze the Party's concerns, efforts, and policies on several issues. Qu, Sylwester, and Wang (2016) investigate the impact of the Party's anticorruption campaigns upon China's economic growth by concentrating on the same official newspapers. They claim that the newspapers play at least three roles in the anticorruption campaigns: publish decisions of the Party; report achievements of the campaigns; sway public opinion by stressing the positive influences of the campaigns.¹ Technically, they count the number of articles published in the newspapers which contain the key phrase corruption "腐败 (corruption)" and consider its share in all articles as a proxy for the Party's resolve and efforts to combat corruption. The higher the share, the more efforts the Party made.

In fact, Glaeser and Goldin (2006) first attempt to measure corruption levels in the U.S. by counting the articles in the New York Times and other major newspapers from 1810 to 1975 that contain the words "corruption" or "fraud". Similarly, Ramirez (2014) compares corruption situation in the U.S. with that in China by counting the number of articles in several U.S. newspapers regarding corruption within the U.S. and China, respectively. This group of literature conduct key phrase searching in the U.S. newspapers because their attempts are to primarily measure the general situation of corruption, rather than a government's concerns, efforts, and policies which Qu, Sylwester, and Wang (2016) concentrate on.

Beyond the literature of economics and political science, several studies employed similar, newspaper-counting approaches to quantify the Party's efforts and policies. For example, Dong, Chang, and Chen (2008) look at the AIDS reports in the *PD* to measure the

¹ See Qu, Sylwester, and Wang (2016) for more detailed discussion about the role of the official newspapers in the Party's recent anticorruption campaigns.

government’s efforts to control AIDS, and Liang and Lu (2013) use the *PD* as well to gauge the government’s anti-drug campaigns. Below we follow a similar, newspaper-counting strategy to gauge the Party’s concerns, efforts, and policies in three aspects, anticorruption, economic prosperity, and social stability, and then look at how the Party prioritizes them.

2.2. The Party’s Prioritization at the National Level: Evidence from the *PD*

We first count the number of articles that contain the key phrase “腐败 (corruption)” in the *PD* to gauge the Party’s anticorruption resolve and efforts at the national level. The strategy can find all articles containing “腐败 (corruption)” and “反腐败 (anticorruption)” as the former is a subset of the latter in Chinese. As discussed above, articles published in the official newspapers, including the *PD*, are carefully censored or even directly drafted by the Propaganda Department of the Party. As a result, the articles containing the phrase corruption would never be published unless the Party has decided to demonstrate its commitment to addressing the issue. In other words, the official newspapers never attempt to reveal the truth of corruption scandals like a newspaper in the Western world does. Qu, Sylwester, and Wang (2016) offer more detailed discussion and evidence on why our official newspapers count measures the Party’s anticorruption resolve and efforts, rather than actual situation of corruption in China.

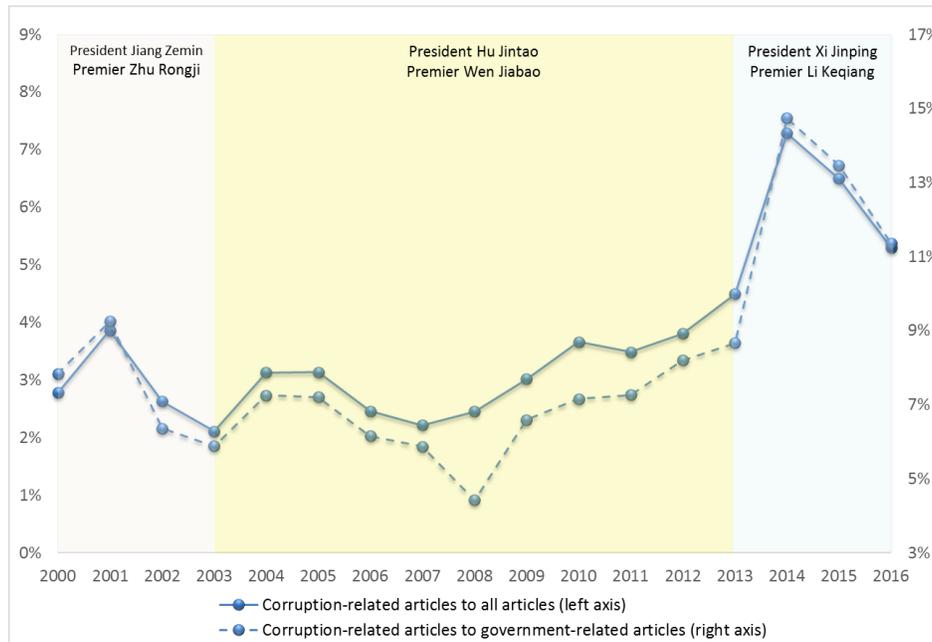


Figure 1. Evolution of the Party’s Anticorruption Resolve and Efforts

In order to remove any potential effects of changes in the size of official newspapers and/or shift of the Party’s general publicizing strategy over the years, we normalize the count of corruption-related articles in the following two ways. The first is to divide the number of corruption-related articles by all articles published in the *PD* that year and collected by the database. The alternative is to divide it by the number of articles containing the phrase “政府

(government)". Normalizing by "government" helps compare the Party's anticorruption efforts with its efforts or policies in other areas. Our searches are conducted with the most comprehensive Chinese newspaper search engine named China Core Newspapers Full-text Database. The database collects about 15 million articles from 622 newspapers in China starting from 2000 to present.

Figure 1 displays the evolution of the two proxies for the Party's anticorruption resolve and efforts between 2000 and 2016. The only anticorruption campaign under the administration of President Jiang Zemin and Premier Zhu Rongji between 2000 and 2003 took place in 2001. As one of the national leaders of the Party, Cheng Kejie was sentenced to death due to corruption charges during the campaign. In addition, the Yuan-Hua Group smuggling scandal was uncovered and several high-ranking government officials were convicted of corruption, leading the campaign to a deeper and broader level. Corruption-related articles account for 3.86% of all articles published in the *PD* in 2001 and 9.25% of government-related articles, respectively.

President Hu Jintao and Premier Wen Jiabao ran a relatively moderate campaign to combat corruption in 2004 and 2005. Several provincial leaders of the Party, including but not limited to Zhang Guoguang (Governor of Hubei Province) and Han Guizhi (Deputy Secretary of the Party's Provincial Committee of Heilongjiang Province), were investigated and/or sentenced owing to corruption. Corruption-related articles account for slightly above 3% of all articles and 7% of government-related articles, respectively, in the two years. Both proxies start declining after that and pick up till 2009. In 2012, Bo Xilai, a member of the Party's Central Poliburo, was investigated for corruption charges and thus 3.80% of all articles and 8.20% of government-related ones, respectively, are corruption-related, the highest level during the administration of Hu Jintao and Wen Jiabao.

Our proxies indicate that the most recent anticorruption campaign led by President Xi Jinping and Premier Li Keqiang went much deeper and broader than all previous ones since 2000. Corruption-related articles account for 7.28% of all articles and 14.74% of government-related articles, respectively. Both hit the highest levels of the whole sample period and are 2.4 standard deviations above their 17-year averages. What is behind the statistics is that the new administration was committed to conduct a series of political and economic reforms, including cracking down on corruption, at the 3rd Plenary Session of the 18th Central Committee of the Party in November 2013. Since then, 53,085 corruption cases have been investigated and 71,748 government officials have been disciplined and/or convicted, according to the reports of the Central Commission for Discipline Inspection (CCDI). Several national leaders of the Party faced corruption charges, including Zhou Yongkang who was the most senior figure being brought to justice in the Party's history. Looking at the whole sample period of 17 years, we believe that our newspaper-based proxies are very consistent with the Party's efforts to combat corruption in the real world.

If one believes that the anticorruption campaigns run by the Party are *not* merely the passive responses to actual situation of corruption in China, how does the Party decide the appropriate or even optimal timing of running the campaigns? Does economic situation of the country affect the Party’s decision on when to combat corruption? To answer these questions, we count the number of articles that contain the key phrase “经济 (economy or economic)” in the *PD* to gauge the Party’s awareness and evaluation of economic issues and challenges. Similar to our anticorruption proxies, here the count of economy-related articles is normalized with all articles and government-related articles, respectively. Figure 2 shows the evolution of both proxies.

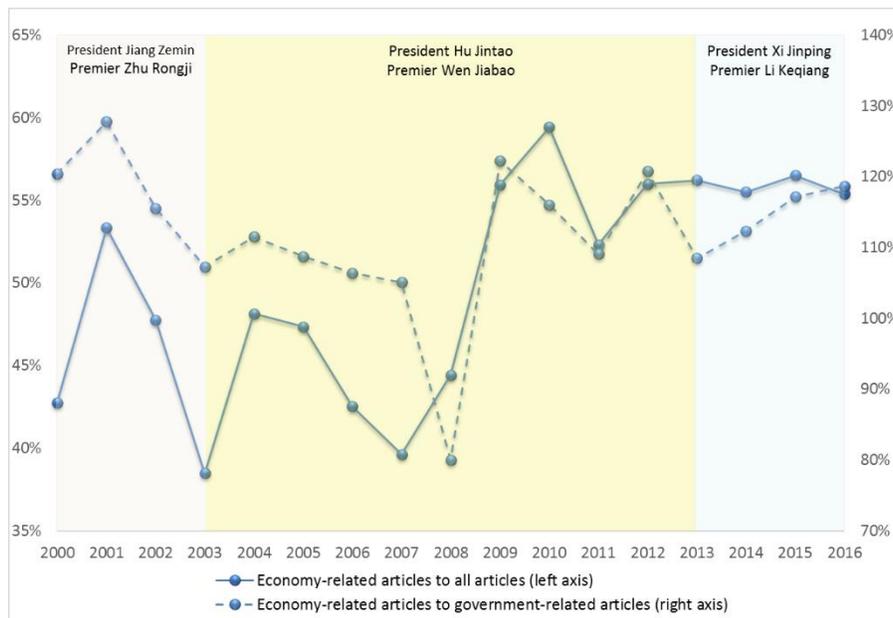


Figure 2. Evolution of the Party’s Concerns and Efforts on Economic Situation

Speaking of the share of economy-related articles in all articles, the average over 17 years is 50.09% with a minimum of 38.48% in 2003 and a maximum of 59.41% in 2010. That is, in comparison to 3.47% of the articles relating to corruption, half of the articles on average published in the *PD* at least mention the economy or an economic issue. The alternative proxy indicates that in all years except for 2008 the *PD* even published more economy-related articles than government-related ones.² These pieces of evidence are very much consistent with the literature which suggests that promoting economic prosperity is always the Party’s first and foremost goal (Dickson, 2016).

Besides the dominant share in all and government-related articles, our proxies also reveal the Party’s full awareness of and quick responses to economic issues and challenges the country faces during the sample period. Under the leadership of President Jiang and Premier

² There were several major non-economic events taking place in China in 2008 which could explain why the ratio of economy-related articles is much lower than that in other years. Among these events, the ones receiving uncountable media coverage are the Summer Olympics hosted in Beijing, the Wenchuan Earthquake killing over 80,000 people and injuring over 370,000, and the Tibetan Unrest resulting in 18 civilians killed and 382 injured.

Zhu, both proxies peak in 2001 resulting probably from the early 2000s recessions of the U.S. and the E.U., especially the September 11 attack. The Party made use of its propaganda machine to convince the public that economic challenges would be addressed with privatizing state-owned enterprises (SOEs) and stimulating domestic demand. Both proxies start declining and stay at a relative low level between 2004 and 2007 when its real GDP growth ranges from 10.1% to 14.2%. Accelerating growth helped either resolve or conceal economic issues and thus the Party paid less attention to them. Due to the Great Recession of 2007-2008 both proxies experience the largest increase between 2008 and 2009: the share of economy-related articles in all articles rises by around 12 percentage points and the share in government-related articles rises by around 42 percentage points, respectively. The Party once again kept its propaganda machine running at full speed to communicate with the public about its strategies to deal with the recession. We find that the share of articles containing the key phrase “结构调整 (structural change)” in all articles is 6.03% in 2009, twice as high as the previous year. Moreover, the share of articles containing the key phrase “内需 (domestic demand)” in all is 8.63% in 2009, nearly quadruple as high as the previous year. Obviously, the Party attempted to transform the economy from an export-oriented one to a domestic demand-driven one. During the administration of President Xi and Premier Li both proxies remain at a relatively high level. Economy-related articles, for instance, account for 55-56% of all articles between 2013 and 2016 with fluctuation of less than one percentage point. GDP growth rate continues to fall from 7.8% in 2013 to (estimated) 6.7% in 2016. Economic slowdown seemed to be irreversible in the long term. The share of articles mentioning “下行 (slowdown)” in all articles in 2015 is four times as high as that in 2009 when the country fought against the Great Recession.

When we compare the economic proxies with the anticorruption proxies, several similarities appear. First, their overall trend between 2000 and 2008 alike: they all peak in 2001, decline gradually after that, pick up in 2003, and decline again till 2008. Second, they all increase dramatically after 2008 and remain at a relatively high level though the dramatic rise in the economic proxies takes place in 2009 whereas that in the anticorruption proxies take place later in 2014. One possible explanation for such a correlation is that the anticorruption efforts made by the Party lead, at least partially, to economic slowdown due to political and economic uncertainties caused by corruption crackdown (Qu, Sylwester, and Wang, 2016). Another possibility is that the Party intentionally chooses the years of economic downturn to combat corruption so as to distract the public’s attention to economic challenges. We will examine the possible hypotheses later in this paper.

Now we take a look at the articles containing the key phrase “稳定 (stability)”. The stability-related articles, on average, account for 21.43% and 47.57% of all articles and government-related ones, respectively, in the past 17 years. Although these numbers are less than those of economy-related articles they are much higher than those of corruption-related articles. In other words, maintaining social stability comes after enhancing economic prosperity as another primary responsibility of the Party, or at least that is what the Party believes. It

make sense because it is difficult for opposition forces to challenge the Party's ruling if the society is stable.

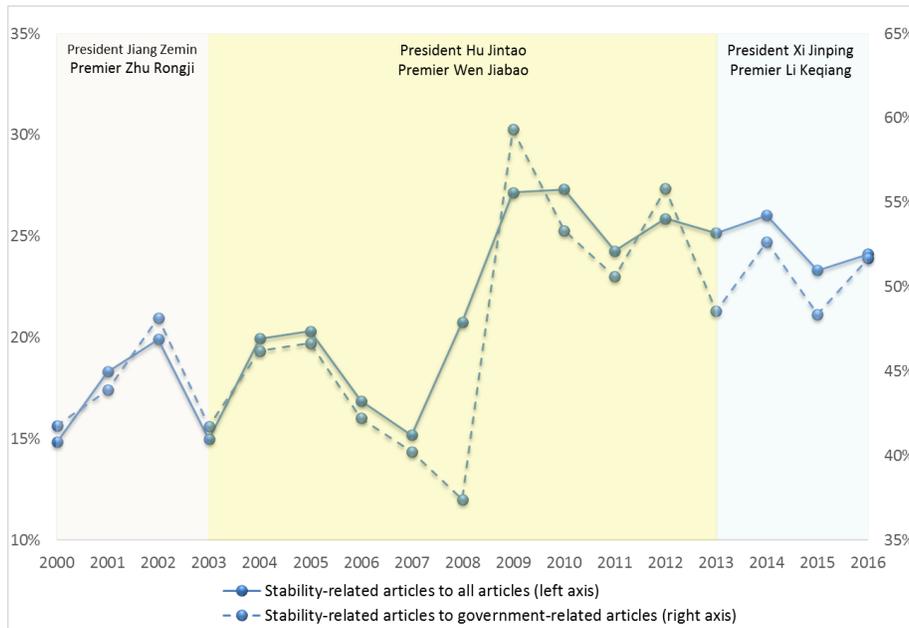


Figure 3. Evolution of the Party's Concerns and Efforts on Social Stability

Distinct from corruption- and economy-related articles, the share of stability-related articles exhibits clearly a stair-wise pattern. The share in all articles barely exceeds 20% before 2008 but fluctuates around 25% between 2009 and 2016 with a slightly downward trend. As mentioned earlier in a footnote, several major non-economic events took place in 2008, such as the Summer Olympics hosted in Beijing, the Wenchuan Earthquake, and the Tibetan Unrest. The sharp increase in the frequency of stability-related articles in the *PD* might be attributed to these events. However, if there is no other event or factor involved, we should expect the proxies to fall back to the pre-2008 level as none of the events has long-lasting effects on social stability at the national level. The proxies, instead, stick at a higher level even seven years after 2008, which makes one suspect that the Party has become more concerned about social stability as a result of economic slowdown. As discussed before, China's economy was hit hard by the Great Recession thanks to its export-led growth model. The recovery was slow and weak: the officially reported GDP growth rate has never reached double digits since 2008, except for that of 2010, and the rate in 2015 is only 6.9%, the lowest level since 1990. In fact, the fluctuation of the stability proxies resembles that of the economic proxies over the whole sample period.

Despite differences in some years, the stability proxies seem similar to the anticorruption proxies in the following ways. First, between 2003 and 2007, these proxies first rebound to a locally high level in 2004, remain there in 2005, and then gradually decrease. Second, they all stay at a very high level in the past four years. In theory, it is reasonable to argue that the Party runs the anticorruption campaigns to maintain social stability, especially

when the economy struggles, if the Party makes rational decisions. When the economic pie lacks growth, people pay more attention to how the pie is divided fairly. Bringing to justice corrupt officials who possess more resources illegally can distract the public’s attention to economic slowdown and convince people that unfair distribution of wealth is addressed, at least partially. Another possibility in theory is that, if social stability is already at risk due to some factors such as ethnic tension, the Party might not want to “rock the boat” by running an anticorruption campaign which could uncover more scandals leading to more public distrust of the government.

Overall, we find the three factors, combating corruption, promoting economic prosperity, and maintaining social stability, can affect one another in the Party’s decision-making process at the national level. Below we look at the provincial level to see if there is further evidence about the interaction among the three factors.



Figure 4. Cross-province Variations of the Party’s Anticorruption Resolve and Efforts

2.3. The Party’s Prioritization across Provinces: Evidence from the Provincial Newspapers

Figure 4 shows cross-province variations of the Party’s anticorruption resolve and efforts under the three administrations between 2000 and 2016. The color of a province depends upon the average frequency of corruption-related articles in its provincial, official newspaper, instead of the *PD*, during each administration. The darker a province, the more efforts the Party made to combat corruption in the province. Consistent with the proxies generated by the *PD*, the proxies generated by the provincial newspapers also indicate that the intensity of the Party’s anticorruption campaigns varies substantially over its three leaderships with the incumbent one of President Xi and Premier Li making the most efforts and that of President Hu and Premier Wen the least.

An interesting observation is that the Party made more efforts to combat corruption in the central provinces, such as Shanxi, Henan, Hubei, and Anhui, regardless of the political leadership. Are these provinces chosen intentionally by the Party to fight corruption hardest because they are not the most economically prosperous provinces? Given the detrimental effect of anticorruption found in Qu, Sylwester, and Wang (2016), it makes sense for the Party to fight corruption hardest in the central provinces so as to do less harm to the national

economy. If that is the case, why not choose the western provinces which are least economically developed? A possible explanation is that ethnic tension and national security come before anticorruption in the western provinces where more ethnic minorities inhabit than other regions of the country and it borders the neighboring countries. Below we look at how the Party’s concerns and efforts on economic situation and social stability, respectively, and see whether there is any preliminary evidence on the interaction among them.

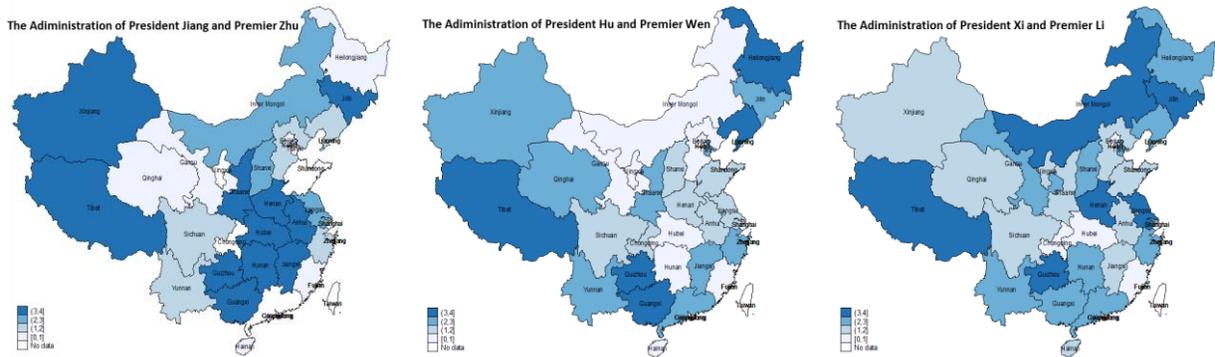


Figure 5. Cross-province Variations of the Party’s Concerns and Efforts on Economic Situation

According to the spatial comparison shown in Figure 5, the Party’s concerns and efforts on economic situation vary substantially, depending on the administrations. First, over the period of 17 years, the articles published in the provincial, official newspapers which mention the phrase “economy (or economic)” account for a larger share of total articles in less developed or lack-of-growth regions, such as Tibet, Guizhou, Guangxi, and Jilin. That means that the Party paid more attention to economic situation of these provinces regardless of the administration.

Second, the cross-province variation of the share of economy-related articles in the official newspapers depends upon economic policies set by the central government. For instance, economy-related articles are more frequently published in many official newspapers of the western provinces, such as Xinjiang, Tibet, Guizhou, Guangxi, and Shaanxi, during the first two administrations because of the Great Western Development Strategy advanced by Premier Zhu in early 2000 with the hope of reducing the income gap between coastal and inland regions. The strategy gives western provinces more favorable considerations when it comes to funding opportunities of infrastructure, education, and environmental protection. It, thus, makes sense that the provincial newspapers spend more space discussing economic challenges and opportunities encountered in the western provinces. Another example suggesting that our newspaper-searching proxies reflect well the Party’s economic concerns and policies appears in the northeastern corner of the country. In late 2003, the administration of President Hu and Premier Wen promoted so called the Northeast China Revitalization as a national development strategy in attempt to rejuvenate heavy-industry bases in the region. That explains why these northeastern provinces, Heilongjiang, Jilin, and Liaoning, become darker in color during the recent two administrations.

Third, there is mixed evidence that the Party’s anticorruption and economic efforts interact with each other. Under the leadership of President Jiang and Premier Zhu, several central provinces, such as Henan, Hubei, and Anhui, witnessed a high frequency of economy-related articles in their provincial newspapers, which coincides with that of corruption-related articles. In addition, several provinces, such as Tibet, Jilin, Inner Mongolia, and Guangdong, see a higher share of both corruption- and economy-related articles. But it is hard to attribute that to any regional pattern or national development strategy.



Figure 6. Cross-province Variations of the Party’s Concerns and Efforts on Social Stability

Figure 6 shows that the Party more often expresses its concerns on social stability and publicizes its efforts to maintain it in the official newspapers of the provinces with relatively more ethnic minorities, such as Xinjiang, Tibet, Gansu, Qinghai, and Yunnan, regardless of transition of the administrations. A possible explanation is that it is challenging for the Party to maintain social stability in these provinces due to ethnic tension between the Hans, the majority, and the ethnic minorities, such as the Uyghurs in Xinjiang and the Tibetans in Tibet. Another possible explanation is that the Party cares about social stability of these provinces that much because most of them are border provinces where national security becomes one of the top priorities of the Party.

We find at least two preliminary pieces of evidence on the spatial correlation between social stability and economic situation of the Party’s concerns and efforts. First, it seems that, over the entire sample period, the Party very much cares about both social stability and economic development of the provinces with more ethnic minorities, such as Tibet, Xinjiang, Yunnan, and Guangxi. Despite the fact that both a prosperous, local economy and a stable society help the Party justify its ruling in these provinces it may view delivering economic prosperity as an effective tool of reducing ethnic tension and thus maintaining social stability. The second piece of evidence appears in the northeastern corner of the country. The Party paid more attention to social stability issues in Liaoning, Jilin, and Heilongjiang over the three administrations. As discussed above, the official newspapers of these provinces have devoted more space to covering economic issues and policies since the Northeast China Revitalization strategy was put forward by President Hu and Premier Wen. It is likely that the Party believed that social stability in the region was shaken by economic slowdown and will be restored as long as the economy picks up under a set of favorable reform and recovery policies.

The evidence on the spatial correlation between social stability and anticorruption seems mixed. We find that the Party chose to combat corruption harder in central provinces where social stability was less of a concern. For western and border provinces where social stability matters more, the Party's anticorruption campaigns were less intense. These pieces of evidence seem in favor of the hypothesis that the Party carefully prioritizes various goals and the prioritization varies across regions. The counter evidence emerges when we look at several individual provinces, such as Anhui, Jiangsu, Shanxi, Henan, and Jilin. Under different administrations they witnessed a higher frequency of both the articles relating to social stability issues and the articles relating to corruption issues and anticorruption campaigns in their official newspapers. Does that mean that the Party is not rational all the time across all provinces? Or, the Party somehow perceived the urgency of addressing both at the same time? Or, the Party even intentionally cracked down corruption harder in these provinces in order to address social stability concerns, if it believes that the public becomes hostile towards the government due to corruption. We certainly need formal statistical evidence to answer these questions.

3. Empirical Findings

In this section we employ both a fixed-effects model and a simultaneous equations system to formally investigate the possible interrelationship among anticorruption, economic prosperity, and social stability in the Party's prioritization. Section 3.1 introduces the empirical model and describes the data. Sections 3.2 and 3.3 discuss the results of the fixed-effects model and the simultaneous equations system, respectively.

3.1. Empirical Model and Data

As discussed earlier, if the Party is rational, none of the three factors should be independent of the other two. Instead, they are supposed to interact in the Party's decision-making process. We first estimate three following fixed-effects models with annual data between 2000 and 2015 by assuming that their error terms are not correlated. Given that various concerns or considerations of the Party are supposed to be endogenous and dependent upon each other in its decision-making process we then examine the three-way linkages by estimating the simultaneous equations system.

$$Anticorruption_{i,t} = \alpha_1 + \alpha_2 Economy_{i,t} + \alpha_3 Stability_{i,t} + \alpha_4 Corruption_{i,t-1} + \alpha_5 Income_{i,t-1} + \alpha_6 Fiscal_{i,t} + \alpha_7 Infrastructure_{i,t} + f_t + f_i + \varepsilon_{i,t} \quad (1)$$

$$Economy_{i,t} = \beta_1 + \beta_2 Anticorruption_{i,t} + \beta_3 Stability_{i,t} + \beta_4 Growth_{i,t-1} + \beta_5 Market_{i,t} + \beta_6 Services_{i,t} + \beta_7 FDI_{i,t} + f_t + f_i + \mu_{i,t} \quad (2)$$

$$Stability_{i,t} = \gamma_1 + \gamma_2 Anticorruption_{i,t} + \gamma_3 Economy_{i,t} + \gamma_4 Education_{i,t} + \gamma_5 Housing_{i,t} + \gamma_6 Inflation_{i,t} + \gamma_7 Unemployment_{i,t} + \gamma_8 Traffic_{i,t} + f_t + f_i + \sigma_{i,t} \quad (3)$$

Eq. (1) examines how the Party's anticorruption efforts depend upon its concerns on economic prosperity and social stability. According to the preliminary evidence discussed in the previous section, α_2 could be positive, negative, or not statistically significant at all though it tends to be positive if we focus on the western provinces or on the period under the leadership of President Jiang and Premier Zhu. A positive α_2 indicates that the Party chooses to fight corruption harder in the economically struggling provinces probably in an attempt to divert the public's dissatisfaction of economic struggles. If α_2 turns out to be negative, the Party avoid fighting corruption harder in the economically struggling provinces probably because of the detrimental impact of anticorruption campaigns on the economy. Similarly, α_3 could be positive, negative, or statistically insignificant. The Party might fight corruption harder in more socially stable provinces or it might use anticorruption campaigns as a tool of addressing social stability concerns. We control for corruption convictions of the previous year ($Corruption_{i,t-1}$) to test whether the Party's anticorruption efforts are responsive to corruption situations in a province. As for other control, the literature suggests that income level, abundance of fiscal resources controlled by government, and infrastructural investment may affect corruption situation (Mauro, 1998; Triesman, 2000 & 2007; Svensson, 2005; Del Monte & Papagni, 2007). Consequently, we control for real GDP per capita of the previous period ($Income_{i,t-1}$), fiscal expenditure as a share in GDP ($Fiscal_{i,t}$), infrastructural investment as a share in GDP ($Infrastructure_{i,t}$), respectively.

Eq. (2) tests how the Party's concerns on corruption and social stability affect its concern on economic development. If the Party does view delivering economic prosperity as its No.1 priority as suggested by Dickson (2016), β_2 and β_3 are likely to be statistically insignificant as the Party should address economic concerns and come up with economic policies before it takes care of corruption and social stability issues. However, if the Party is aware of the harmful effect of anticorruption on economic growth as suggested by Qu, Sylwester, & Wang (2016), it might put forward compensating economic policies to reduce the harmful effect on local economy during or immediately after its anticorruption campaign.³ If that is the case, β_2 could be positive. If the Party puts social stability before economic prosperity or views the former as a precondition of the latter, β_3 could be positive as well. Vice versa, if the Party puts economic prosperity before social stability, β_3 is supposed to be statistically insignificant. Here we control for the growth rate of GDP of the previous year ($Growth_{i,t-1}$) with the expectation that the lower economic growth of last year, the stronger incentive a local government promotes economic growth this year. Given the economic competition among provinces, that is how local politicians can get further promoted in the political tournament (Yao & Zhang, 2015). We also control for marketization of local economy ($Market_{i,t}$), the share of services in GDP ($Services_{i,t}$), and the share of foreign direct investment ($FDI_{i,t}$). If the provincial economy is

³ This has been observed on the ground in several corruption scandals. For instance, when Bo Xilai, the Party's Secretary of Chongqing, was caught due to corruption charges, the central government came up with a series of investment policies, either through fiscal transfer payment or the state-owned enterprises directly controlled by the central government, to benefit the economy of Chongqing and minimize the negative effect of the scandal.

more market-oriented, services dominated, and attractive to FDI, it should be more economically prosperous and so the Party should have fewer economic concerns. Also, the Party is less likely to employ its propaganda machines to advocate economic policies given its limited reach in the market-oriented provinces.

Eq. (3) investigates how the Party's concerns on social stability is affected by its concerns on corruption and economic challenges. If the Party believes that its anticorruption efforts cause the public to trust the government more, γ_2 is expected to be negative because the society should be more stable due to anticorruption campaigns. Of course, γ_2 could also be positive if the Party is worried about nasty aspects of the ruling party being exposed to the public and so lose the public's trust. Government officials and/or the groups of interests being attacked by their political rivals during the campaigns could shake social stability, too. As a result, the Party's official newspapers may publish more articles swaying public opinions and enhancing social stability during the campaigns, leading to a positive association between its anticorruption concerns and social stability ones. If local economy suffers, the Party should worry more about social stability and γ_3 is expected to be positive as a result. The level of education, approximated by the average number of schooling years ($Education_{i,t}$), is controlled with an expectation that a higher level of education leads to a more stable society. Housing price ($Housing_{i,t}$) and overall inflation ($Inflation_{i,t}$) are controlled owing to the possible influences of fast-growing housing bubbles and inflation on the standard of living. Another crucial macroeconomic indicator, the unemployment rate ($Unemployment_{i,t}$), is also controlled because unemployed workers can be a cause of crime and protests. We also control public security by introducing the deaths of traffic accidents per 10,000 people ($Traffic_{i,t}$) to the equation.

3.2. The Fixed-effects Estimation

Table 1 reports the empirical results of the fixed-effects model when the three equations discussed above are estimated separately. The general conclusion is that the three types of concerns are highly dependent upon each other, suggesting that the Party does not put any of them absolutely before the other two.

The first two columns of the table indicate that the positive correlation between anticorruption concerns and economic (or social stability) ones is statistically significant at the 1% level. The latter two, together with provincial and yearly fixed effects, can explain 64% of variations in the anticorruption concerns. Adding other controls only improves the adjusted r -squared at the margin. In other words, the Party chose to combat corruption harder in the provinces where it is more concerned about economic slowdown and social instability. There are at least two possible explanations for that. First, the Party, especially its national leadership, might believe that corruption hinders economic prosperity and causes social instability. If so, it cracks down corruption more seriously in the hope of more economic prosperity and social stability. Second, regardless of the causes of economic slowdown and social instability, the Party cracks down corruption more seriously in order to divert the public's

dissatisfaction with various economic and social issues. Despite the expected sign corruption convictions have a statistically insignificant impact on the Party's anticorruption resolve, which suggests that the Party's anticorruption decision is driven by something else rather than corruption situations across provinces. Other controls are also insignificant, except for fiscal expenditure of the provincial government (as share in GDP) which has an unexpected sign.

Table 1. Fixed-effects Estimation on the Party's Prioritization

Regressant Regressor	Anticorruption concerns		Economic concerns		Stability concerns	
	1-1	1-2	1-3	1-4	1-5	1-7
Anticorruption concerns			7.994*** (0.885)	8.680*** (1.043)	1.237*** (0.245)	1.433*** (0.279)
Economic concerns	0.021*** (0.002)	0.032*** (0.003)			0.111*** (0.012)	0.107*** (0.012)
Stability concerns	0.046*** (0.009)	0.027*** (0.010)	1.624*** (0.169)	1.576*** (0.188)		
Last-year corruption convictions (in logs)		0.004 (0.004)				
Initial income (in logs)		-0.001 (0.009)				
Fiscal expenditure (share in GDP)		-0.023* (0.013)				
Infrastructural investment (share in GDP)		-0.012 (0.021)				
Last-year growth of real GDP per capita				-0.007 (0.006)		
Marketization				-0.499*** (0.173)		
Services output (share in GDP)				0.830* (0.475)		
FDI (share in GDP, in logs)				0.003 (0.022)		
Education						-0.012 (0.016)
Housing price (in logs)						-0.026 (0.029)
Inflation						0.001 (0.004)
Unemployment rate						-0.008 (0.009)
Motor vehicle deaths						0.008** (0.004)
Costant	0.010*** (0.001)	0.010 (0.095)	0.027 (0.028)	-0.403 (0.250)	0.070*** (0.007)	0.283 (0.508)
Adjusted R-square	0.636	0.683	0.547	0.576	0.623	0.605
No. of observations	469	310	469	407	469	405
Province fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes

Notes: The dependent variable in the fixed-effects models is the growth rate of income. Asterisks indicate statistical significance at the * 10 percent, ** 5 percent, or *** 1 percent level.

Columns 1-3 and 1-4 in the table shows that the Party's concerns about economic prosperity are heavily affected by those about anticorruption and social stability. Combined with the insignificant impact of last-year growth rate of the economy, we do not find the evidence that delivering economic prosperity is the No. 1 task on the Party's priority list, as suggested by Dickson (2016). In contrast, the Party raises its economic concerns in the provinces where it runs more anticorruption campaigns and more relevant issues challenge social stability. Marketization has a negative and statistically significant effect on the Party's economic concerns, which is consistent with expected. The Party has fewer economic concerns in the provinces where the private sector dominates and the government has limited reach.

Different from our expectation, the relationship between the Party's economic concerns and the share of services output in GDP is positive and significant at 10%. A possible explanation is that economic growth in the provinces with more services output is slower and, hence, results in more concerns of the Party.

The last two columns, 1-5 and 1-6, indicate that more social stability concerns arise where the Party fights corruption harder. In other words, even the Party itself does not believe that anticorruption campaigns help it earn more trust of the public. As discussed in subsection 3.1, the positive association between these two types of concerns stems from two possibilities: the public learn from exposure of corruption scandals during the campaigns that the Party is more corrupt than perceived, or political attacks between rivals and the transition of power during the campaigns create more uncertainties which destabilizes a local society. The positive correlation between social stability concerns and economic ones are exactly what we expected: a more prosperous economy leads to a more stable society. The only statistically significant control is the deaths of motor vehicle accidents, a proxy for public safety and criminal incidence. The positive coefficient suggests that the Party has more social stability concerns in the regions where people feel less safe in life.

3.3. The Three-stage Least Squares Estimation

Given the strong relationship among the three types of concerns found in the fixed-effects estimation we continue exploring their interdependence with the three-stage least squares (3SLS) estimation. The results are reported in Table 2. In general, the 3SLS results do show us a clearer picture on the relative positions of the three concerns on the Party's priority list than the fixed-effects results discussed above.

The most interesting difference from the fixed-effects estimation is that the Party's concerns about social stability are no longer dependent upon its anticorruption and economic concerns. The coefficients of the latter two turn out to be statistically insignificant. The implication is that social stability does not become a concern of the Party when it is worried about economic slowdown and/or widespread corruption in its bureaucratic system. To put it differently, the Party does not care about social stability as equally as it does about economic prosperity and anticorruption. Considering that there are no *de facto* opposition parties in China which can immediately challenge the Party's ruling authority, the Party probably has the confidence that it is capable of dealing with isolated social events and, hence, does not place social stability before the other two in its policy-making process.

The evidence in the table shows that the Party is more concerned about corruption issues than social stability ones. Its anticorruption efforts are not affected by its concerns on social stability. However, the Party does fight corruption more seriously when (or where) the provincial economy is slowing down. The two explanations discussed in the previous subsection are still applicable here. The Party could perceive corruption as a cause of economic slowdown and so crack it down to stimulate the economy. Or, the Party could initiate

anticorruption campaigns simply to divert the public's dissatisfaction with economic troubles. Given the analysis of the factors that affect the Party's economic concerns, we tend to believe that the first explanation is more reasonable than the second.

Table 2. Three-stage Least Squares Estimation on the Party's Prioritization

Regressant	Anticorruption concerns	Economic concerns	Stability concerns
Regressor	2-1	2-2	2-3
Anticorruption concerns		9.738*** (3.269)	-0.492 (1.990)
Economic concerns	0.030* (0.016)		0.136 (0.096)
Stability concerns	0.092 (0.078)	1.802*** (0.607)	
Last-year Corruption convictions (in logs)	0.004 (0.004)		
Initial income (in logs)	-0.009 (0.016)		
Fiscal expenditure (share in GDP)	-0.035* (0.020)		
Infrastructural investment (share in GDP)	0.003 (0.020)		
Last-year growth of real GDP per capita		-0.001 (0.005)	
Marketization (in logs)		-0.147 (0.209)	
Services output (share in GDP)		1.122** (0.482)	
FDI (share in GDP, in logs)		-0.016 (0.020)	
Education			0.013 (0.019)
Housing price (in logs)			-0.060 (0.040)
Inflation			0.001 (0.005)
Unemployment rate			0.010 (0.015)
Motor vehicle deaths			0.008* (0.004)
Costant	0.095 (0.168)	-0.855** (0.367)	0.242 (0.641)
R-square	0.653	0.766	0.645
No. of observations	307	307	307
Province fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes

Notes: The dependent variable in the fixed-effects models is the growth rate of income. Asterisks indicate statistical significance at the * 10 percent, ** 5 percent, or *** 1 percent level.

In contrast with social stability and anticorruption, the Party's concern about economic development arises whenever (or wherever) it is worried about the other two, which is consistent with the fixed-effects results. The evidence clearly suggests that delivering economic prosperity takes the very top spot on the Party's priority list. Because it cares about economic prosperity the most, any possible factors, including anticorruption and social stability, that can slow down economic growth will cause the Party to be worried. This finding is very much in line with the literature which suggests that the Party believes that China's economic take-off in the past few decades offered the No.1 justification for its ruling (Dickson, 2016).

4. Conclusions

Our study takes the Party's official newspapers seriously and presents a quantitative approach to measure the extent to which the Party cares about the three following issues, enhancing economic growth, fighting corruption, and maintaining social stability. This is the first study in the literature which empirically tests how rational the Party is in its policy-making process.

We find that the Party did put delivering economic prosperity before the other two in its decision-making process. The evidence suggests that the Party cares about economic growth so much that, whenever (or wherever) it considers the issues of corruption and social instability, it is worried about their possible harmful influences on economic growth. Anticorruption comes after promoting economic growth on the Party's priority list, and it is only affected by the Party's economic concerns. It is likely that the Party perceives corruption as a fundamental cause of economic and social issues, such as inefficient state-owned enterprises and unequal distribution of wealth. As a result, it cracks down corruption in the hope of improving economic efficiency and reducing social injustice. It is also possible that the Party ran the anticorruption campaigns merely to divert the public's dissatisfaction with economic slowdown and social injustice. Social stability is the least urgent concern among these three. It makes sense given that there is no opposition parties or forces that could immediately challenge the Party's ruling.

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