The Chinese Art of Elegant Corruption

GUOJUN HE AND YUCHENG QUAN*

This paper provides evidence that bribery demand plays a significant role in art valuation and art market dynamics. Specifically, we examine the phenomenon of "elegant corruption," characterized by bribes concealed through the exchange of artwork gifts. Analyzing calligraphic artwork auction data in China, we find that promotions within the Chinese Calligraphers Association could significantly increase the trading value, volume, and prices of artworks. Anti-corruption measures targeting "elegant corruption" caused a market collapse for the prestigious artists' works, indicating bribery's important role in high-value art demand. Post-policy, artists shift efforts from political activities to marketing and research.

Keywords: Bribery, Art Market, Anti-corruption
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* He: Faculty of Business and Economics, University of Hong Kong, Pokfulam, Hong Kong. Email: gjhe@me.com. Quan: Faculty of Business and Economics, University of Hong Kong, Pokfulam, Hong Kong. Email: eli_quan@outlook.com. We appreciate suggestions and comments from Peter Arcidiacono, Charles Becker, Jeffrey DeSimone, Michael Dinerstein, Arkadev Ghosh, Marjorie Joy, and Andrew Sinclair and seminar and conference participants at the University of Hong Kong, Duke University, and University of Michigan. We thank Da Huang, Yinuo Chen, and Jiaqi Pan for their excellent work as research assistants. Any remaining errors are the authors'. Funding support from HKU Jockey Club Enterprise Sustainability Global Research Institute is greatly appreciated.

I. Introduction

Corruption imposes substantial economic costs by reducing government efficiency and undermining the provision of public goods, particularly in developing economies (Bertrand et al., 2007; Cai et al., 2013; Chen & Kung, 2019; Colonnelli & Prem, 2022; DellaVigna et al., 2016; Olken & Barron, 2009; Olken & Pande, 2011; Shleifer & Vishny, 1993; Svensson, 2005). In response, governments have implemented measures to curb corrupt practices. However, due to limited enforcement capacity, illicit payments are often disguised as regular gift exchanges or conducted through money laundering, thereby sustaining many markets that host such transactions.

The art market has long been suspected as a vehicle for corruption and money laundering (Bowley & Rashbaum, 2017; Dalley, 2020; De Sanctis, 2013; Hufnagel & King, 2020). However, confirming the causal link between corruption and art demand is challenging due to the anonymity preserved by auction houses and the difficulty of tracing artwork transactions.[2] Consequently, there is limited understanding of how bribery demand impacts the production and circulation of artworks, leaving researchers and policymakers with critical knowledge gaps. Moreover, traditional perspectives often view corruption as a "bonus" to artists because it can stimulate art production and trade (Bowley & Rashbaum, 2017; U.S. Department of Treasury, 2022). Yet, to what extent bribery demand affects artists' incentives and efforts remains largely unexplored.

Using data of art auctions in China, this paper examines the relationship between corruption the market performances of artworks. We have four main findings. First, we show that when artists became more prestigious due to promotion in the artists association, the trading value (i.e., turnovers), trading volume (i.e., quantities), and the average price of their artworks significantly increased on the

[2] The European Union's 5th Anti-Money Laundering Directive (AMLD), introduced in 2018, expanded anti-money laundering obligations to include entities within the art sector. While isolated cases of anti-money laundering investigations have emerged, broader questions regarding the scale of bribery in the art market and the overall impact of the regulation remain largely unanswered.

auction market relative to ordinary artists. Second, we find that the anti-corruption measures that specifically target elegant corruption, i.e., briberies hidden in artwork gift exchanges, led to a collapse of the market of artworks created by those prestigious artists. We estimate that over half of the demand for high-value artworks in China is determined by corruption. Third, post-policy, we show that the promotion of artists in the association no longer brings about a premium for their artworks on the auction market, confirming the demand for high-value artworks from reputable artists disappeared after the anti-corruption measures. Fourth, artists relocate their efforts from political activities to marketing to the general public. This result suggests that China's anti-corruption policies have a long-lasting impact on the art market and may benefit the public in the long run.

The results are based on an in-depth analysis of a specific type of artwork that is particularly popular among Chinese officials: Chinese calligraphy. Calligraphy is a form of visual art that focuses on the design and execution of lettering, often with a creative and expressive touch. Chinese calligraphy, also known as "*Shu Fa*," is a unique form of art that uses Chinese characters as its foundation. It is deeply rooted in China's history, tradition, and philosophy, and has been practiced by Chinese scholars and officials for thousands of years.[3] Mastery of calligraphy was seen as a sign of refinement and education in ancient China, which led to a long-standing culture of collecting and appreciating works of calligraphy among Chinese officials. Even today, Chinese calligraphy is highly valued for its aesthetic beauty, as well as its ability to reflect the artist's character, education, and social standing.

In addition to the aesthetics and investment value, Chinese calligraphy (and art broadly) has long been used as a means for bribery and money laundering, which is referred to as "elegant corruption" in China. There are several reasons that businesspeople use art as a vehicle to navigate corruption. First, the subjective nature of its valuation allows for a wide range of potential prices, providing a convenient cover for transactions that are intended to be disguised bribes. Meanwhile, this subjective valuation also creates "deniability": when corrupt officials were caught or investigated, they could

[3] In ancient China, it was considered one of the "Four Arts" that every scholar-official was expected to master, along with painting, playing a musical instrument, and playing the strategy game "Go."

always argue that they did not know the value of the artwork, or collected it since it was very cheap, to avoid severe penalties. Third, the cultural and social value of Chinese calligraphy, particularly works by well-known and reputable artists, makes them an attractive vehicle for conveying status and influence to the recipient of the bribe. Finally, the relative ease of transporting and storing calligraphic artworks, as well as its potential to appreciate in value over time, further contributes to its appeal as a vehicle for bribery (David et al., 2021; Oosterlinck, 2017).

In this context, we first investigate how the prestige of artists affects the market performances of their calligraphic artworks. We focus on modern calligraphers and explore how the promotions of these calligraphers to prestigious positions in the Chinese Calligraphers Association (CCA) affect the prices and quantities of their artworks transacted on the auction market. The CCA is the monopoly professional organization of calligraphers in China. It consists of over 150,000 individual member calligraphers (Chinese Calligraphers Association, 2022). The governing body of the CCA is the CCA Council, which holds elections every five years to select the council members. Being elected as a council member is recognition and prestige from the profession. Therefore, we consider being elected to the CCA Council as an indication of a significant increase in a calligrapher's prestige/fame and investigate how the rank promotion affects their artworks in the auction market. Using a difference-in-differences (DiD) strategy, we find that before when calligraphers were elected as the CCA Council Members, the trading value of their artworks on the auction market increased by 771% and the trading volume (number of artworks) by 366%.

Then, we examine how the bribery demand affects the Chinese calligraphy market. We exploit exogenous variation in bribery demand caused by an anti-corruption policy that targets elegant corruption in China. Specifically, in 2015, a new disciplinary regulation of the Chinese Communist Party (CCP) explicitly forbade bribery through gift exchanges. Using a DiD model, we find that the policy significantly reduced the demand for artworks from the prestigious calligraphers, leading to significant reductions in the trading value (47%) and trade volume (54%) of their calligraphic works. Heterogeneity analyses further reveal that the collapse of trade is concentrated in regions with more prevalent

corruption (measured by the total number of officials investigated before the nationwide anti-corruption campaign) and in regions with more popular calligraphic culture. Besides, we observe that the impacts are stronger for artists who specialize in cursive script, a more abstract and non-uniform style of calligraphy. This is likely because cursive calligraphy is often evaluated more subjectively and may be preferred by bribers and officials to conceal corruption. In terms of portability, we find that the impacts of the anti-corruption measures are smaller for framed and large artworks, likely because they are not convenient enough for bribery purposes. Relatedly, smaller and less reputable auction houses experienced larger shocks compared to larger and reputable action houses. Taken together, these results suggest that corruption demand plays a critical role in determining artwork performances, especially those created by famous artists.

Next, using data from a recent CCA Council election that took place after the implementation of anti-elegant-corruption measures, we find that the promotion of calligraphers to the CCA council members no longer brought about a premium for their artworks on the art market. This result suggests that the campaign has altered the dynamics of the art market, potentially making it less susceptible to being used as a conduit for bribery. This change in market dynamics is also consistent with the previous results: in the wake of the anti-elegant-corruption measures, the preferences of potential buyers shifted and became less inclined to purchase artworks created by prestigious artists.

Finally, we explore the impacts of the anti-elegant-corruption measures on the effort allocation of artists. We observe that the promoted artists significantly reduced their political activities post-policy, likely because the return to these activities decreased when elegant bribery was cracked down. In contrast, artists increase the frequency of participating in marketing activities, usually targeting to general public. Weak evidence also implies they spend more time on art research.

This paper contributes to the literature in several ways. First, this study advances the literature on artwork valuation and production by uncovering how political economy dynamics—specifically, bribery networks embedded in cultural institutions—distort artistic markets. Prior work has emphasized

aesthetic, psychological, and organizational determinants (such as intrinsic motivation or skill development) of art value and output (Stein, 1977; Baumol, 1986; Goetzmann, 1993; Pesando, 1993; J. Mei & Moses, 2002; J. P. Mei & Moses, 2005; Goetzmann et al., 2011; Lovo & Spaenjers, 2018; Mandel, 2009; Oosterlinck, 2017; Chanel, 1995; Frey, 1997; Towse, 2001). In comparison, we highlight that bribery demand may play a more fundamental role in shaping the ostensibly meritocratic creative markets. In the Chinese art market, we reveal that anti-corruption policies targeting such corruption networks precipitated a 60–80% collapse in the market value of prestigious artworks. While the findings challenged conventional models of artistic valuation, they align well with institutional theories of rent-seeking, where art can be used as a vehicle for transferring political favors rather than a pure expression of cultural or economic value.

Relatedly, our findings contribute to the puzzling "masterpiece" effect in art valuation (Ginsburgh et al., 2019; Li et al., 2022; Pénasse et al., 2021). Art has long been considered a valuable commodity, not only for its aesthetic and cultural significance but also for its potential as an investment (Baumol, 1986). However, a puzzling phenomenon in art investment is that artworks created by very famous artists, i.e., the masterpieces, while being highly valued in auctions, yield lower long-term return than other common investments (Ashenfelter & Graddy, 2003; e.g., Pesando, 1993). Several hypotheses have been proposed to explain why collectors/investors overbid on the masterpieces, including preference biases (J. Mei & Moses, 2002) and utility gain from conspicuous consumption (Mandel, 2009). Our findings offer a new perspective: instead of buying masterpieces for investment, a large fraction of the market participants use artworks as an instrument for bribery and money laundering. It is highly likely that these buyers care more about the convenience of using artworks for bribery purposes and focus on the short-term returns from bribing the officials instead of long-run returns.

In addition, this study advances the empirical literature on corruption detection and its impact by addressing a major methodological challenge: quantifying illicit transactions that are deliberately obscured. We develop a novel approach to estimate the lower bound of corruption's influence on art markets, exploiting the fact that bribers and officials prefer artworks created by artists with prestigious

institutional titles. By exploring the correlation between titled artists' performance and the bribery demand, our method aligns with the one of the forensic economics frameworks (Zitzewitz, 2012), which uses the econometric approach to infer the magnitude of hidden behaviors. Our approach not only circumvents traditional measurement hurdles but also provides a replicable model for analyzing corruption in asset classes where cultural and political capital intersect.

Lastly, this paper contributes to understanding adaptive responses in creative production. After the anti-corruption policies targeting "elegant corruption," the market collapse induced a strategic reallocation of effort among artists. We show that the prestigious artists reduced investment in political networking (e.g., attending conferences held by politicians) and increased focus on market-driven activities (e.g., gallery partnerships) and technical innovation. This shift corroborates labor economics models of lifetime human capital accumulation, where external regulatory changes alter the returns to different skill types (Ben-Porath, 1967; Deming, 2017). However, it uniquely documents how artists balance "political" and "artistic" human capital in hybrid institutional environments, a dynamic underexplored in prior studies of creative labor.

The rest of the paper is organized in the following order. Section II describes background information about elegant corruption in the art market and anti-elegant-corruption measures. Section III presents our data. Section IV reports evidence of the prestige premium and its disappearance. Section V shows the effect of anti-elegant-corruption shock on market performance convergence and further on artists' effort allocation. Section VI concludes with some policy implications and future research directions.

II. Background

A. Art Auction in China

China's art market has experienced remarkable growth and expansion in the past three decades (Artprice, 2016), positioning the country as a formidable player in the global art landscape. This surge can be ascribed to several factors, including the rising affluence of the Chinese population, a burgeoning interest

in art and cultural artifacts, and government initiatives aimed at fostering the domestic art market (Boucher, 2023; K. Wu, 2023).

Auctions, English auctions specifically, have emerged as a critical component of the Chinese art market.[4] Since the establishment of the first auction house in China in 1993, the number of auction houses has significantly increased, with notable firms such as Poly International and China Guardian dominating the market (Artprice, 2016). In 2021, China became the second-largest auction market in the world, accounting for approximately 36% of global art auction sales (CICC, 2020). Among various types of artworks, Chinese calligraphy stands out as a major player in the auction market, with pieces fetching astronomical prices at auctions.[5]

It is commonsense among policymakers that auctions can conceal illegal activities, such as money laundering and smuggling (Bowley & Rashbaum, 2017). In the Chinese context, the relationship between artwork auctions and corruption is an issue of growing regulatory concern because the anonymity afforded to bidders and the complexity of the auction process can make it challenging to trace the provenance of artworks and verify the legitimacy of transactions (Hufnagel & King, 2020; U.S. Department of Treasury, 2022). Additionally, the high but opaque value of art makes it an attractive vehicle for those seeking to launder illicit funds (Fisman & Wei, 2009).

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[4] The English auction process involves various parties, including the consignor, who supplies the artwork for sale, the auction house, which facilitates the sale, and the bidders, who compete to acquire the artwork. In an English auction, bidders openly compete against each other by submitting progressively higher bids. The auction begins with an opening bid, typically set by the auctioneer, and proceeds as bidders raise their bids until no one is willing to bid any higher. The highest bidder at the end of the auction wins the item and pays the price they bid.

[5] For eleven most expensive Chinese art auction results in the past decade, four are calligraphies (Forbes, 2021). The record price is set by a collection of twelve calligraphy scrolls (containing Chinese calligraphy and Chinese paintings) by Qi Baishi, fetching $144m at a Beijing auction in 2017, which is the 23th most expensive paintings ever sold (Haas, 2017; Wikipedia, 2023). The record for a single calligraphic artwork is $76.6m sold in 2020 (Gu, 2020).

B. Chinese Calligraphy and Elegant Bribery

Chinese calligraphy is a revered and highly esteemed art form in China, and has a history that can be traced back to the Shang dynasty (c. 1600–1046 BCE). Calligraphy is the artistic expression of the Chinese script, utilizing ink and brush to create aesthetically pleasing characters with varying styles and forms. Over the centuries, calligraphy has evolved and expanded to include numerous styles, such as semi-cursive, cursive, and regular scripts. Traditionally, it is written on books, fans, and handscrolls, usually no larger than A4 size. Some larger works are also used to decorate the floor screens. Recently, people have started framing calligraphic works and displaying them on walls, following a Western custom.

Chinese officials and scholars have historically valued calligraphy as an essential skill and a marker of sophistication and erudition (Bai, 2003). In contemporary China, for example, renowned politicians such as Sun Yat-Sen and Mao Zedong were known for their calligraphic prowess, and their works continue to be highly sought after (Appendix Figure 1, Panels A and B). Even today, many Chinese politicians still have a penchant for leaving their works of calligraphy at various locales and during significant events (Appendix Figure 1, Panels C–E,).[6] In this context, the practice of creating, sharing, appreciating, and collecting works of calligraphy is popular in China, particularly among government officials and scholars, as it functions not only as a reflection of one's personal character but also as a commitment to Confucian values of self-cultivation, discipline, and moral integrity.

Owing to their cultural significance, high value, portability, and the esteem held by officials, Chinese calligraphic artworks are commonly used as bribes for government officials, a practice known as "elegant bribery" ("Forging an Art Market in China," 2013; Tokar, 2022; Wang, 2019). It is quite common that corrupt officials own large collections of calligraphy and other types of artworks (Jeong, 2016; Ou, 2011;

[6] When politicians do so, they are not only showcasing their artistic prowess but also reinforcing their adherence to cultural values and their connection to China's rich historical legacy. It can also serve as a form of soft diplomacy, enhancing the politician's image and solidifying their status as a cultured and erudite leader.

South China Morning Post, 2004). For example, According to a 2016 media summary, over 140 high-profile bribery cases in China involved calligraphy transactions (Huang, 2016).

The anecdotes and newspaper articles have also suggested many ways through which calligraphic artworks are used for bribery purposes. For example, when a government official is intrinsically interested in collecting calligraphic artworks, the bribers will often buy high-value artworks and send them to the government official as gifts. In this case, the corrupt official tends to keep these artworks as collections rather than seeking to cash out them for money. In other cases, however, the corrupt government officials merely use them as a vehicle to launder money and often need to work with third parties to cash out the artworks. Below, we provide a few examples in which calligraphic works are used for bribery and money laundering, both in ancient and in contemporary China, which involve third party collusion in the resale of artworks on the market.

Both Gao (2012) and Wu (2003)'s history books on Chinese bureaucracy describe a common way how people used artworks for bribery purposes during the Qing Dynasty of China. When someone went to Beijing to bribe, the books mentioned that, he first had to go to the antique calligraphy and painting shop in the Liulichang (a market for trading artworks in Beijing). After stating how much bribery money they wanted to give to a particular high official, the shop owner would professionally advise them to buy a specific artwork, created by a specific artist, owned by the targeted high official. Then, the shop owner would go to the official's house and use the money to buy the artwork from the official's collection, and give the artwork to the briber. All the bribers had to do was to visit the high official again with this "elegant" and "unsullied" gift in hand, and the bribery was completed in an elegant manner.

Nowadays, because of the development of the auction market, such activities can often be done in more opaque ways. Through our interviews with managers of two auction houses and several artists in China, for example, we learned that auction houses could be colluding with the bribers and corrupt officials, just like the calligraphy shops mentioned in the history books, serving as the bridge to facilitate the bribery process. For example, the briber could send the artwork to the corrupt government official as a gift and ask the colluded auction houses to follow up afterwards. Often, the auction house would

recycle the artwork from the official's place and list it, and through an anonymous action, sell the artwork at a price that was agreed upon between the three parties. Not surprisingly, the briber (or its representative) would be the winner of the bid. In reality, the use of intermediaries, such as galleries, specialized dealers, and art advisors, can create even more complex ownership structures that obscure the true ownership of an artwork, which can be further exploited to hide the involvement of corrupt individuals or organizations.

C. Prestigious Title and the Chinese Calligraphers Association

The Chinese Calligraphers Association (CCA), founded in 1981, is a monopoly professional association for calligraphers in China. The mission of the organization is to bring together calligraphers and enthusiasts to facilitate academic research, exhibitions, and educational programs. The CCA consists of over 150,000 individual members (Chinese Calligraphers Association, 2022). Almost all of the famous calligraphers in China are members of the CCA. Relative to other art industries, calligraphy industry has a monopoly professional association, with no other associations able to compete with the CCA in the status and influence.

The nominal governing body of the CCA is the CCA Council, which holds elections every five years to select the council members. The election of council members within the Chinese Calligraphers Association is a competitive process, with candidates required to demonstrate not only exceptional artistic skills but also a commitment to the organization's missions and values (Chinese Calligraphers Association, 2021).[7] The total number of council members remained steady over time (189 in the 2010 election and 194 in the 2015 election). In the 2010 election, 103 artists were elected as the new council members; in the 2015 election, 77 artists were elected as the new council members.

Being appointed a council member does not directly enhance an artist's decision-making power within an organization, but rather acts as a validation of their artistic abilities. Although artists have

[7] We translate the constitution of the CCA related to council election in Appendix A.

voting rights on acts, the articles within these acts are determined by the Presidium, a smaller body of less than seven individuals. Historically, all acts have been passed, suggesting that the council's role is primarily ceremonial. The true advantage of council membership lies in the prestige of the title. As evidenced by media reports and our interviews, artworks created by council members are intensively favored by bribers and officials. Based on the back-of-envelope calculation by Huang (2016), over five eighth of the artworks produced by one renowned CCA council member are linked to bribery-related trading. Acknowledging this, council members are willing to showcase their title in various settings, such as art exhibitions, publications, and online profiles, signaling exceptional artistic talent and superior quality of work.

In this paper, we attribute the special favor of council members' artworks to the transaction friction and the function of public signal of the title. Compared to ordinary art investors, bribe givers and officials benefit from using the artworks as a means of bribery rather than for investment value. As these individuals are not necessarily experts in art valuation, there can be discrepancies in perceived value of artworks, making consensus and trade challenging. To reduce such transactional friction, the artists' title is a good public signal of value based on two reasons. First, the title "council member" signals authenticity. The artists can directly confirm the work's origin or because there exist robust, contemporary records and certifications. One council member demonstrated that he was frequently asked by the buyers of his calligraphies to take a photo with him in purpose of ensuring the authenticity (Southern Weekly, 2011). This reduces the risk of acquiring counterfeit pieces and ensures that the artworks used in corrupt transactions are unquestionably genuine. Second, the title "council member" also signals liquidity and fair market value. In case that the officials receiving gifts need to resell the artworks in the market, the artworks by council members have more stable price and higher transaction volume in the art market. In sum, bribers and officials in China favor the artworks by council members because the council member serves as a public signal of affordable and certainly valued vehicle of bribe.

The common practice of using artworks for bribery purposes can distort calligraphers' incentives. For example, many calligraphers value their connections with bureaucrats who can help them meet

important clients in both the public and private sectors (Southern Weekly, 2011). It is also not surprising that calligraphers are directly involved in corruption by working with both government officials and the bribers. In 2011, a vocal council member, unhappy with the corruption in the calligraphy industry, resigned from the CCA (Xiao, 2011). Due to limited data, we are unable to examine how the anti-elegant-corruption measures affects the market for new artworks, which are mainly sold in galleries and exhibitions. However, we can still examine how the policy change impacts the Chinese calligraphers' effort allocations.

D. China's Anti-Corruption Campaign and Regulations Targeting "Elegant Corruption"

Under the rule of President Xi Jinping, China launched a nation-wide anti-corruption campaign in November 2012. This campaign aims to reduce graft and misconduct within the country's political, economic, and social spheres and has targeted both high-ranking officials ("tigers") and lower-level bureaucrats ("flies"). The anti-corruption campaign was characterized by a series of high-profile investigations, arrests, and prosecutions, demonstrating the administration's commitment to establishing a more transparent and accountable government system (Hua, 2022; South China Morning Post, 2023). A large number of studies have examined its impacts on the country's economic, social, and political progress (Fang, 2023; Griffin et al., 2022; Han et al., 2022; Jiang et al., 2021; Qian & Wen, 2015; Sun et al., 2022).

A particularly insidious form of corruption that has come under scrutiny during China's anti-corruption campaign is "elegant corruption," wherein valuable artwork and cultural relics are exchanged as gifts or bribes among officials and businesspeople. On January 20th, 2015, the Central Commission for Discipline Inspection (CCDI), the primary agency responsible for corruption investigations, posted an editorial on its official website titled "Government Officials Should Return Purity to Art" ("Chinese Communist Party Warns Officials," 2015). This article discussed prevalent corruption disguised in artwork gift exchanges and signalled the central government's strong will to crack down on elegant corruption. Several months later, on October 12th, the Politburo of the CCP further

issued a new version of the *Disciplinary Regulation of the CCP* (CCP, 2015a). They added a new article 83 targeting the corruption in gift exchanges: "Accepting gifts, money, or consumption cards that may affect the fair execution of official duties will result in disciplinary action: if the circumstances are mild, a warning or a serious warning will be given; if the circumstances are more severe, the party position may be revoked or probation within the party may be imposed; if the circumstances are very serious, expulsion from the party will be imposed." (CCP, 2015b)

Following the issuance of the new *Disciplinary Regulation of the CCP,* the Chinese government implemented measures to crack down on elegant corruption, including tightening regulations on the art market, increasing scrutiny on the provenance of artworks, and prosecuting individuals involved in such corrupt practices. Therefore, we define 2015 as the year when the anti-elegant corruption policy was introduced.[8] For subsequent discussions, we use the "anti-corruption campaign" to describe the general anti-corruption policies that were introduced in 2013, while using the "anti-elegant-corruption measures" to describe the specific policies targeting elegant corruption, which were introduced in 2015.

Based on the discussions above, we propose the following hypotheses to guide the next sections. First, as an artist gains more prestige or social recognition through rank promotion in the CCA, the demand for their artwork will increase. This effect should be stronger before the anti-corruption campaign when many bribers could use their artworks for bribery. Second, after the anti-corruption campaign, the rank promotion of artists will have a smaller impact on their artwork performance, likely due to reduced market demand for their artworks. Third, besides reducing demand for high-value artworks, the anti-corruption measures could also reduce the supply of such artworks in the auction market. Corrupt officials might prefer to keep their art collections at home to avoid investigation, rather than re-selling them. This combination would lead to a decrease in market transactions and total turnovers, but the impact on prices is unclear. Finally, the campaign is expected to change artists' effort allocation, likely encouraging them to engage less in political activities and more in marketing and art production and research.

[8] Appendix Table 1 summarizes the timeline, including both regulations on elegant corruption and the CCA elections.

III. Data

We collect multiple datasets which together provide detailed information on Chinese calligraphic artists, the artworks they created, and the auction records of their artworks. Below we discuss the data sources and the key variables we constructed in the paper:

A. Artist Information

We manually compile lists of ordinary CCA members from the official CCA journal (Chinese Calligraphy) and the list of CCA council members from the China Calligraphy Yearbooks. We also extract artist biographies from Wikipedia and Baidu Encyclopedia, supplementing information manually from other online sources. After processing the raw data, we obtain characteristics for 12,172 artists, including detailed information about each artist's residence province, birth year, gender, ethnicity, presence of a pseudonym, level of education, art-specific education, ability to paint, ability to carve seals, academic appointment, and business experience.

B. Art Auction Data

We obtain data on artwork auctions from a popular auction information platform, which includes information on auctions conducted by nearly all auctioneers in China. Figure provides a screenshot of an auction record on the platform. This data features details such as auction date, hammer price, and artwork characteristics (size, frames, and pigment).

To identify the relevant artists, we search the name of each of the CCA artists on the platform and identified all their calligraphic works on the flatform. In total, we gather 155,609 auction records of calligraphic artworks created by CCA artists since 2008. We also manually identify the creation year of each artwork from scanned images and recorded this information.

For the regression analysis, we match the auction records with CCA creators and merge the data at artist-year levels. We then aggregate the data to assess artist performance on an annual basis, focusing on trading value, trading volume, and average price. The trading value (turnover) is the sum of all

artwork prices created by a given artist and sold in the auction market for each year. The trading volume (quantity) measures the total number of artworks traded on the market. The average trading price is calculated by dividing the trading value by the trading volume. We winsorize the outcomes at the 99.5th percentile to reduce the influences of outliers.

To assess the representativeness of our data, we aggregate the price data in our sample, calculate the annual growth rate, and compare the time series with two aggregated indicators of auction markets in China in Appendix Figure 2. We find that our data follow similar trends to the Chinese Auction Market of Art and Antiques and the Market of Contemporary Chinese Painting and Calligraphy.

Note that auction theoretical research often assumes that auction houses employ strategic behaviors to manipulate auction lots and markets, which is particularly important in highly concentrated auction markets. We believe this is not a major concern in our research setting, because there are many auction houses on the platform and the market is very competitive for calligraphic artworks. Our calculations reveal that the concentration ratio of the biggest eight auction houses (CR8) only accounts for 43% of the market transactions on the platform. Therefore, we consider the changes in the market mainly driven by demand changes.

C. Artist Activities

To analyze the policy's effect on artist effort allocation, we collected all newspaper articles related to the sampled artists from WiseNews, a news data platform that provides access to content from newspapers, magazines, journals, and newswires published in China, Hong Kong, Macau, Taiwan and some other parts of the world.

Specifically, we search for the artists' names and "calligraphy" and gathered all relevant news reports from WiseNews. Appendix Figure 3 provides one of the search results. In total, we identified 26,432 news articles related to the calligraphers during the study period. These news articles are manually categorized into four types of activities: marketing activities, political activities, business activities, and art research activities. Marketing activities include attendance at exhibitions and auctions. Political

activities include bureaucratic visits and attending political conferences. Business activities include running an artwork business. Art research activities include attending art seminars and publishing monographs.

D. Other Datasets

We collect additional data for heterogeneity analysis. First, to measure the prevenance of corruption in different provinces, we collect court verdict records from *China Judgements Online* (CJO), an official website that compiles historical verdicts from local courts as mandated by the Supreme Court of China. By examining the title and summary of the all the court verdicts, we identify 76,935 lawsuits related to corruption and bribery crimes up until 2013. We calculate the total number of corruption-related lawsuits in each province level.[9] Second, to measure the popularity of calligraphy in different Chinese provinces, we collect the Baidu Search Index (from the largest search engine in China) of the keyword "calligraphy" in 2011. Baidu Search Index is a good proxy for the public interest in specific issues and has been widely used in the literature (Barwick et al., 2019; Vaughan & Chen, 2015; Xue & Liu, 2019).

E. Summary Statistics

Table 1 displays the summary statistics of outcome variables at the artist-year level. Panel A summarizes the auction market performance of CCA artists from 2008 to 2018, comprising 179,333 observations from 16,303 artists. On average, each CCA artist has 0.45 pieces of artwork sold in the auction market, with a trading value of 10 thousand CNY. The maximum trading value for the most prestigious artist in the most prosperous year reaches 85 million CNY.

Panel B outlines the indicators of effort allocation, which we proxy using the number of media reports covering different activities. The panel data, spanning from 2012 to 2018, contains 47,670

[9] Note that the Chinese government has recently begun removing court verdict data from the CJO website. Cases considered controversial and politically sensitive have gradually become unavailable online (Yang, 2023). We collected the court verdict data before this removal began, so our data are comprehensive and more reliable.

observations from 6,810 artists. The media coverage is highly skewed towards prestigious artists. The highest record of political activities for a single artist is covered by media 31 times, while the average coverage is only 0.06 times.

IV. Premium Associated with an Artists' Prestige: Evidence from CCA Promotion

We start by examining the market reaction to an artist' rank promotion, which we refer to as the "prestige" premium. Specifically, we focus on the premium associated with promotions from ordinary to council members in China's monopolistic calligrapher organization, the CCA. We separately examine the prestige premium for two CCA council member elections: one before and one after China's anti-elegant-corruption shock.

A. Empirical Strategy

We use a standard DiD estimator to examine the prestige premium associated with the promoted artists. Specifically, for each election $e \in \{2010, 2015\}$, we estimate the following regression:

$$Y_{ite} = \beta Council_{ie} Post_t + \mu_{ie} + \omega_{te} + \varepsilon_{ite} \quad (1)$$

where Y_{ite} represents the market performance of artist i in year t, $Council_{ie}$ indicates the promotion status of artist i, which equals one if the artist is elected to be a new council member in election e, $Post_t$ equals one if year t is after the election, μ_i and ω_t are artist and year fixed effects, and ε_{it} is the error term. The standard errors are two-way clustered at the artist and year level to take account of heteroskedasticity and autocorrelation.

We focus on three measures of market performance: the trading value, trading volume (number of traded artwork pieces), and average price of the artworks for artist i in year t. For each election cycle, the sample window spans two years before and after the election year. Specifically, for the election in 2010, we use data from 2008 to 2012; and for the election in 2015, we use data from 2013 to 2017.

In the baseline setting, we use ordinary CCA members, i.e., those were never elected to the council or presidium before the election cycle of interest, as the control group. Clearly, the control-group artists (ordinary CCA members) were likely not as prestigious as the treatment-group artists (those being selected as the council members) to start from, so their artworks should be valued less on the market even without the elections. Nevertheless, as long as the market performances from both types of artists have similar trends, the DiD model is still valid.

The parameter of interest is β, telling us how the market performances of the promoted artists change relative to the ordinary artists after being promoted. We expect that promotion in the artist association will positively impact the artists' works in the auction market, as the promotion can be a signal of high quality. More importantly, we expect the prestige premium to be significantly lower after the anti-corruption policies were implemented, as the demand for high-end artwork will be significantly reduced. For percentage change estimate, we can divide β by the pre-treatment mean of treated group, which tells us the prestige premium (%) when an artist was promoted to the CCA council member.

Note that the market responses to artist promotion should not be driven by changes in the artwork quality. This is because most artworks traded on the auction market are not new and have been primarily sold by professional auction houses. In our data, the average age of the artworks is 12 years. Therefore, it is reasonable to assume that the average artwork quality in the auction market remains the same for the same artist before and after his/her promotion. If the same artwork indeed became more valuable due to artist promotion, this change should be primarily driven by the increased demand.

We also check the robustness of the DiD estimates using alternative control artists, who are arguably more comparable to the treatment-group artists. In one exercise, we restrict the control group to artists who got promoted in the next election. For example, in the regression for the 2010 election, we use the artists who got promoted in 2015 as the control units. In another exercise, we combine the DiD estimator with propensity score matching, which helps us identify comparable control units for

all the treatment units. Further, we apply a synthetic DiD model to check the robustness of the baseline results (Arkhangelsky et al., 2021).

The identification relies critically on the parallel trends assumption: in the absence of artist promotion, the trends in the outcome variables between the promoted artists and the ordinary artists are parallel. While this assumption is fundamentally untestable, a weak version, known as no pre-trends, can be examined through an event study. Specifically, we estimate the following event study model to understand the dynamics in the outcome variables between the two groups of artists:

$$y_{it} = \sum_{p \geq -3,\, p \neq -1}^{1} \beta^p D_{it}^p + \mu_i + \omega_t + \xi_{it} \quad (2)$$

where Y_{it} represents the market performance of artist i in year t. The dummy variable D_{it}^p jointly represent the artist promotion event. We define s as the first year after the election year. D_{it}^p equals one if $t - s = p$ and artist i is a council member of CCA, and zero otherwise. μ_i and ω_t are artist and year fixed effects, and ξ_{it} denotes the error term. We cluster the standard errors at the artist-year level.

Since the election occurs at the end of December of the election year, we set the election year as the reference year, i.e., $p = -1$, and omit it from the regression. The coefficient β^p captures the prestige premium in period p $(p \neq -1)$ relative to the reference year. We expect the coefficients β^ps to be close to zero for periods $p < -1$ and positive for periods $p \geq 0$.

B. Baseline Results

We start by visualizing the data patterns in Figure 2. Panels A to C summarize the annual artwork market performances before President Xi Jinping assumed power. We plot the annual total trading value (Panel A), total trading volume (Panel B), and average artwork price (Panel C) separately for the promoted artists and ordinary artists. There are three observations. First, China had a booming art market during this period of time, as all the market performance indicators were rising. Second, the market performances for the promoted artists were performing better and growing a bit faster than

the ordinary artists before their promotion. Third, right after the election, the market performances of the elected council members significantly improved, causing significant trend breaks in all the outcome variables. For example, the total trading value for the promoted artists jumped from around 4k CNY to over 20k CNY, a 458% increase.

In Panels D to E, we repeat the same exercise using data after President Xi came to power. We observe that the overall market trends were reversed, and all market performance indicators were deteriorating. More importantly, the promotion of artists into the CCA council no longer brought about any market changes. If anything, the total trading value for the promoted artists seemed to have dropped right after the promotion. The patterns in Figure 2 suggest that the art market has been fundamentally changed under Xi's rule.

Next, we turn to the regression results and summarize the findings in Table 2. Panel A of Table 2 reports the results for the prestige premium using the data from 2008 to 2012. During this period, there were no specific anti-corruption measures against artwork bribery, and China's art market was prosperous. Panels A, B, and C, respectively, report the results for trading value, trading volume, and average price. Column (1) summarizes the results from estimating the standard DiD model (Equation (1)), which controls for artist fixed effects and year fixed effects. The total trading value when an artist was promoted to the CCA council increased by more than 17k CNY, which is an over 700% increase relative to the pre-treatment mean of treated (2.3k CNY). The estimated coefficient is statistically significant and robust to alternative specifications. In column (2), we control for artist fixed effects and province-by-year fixed effects, which essentially compares the two groups of artists in the same province before and after the election. We obtain similar results.

We further decompose the trading value into two parts: the trading volume and the average price. The results are separately reported in Columns (3)–(6). We find that the trading volume increased by 0.76 pieces after artist promotion (Column (3)), which was a 366% increase relative to the pre-treat-

ment mean. The average trading price increased by 5.13k CNY (Column (5)), though statistically insignificant.[10] These estimates remain robust when we use different specifications, as reported in other columns.

Panel B replicates the analyses in Panel A of Table 2 using data from 2013 to 2017, during which the anti-elegant-corruption measures significantly limited the demand for artwork in bribery. In contrast to the findings in Panel A, we observe no market responses to artist promotion in the 2015 election. If anything, we observe slightly negative market responses to artist promotion, even though none of the estimates are statistically significant.

To show the dynamics of prestige premium and test the existence of any pre-trends, we estimate the event study model and present the point estimates along with their 95% confidence intervals in Figure 3. Each panel displays the estimates from one regression. We can make three key observations. First, there are no systematic trend differences before the promotion in both elections, suggesting that the art market performances of the promoted artists before the election followed similar trends to those of ordinary CCA artists.[11] Second, immediately following the 2010 CCA election, the total trading value and volume increases are all statistically significant, while the price increase is statistically insignificant. Third, artist promotion can no longer bring about market premium in the 2015 election.

We further estimate the change-in-change (CiC) model, which allows arbitrary outcome functional form and heterogeneous treatment effects (Athey & Imbens, 2006). In essence, we compare promoted artists with ordinary CCA members based on their pre-promotion average performance at different quantiles. The results reported in Figure 4 show that promotion effects concentrated on the high-value artists, consistent with the idea that high-value artworks are more likely to be used for bribery purposes. Under Xi's rule, however, the prestige premium disappeared.

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[10] The results for price change should be interpreted with caution because artworks are all unique pieces and their prices are not directly comparable.

[11] For 2010 election, there is a slight dip in the pre-trends, which can be attributed to the immediate reaction to the election occurring in the last month of 2010 (period -1).

C. Additional Evidence and Robustness Checks

We provide additional evidence and robustness checks to corroborate the baseline findings. First, we examine a different type of rank promotion: artists being promoted from the CCA council to the CCA presidium. As being a member of the presidium is more prestigious than being a member of the council, such promotion to the presidium should bring about even higher market returns. The results in Panel A of Table 3 confirm this conjecture. We find that when an artist was promoted to the CCA presidium in the 2010 election, his/her artwork would be traded more frequently and with higher prices. Similarly, we find that, under President Xi Jinping's rule, the prestige premium associated with the CCA presidium disappeared. We therefore conclude that the prestige premium from artist rank promotion is a general phenomenon that applies to different levels.

Second, one may be concerned that the control group artists cannot serve as good counterfactuals for the treatment group (promoted) artists because the promoted artists are better. To address this concern, we construct alternative control groups and re-estimate the baseline model. Specifically, we use artists who are promoted to the council in the next election cycle as the control group when analyzing the prestige premium in the current election cycle. In regressions using the 2010 election data, we use artists promoted in the 2015 election as the control group, and in regressions using the 2015 election data, we use artists promoted in the 2020 election as the control group. We find the results are similar to the baseline, as reported in Appendix Table 2.

To further strengthen the identification strategy, we apply the synthetic DiD estimator to the data. This ensures that the trends between the treated group and the (synthetic) control group are comparable. The findings reported in Appendix Figure 4, again, remain quantitatively similar to the baseline results. Therefore, we stick to the baseline results for subsequent interpretations.

Finally, we also check the robustness of the baseline findings by constructing alternative trading volume measures. In the baseline regressions, the total trading volume is measured by counting the total number of artworks and the unit price is averaged at the piece-of-artwork level. However, sometimes, different artwork pieces from the same artist are bundled together and sold in one auction. We

switch the price and quantity measure to the bundle-based ones and find that doing so slightly reduces the volume estimates (in Column (2), Panel B of Table 3) while increasing the price estimates (in Column (3)). The results imply that more artworks were sold in bundles for the promoted artists.

V. The Anti-Elegant-Corruption Policy and Artwork Market: Direct Evidence

This section provides direct evidence that Xi's anti-elegant-corruption measures are the reason for the disappearance of the prestige premium in the Chinese calligraphy auction market. We compare the market performance of CCA council members and ordinary CCA members before and after the introduction of these anti-corruption rules. We show that the market for CCA council members collapsed after the enforcement of these measures, and these results hold true across various alternative specifications. Further analysis reveals that the anti-corruption measures had a greater impact in regions with higher levels of general corruption and a stronger calligraphic culture. Additionally, more abstract calligraphic artworks, such as cursive pieces, which are valued more subjectively, were hit harder. Smaller auction houses also experienced more significant impacts, likely because they were more prone to colluding with bribers to launder money. Finally, more portable artworks, compared to large and framed pieces, were more negatively affected by the anti-corruption measures.

A. Empirical Strategy

We estimate the impacts of the anti-elegant-corruption measures on the art market using the following DiD model:

$$Y_{it} = \gamma Council_i Post_t + \mu_i + \omega_t + \xi_{it} \quad (3)$$

where Y_{it} denotes the market performance indicator of artist i in year t. $Council_i$ equals one if artist i is a council member of CCA and zero otherwise. $Post_t$ is a dummy variable that indicates treatment period, which equals to one for years >= 2015 and zero for years < 2015. μ_i represents artist fixed effects, absorbing artist-specific unobservable. ω_t denotes year fixed effects, capturing time-varying market-wide shocks. ξ_{it} is the error term.

The parameter of interest, γ, captures the impacts of the anti-elegant-corruption measures on the CCA council members' artworks relative to the ordinary members. We expect γ to be negative because the bribery demand for high-value artworks will significantly drop after 2015. The sample period used for the estimation is three years before/after the anti-elegant-corruption shock (2012–2018). To get a clean interpretation, we focus on artists who never changed their status/title during this period of time. Specifically, in the baseline regression, the council members who were elected in both the 2010 and the 2015 election are the treatment group and ordinary members are the control group. As a robustness check, we also use those who became the CCA council members in the 2020 election as the control group.

Similar to the previous section, the identifying assumption is that the market performance of the CCA council members follows the same trend as that of ordinary members in the absence of the anti-elegant-corruption policy shock. We test the validity of this assumption by estimating the following event-study model:

$$y_{it} = \sum_{p \geq -3,\, p \neq -1}^{3} \beta^p D_{it}^p + \mu_i + \omega_t + \xi_{it} \quad (4)$$

where Y_{it} is as defined above. The dummy variable D_{it}^p jointly represent the years after the anti-elegant-corruption policy. We define s as the first year of the anti-elegant-corruption shock. D_{it}^p equals one if $t - s = p$ and artist i is a council member of CCA, and zero otherwise. μ_i and ω_t are artist and year fixed effects, and ξ_{it} denotes the error term. We cluster the standard errors at the artist-year level.

B. Baseline Results

Figure 5 illustrates the impacts of the anti-elegant-corruption measures on the market performance of artworks created by CCA council and ordinary members. Panel A highlights the sharp decline in the market turnover of council members' artworks following the policy implementation, while the trading value of ordinary members' artworks remained stable. Panel B affirms this trend, using 2020 new

council members as the control group. Panels C and D plot the event study estimates, corroborating that the treatment and control groups followed similar trends pre-policy but diverged post-policy.

The changes in total trading value can be broken down into changes in quantity and price, as shown in Figure 6. After the anti-corruption policy was implemented, the trading volume (Panel A) saw a significant drop, while the average price (Panel B) slightly increased but with greater fluctuations over time. Panels C and D present the related event-study estimates. Appendix Figure 5, which uses the council members elected in 2020 as the control group, supports these findings. These are consistent with the hypothesis that both demand for and supply of high-value artworks significantly reduced after the anti-elegant-corruption measures.

Table 4 shows the regression results of Model (3), with Panels A, B, and C detailing the results for trading value, trading volume, and average price, respectively. The odd columns present the baseline results. Column (1) indicates that the anti-elegant-corruption measures led to a 46.6% decrease (20,032 CNY) in the total trading value of artworks created by CCA council members compared to ordinary members. Replacing the year fixed effect with the province-by-year fixed effect does not change the results. Columns (3) and (5) show a decrease in the number of traded artworks by 1.734 units and an increase in their average price by 9,557 CNY, representing a 54.0% decrease and 51.6% increase from pre-treatment means, respectively. These findings remain consistent across different specifications.

We conduct additional analyses to check the robustness of our findings. First, using the 2020 council members as the control group yields similar findings, as reported in Appendix Table 3. Second, we combine the DiD framework with propensity score matching for more comparable control units, using a rich set of artist characteristics to predict the propensity scores.[12] After data trimming to ensure overlap, we select control units based on their propensity scores. The DiD results using the matched sample are similar to the baseline, as reported in Columns (1)–(2) of Appendix Table 4. Third,

[12] The covariates for the propensity score estimates include: the artist's residence province, year of birth, gender, ethnicity, whether having a stage name, whether having a high education degree, whether obtaining any degree in arts, whether having the drawing skill, whether being hired by a research institution, whether being hired/owning a firm).

some artists hold positions in the government and may be directly involved in artwork-related corruption. Excluding these artists from the analysis does not affect the results (in Column (3)). Finally, dropping cases where artists who were investigated during the anti-corruption campaign also leaves the findings unaffected (Column (4)). These findings show that the changes in the art market dynamics are not driven by the artists themselves using artworks for bribery purposes. Finally, applying a synthetic control DiD model yields similar conclusions, as shown in Appendix Figure 6.

C. Mechanisms

This section examines the differences along five dimensions to understand the mechanism behind the impact of the anti-corruption policies. First, we look at whether the impacts are stronger in regions with high levels of corruption. The idea is that the demand for high-value artworks is linked to the overall demand for bribery. In regions prone to corruption, we expect the anti-elegant-corruption policies to have a greater impact. Second, we investigate if the impacts are stronger in regions with a higher cultural appreciation for Chinese calligraphy. Since calligraphic works are more likely to be used for bribery in these regions, the anti-corruption measures should have a larger effect on the market. Third, we analyze whether the impacts are stronger for artists who specialize in cursive script, a more abstract and non-uniform style. Because cursive calligraphy varies among artists and is evaluated more subjectively, it may be preferred by bribers and officials to conceal corruption. Fourth, we look at whether artwork framing affects the demand for these artworks in bribery. Framed artworks are typically larger and harder to uninstall or transport than unframed ones, so they should be less likely to be used for corruption. Fifth, we assess whether the anti-corruption measures reduced trading more in small auction houses, which have less concern for reputation and are more likely to collude with bribers, compared to large and reputable auction houses.

To test the first three ideas, we use a triple difference strategy and present the findings in Table 5. First, we classify a province as a "high corruption" province if its number of corruption cases in

2013 (pre-determined) is above the median. The results in Columns (1)–(3) demonstrate that the impact of the anti-corruption policy is indeed greater in provinces with a higher number of corruption cases. Second, we measure calligraphy popularity using the online search index for "calligraphy" on Baidu, China's largest search engine. If a province's Baidu search index for "calligraphy" is above the median before 2013, we categorize it as a "high calligraphy popularity" province. The results in Columns (4)–(6) confirm that the anti-corruption measures have a stronger impact on the artwork market in provinces with a more popular calligraphy culture. Third, the results in Columns (7)–(9) indicate that the anti-corruption effect is more pronounced for artists who specialize in cursive script.

To examine the last two hypotheses, we separately estimate the DiD model by different artwork groups. The findings are presented in Table 6. First, we define framed calligraphy as large scrolls, screens, and works installed in frames, while unframed calligraphy includes papers, books, and hand-scrolls. The results in Panel A indicate that, compared to unframed artworks, framed artworks are less affected by the anti-corruption measures, supporting the portability hypothesis. Second, we classify large auction houses as those with a sales-based market share over 50%, which includes six auction houses; the rest are considered small auction houses. The results in Panel B show that trading in large auction houses was unaffected by the anti-corruption measures, whereas small auction houses experienced a decline in trading value, volume, and price.

D. Implications on Artist Efforts

The previous analyses focus on the secondary market for artworks, where buyers and sellers trade artworks created long before the implementation of anti-corruption measures. As the artworks created by prestigious artists became less valuable in the auction market, this should have significant implications for the artists' efforts.

Calligraphic artists engage not only in the production of calligraphy but also in various activities that can bolster sales and enhance their reputation. These activities include presenting works at expo-

sitions and galleries, attending opening ceremonies and other business events, participating in art research seminars, and publishing research papers and books. In the Chinese context, where government officials are major consumers of high-value artworks, artists also dedicate a substantial amount of their time to government-related activities, such as accompanying bureaucrats on various government visits and attending government-sponsored conferences.

To understand how Chinese calligraphy artists allocate their efforts after the implementation of anti-corruption measures, we focus on four types of activities: marketing activities (exhibitions and auctions), political activities (government visits and conferences), business activities (attending opening ceremonies and other business events), and art research activities (seminars and publications).

Following a similar DiD strategy, we compare the effort allocation of CCA council members with ordinary CCA members before and after the anti-elegant-corruption measures. The key findings are summarized in Figure 7. Panels A and B of Figure 7, respectively, show how political activities and marketing activities changed over time. We observe that the CCA council members significantly reduced their participation in political activities after the anti-elegant-corruption measures, while increased their participation in marketing activities. The corresponding event-study estimates are summarized in Panels C and D of Figure 7. Before the anti-elegant corruption measures, we observe no systematic trend difference between the two groups of artists in both variables. However, after the measures were implemented, the CCA council members significantly reduced their political activities while increasing their marketing activities.

The DiD regression results are reported in Table 7. Panel A focuses on artists' engagement in political activities. The baseline estimates in Column (1) show that CCA council members' engagement in political activities reduced by 0.25 units, translating to a 48.8% decrease relative to the pre-treatment mean of the treated group (0.50). Alternative specification reported in Columns (2) generate quantitatively similar results. Columns (3)–(4) summarize the results for marketing activities. We observe that CCA council members' engagement in marketing activities increased by 1.75 units (Column (3)), corresponding to a 208% increase relative to the pre-treatment mean. Similarly, the results are robust to

alternative specifications. Columns (5)–(6) examine artists' engagement in business activities: in all specifications, we find that the estimates are close to zero and statistically insignificant. Columns (7)–(8) report the results for research activities: while the estimates in both specifications are positive and economically meaningful, they are not precisely estimated.

Taken together, we conclude that the anti-elegant-corruption measures made the calligraphic artists reallocate their efforts from political engagement to marketing activities. This is likely driven by the fact that the government sector became less important for their business after the elegant corruption is cracked down. There is also some evidence that artists spend more time on research activities after the anti-elegant-corruption measures, albeit quite weakly.

We check the robustness of the results in several ways. First, many news articles about artists are written to promote auction houses and galleries, focusing on famous artists primarily to attract art investors rather than accurately reflecting the artists' activities. When the anti-corruption measures were implemented, these articles might have featured less about these now less popular famous artists. To determine if media bias affects our findings, we exclude these investment-related news articles and newspaper columns from the sample and re-estimate the model. The results, shown in Appendix Table 5, remain similar. Second, the same activity or event attended by prestigious artists may be reported by multiple newspapers when the art market is thriving, leading to measurement errors in the outcomes. In Appendix Table 6, instead of using count measures, we create a set of dummy variables indicating whether an artist participated in a specific category of activities (political, marketing, business, and research) in a given year. The conclusions remain unchanged. Finally, we combine matching with Difference-in-Differences (DiD), following the procedure described in Section V. The results, reported in Appendix Table 7, again confirm our findings.

The changes in the artists' effort allocation are likely to improve social welfare. On the one hand, increasing marketing activities, such as presenting more artworks in exhibitions and galleries, can generate positive educational externalities for the public. Meanwhile, artists spending more time on research activities can improve the quality of their work, as evidence suggests that working on other

tasks would compromise their artwork quality (Wansa 2009; Srnić 2013). On the other hand, reducing political-related activities is a sign of reducing corruption, as the main purpose of artists joining in these activities is to attract more government officials to better appreciate their artwork.

VI. Conclusion

This paper examines elegant corruption in the Chinese art market, where bribes are concealed through the exchange of artwork gifts. Analyzing art auction data from China, we document three main findings. First, the market performance of artists' works highly depends on their social status. When artists gain more prestige through rank promotion, their artworks will be traded more frequently with higher prices, resulting in a significant increase in their artworks' market turnovers. Second, the implementation of specific anti-corruption measures targeting elegant corruption led to a market collapse for these esteemed artists. The sharp decline in trading value, volume, and average price of their artworks following the anti-corruption campaign suggests that the demand for high-value artworks in China is largely driven by bribery and corruption. Third, following the anti-corruption campaign, rank promotion no longer yields additional returns for artists' works in the auction market. The long-lasting impact of the anti-corruption campaign on artist effort allocation demonstrates the effectiveness of targeted anti-corruption measures in altering market behaviour and reducing the use of art as a vehicle for bribery.

The complex interplay between art, prestige, and corruption in shaping market outcomes has important implications for policymakers, artwork investors, the artists, as well as the public. First, our findings highlight the pervasive influence of illicit activities on the art market and underscores the need for effective regulatory interventions. For example, we document that high-value artworks are very likely to be used for bribery and corruption and this finding offers a new perspective for policymakers to fight corruption: increasing the transparency in buyer and seller identity in high-value auctions can be an effective way to reduce corruption. Second, art investors and collectors may be able to improve their bidding strategies after learning that bribery demand is a key determinant of art value.

In particular, they will be able to better predict market dynamics in the future when different anti-corruption policies are implemented. Third, for artists, reducing corruption means that their artworks will be valued less on the market, and they have to work harder. This is because when bribery demand is reduced, art collectors and investors will be the main buyers of artworks. These buyers will likely emphasize more the aesthetic values and the investment returns of the artworks, which can increase the competitiveness of the primary art market and raise the standard for artwork quality. While this may be bad news for some artists, the change will benefit the public both directly (less corruption) and indirectly (buying higher quality artwork with lower price and fostering better artistic tastes).

Build on our findings, we conclude by highlighting several directions for future research. First, the long-term consequences of anti-corruption measures on the art market and related sectors are not explored in this study. Second, due to data limitation, we are unable to examine the impacts of anti-elegant-corruption policies on the income and income distribution of artists, art galleries, and auction houses. These outcomes are important for the understating of the overall welfare consequences. Finally, the anti-corruption measures would inadvertently facilitate new forms of corruption that are more difficult to trace, such as the use of cryptocurrencies. Policymakers should anticipate and mitigate those emerging challenges in the fight against corruption.

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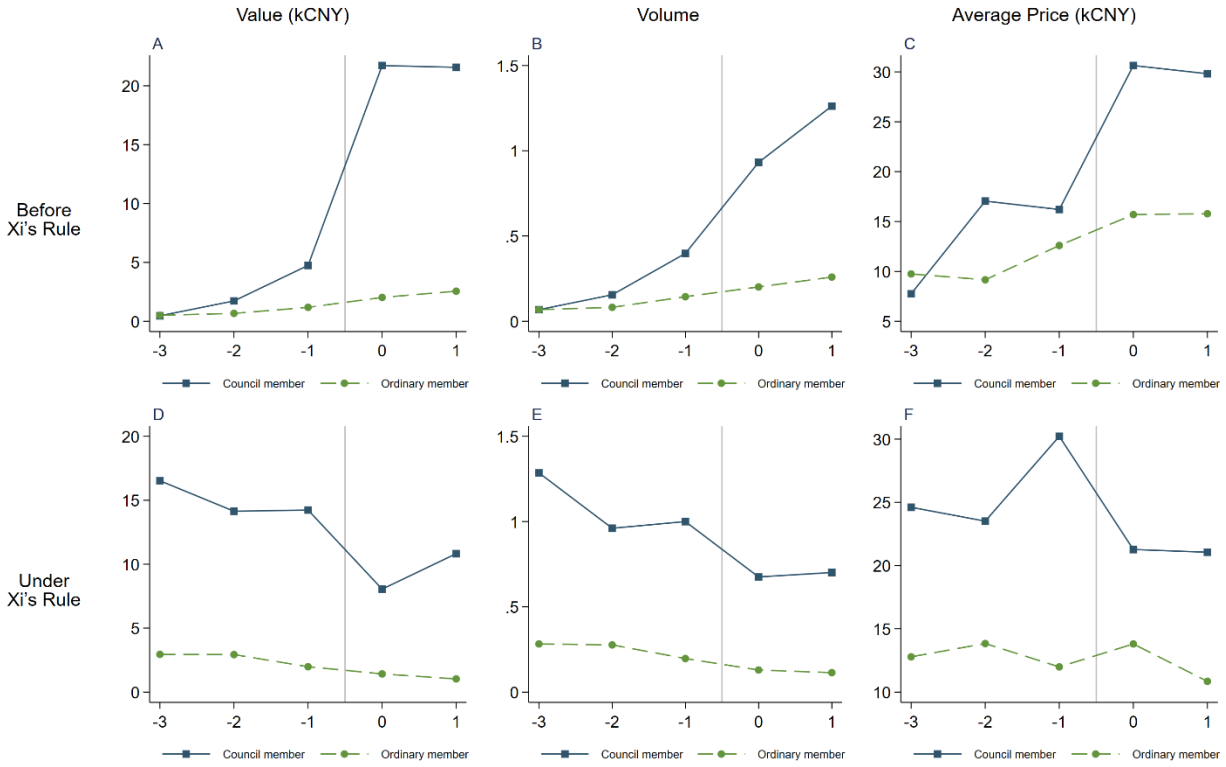
Figures

Figure 1. An example of the Auction Record



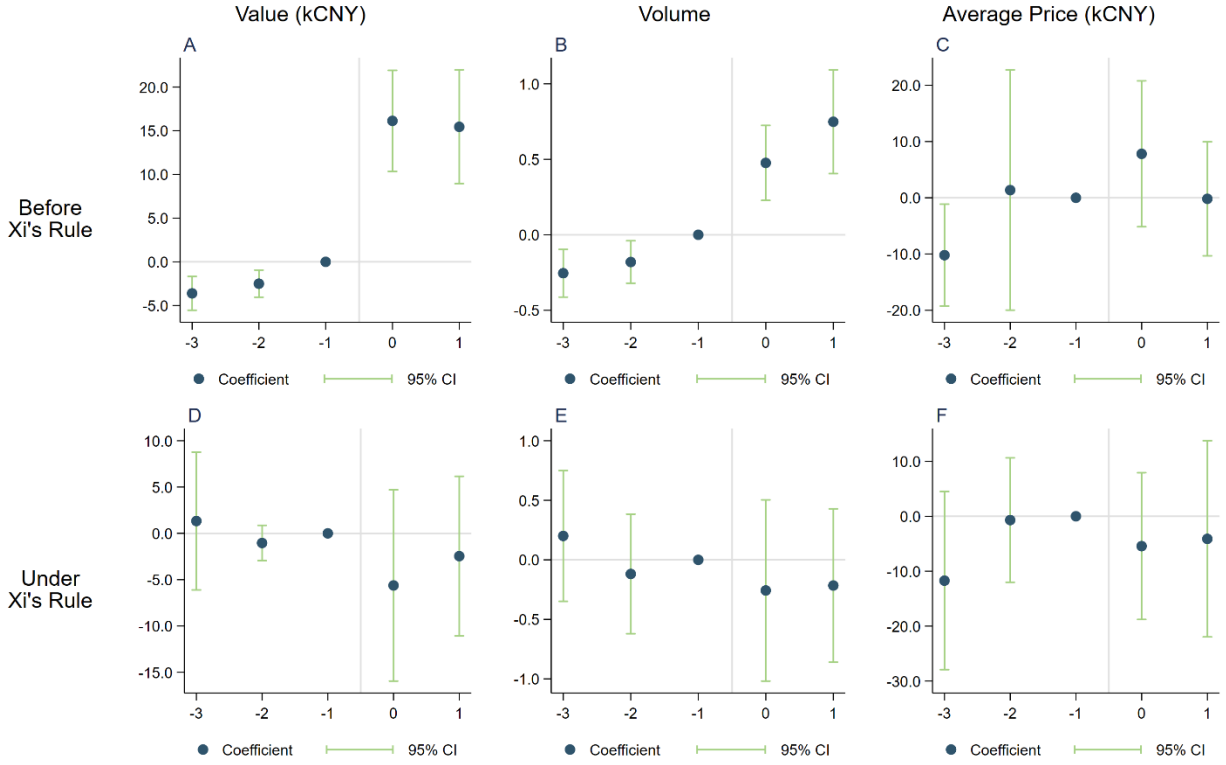
Notes: The screenshot shows a piece of calligraphic artwork sold through an auction. The left panel shows the scanned image of the artwork, and the right panel summarizes the detailed information. We translate the descriptions into English.

Figure 2. Changes in the Market Performances before and after Artist Rank Promotion



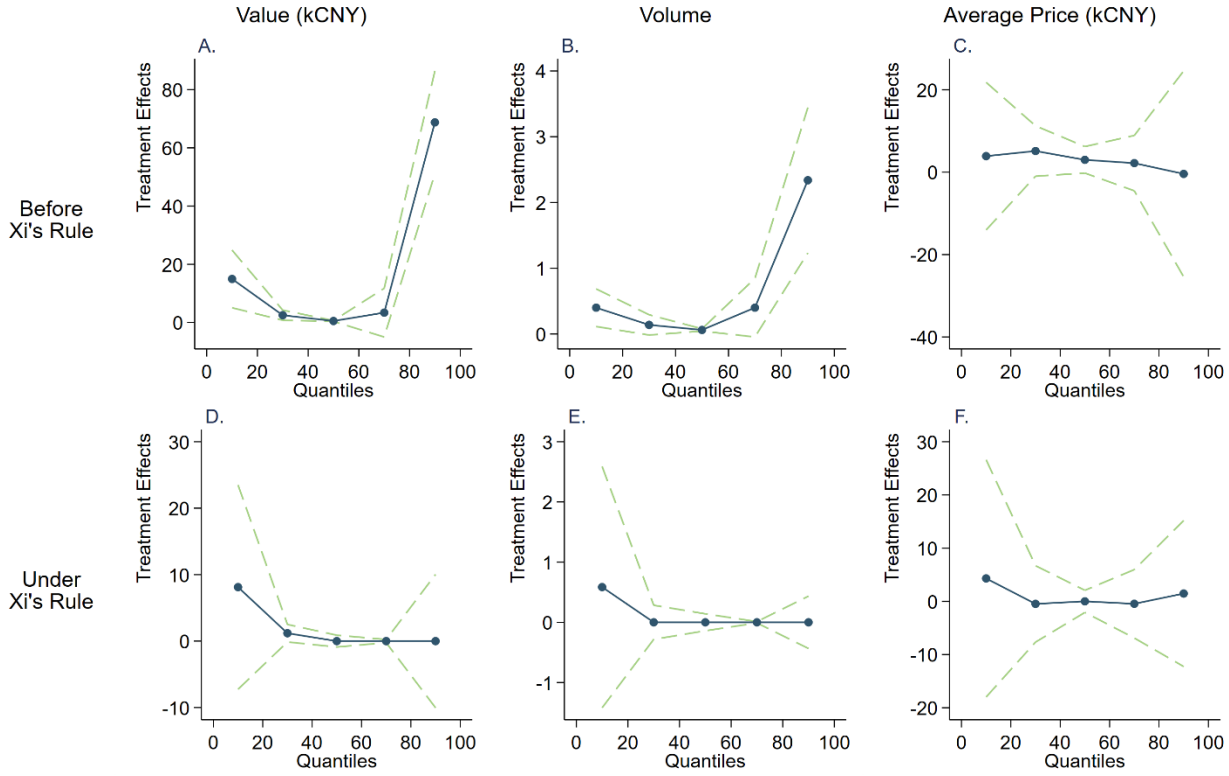
Notes: This figure compares the artwork market performances between CCA council members and ordinary members before and after the council members were elected. We focus on three performance measures: total trading value, total trading volume, and average price. The blue solid lines show the market performances of the CCA council members, and the green dashed lines show the market performances of the ordinary members. The grey vertical lines indicate the CCA council election year. Panels A–C show the artwork performances between the two groups before President Xi Jinping came to power, and Panels D–F show the artwork performances between the groups after Xi assumed power.

Figure 3. Dynamics of the Market Responses to Artist Rank Promotion: Event Study Estimates



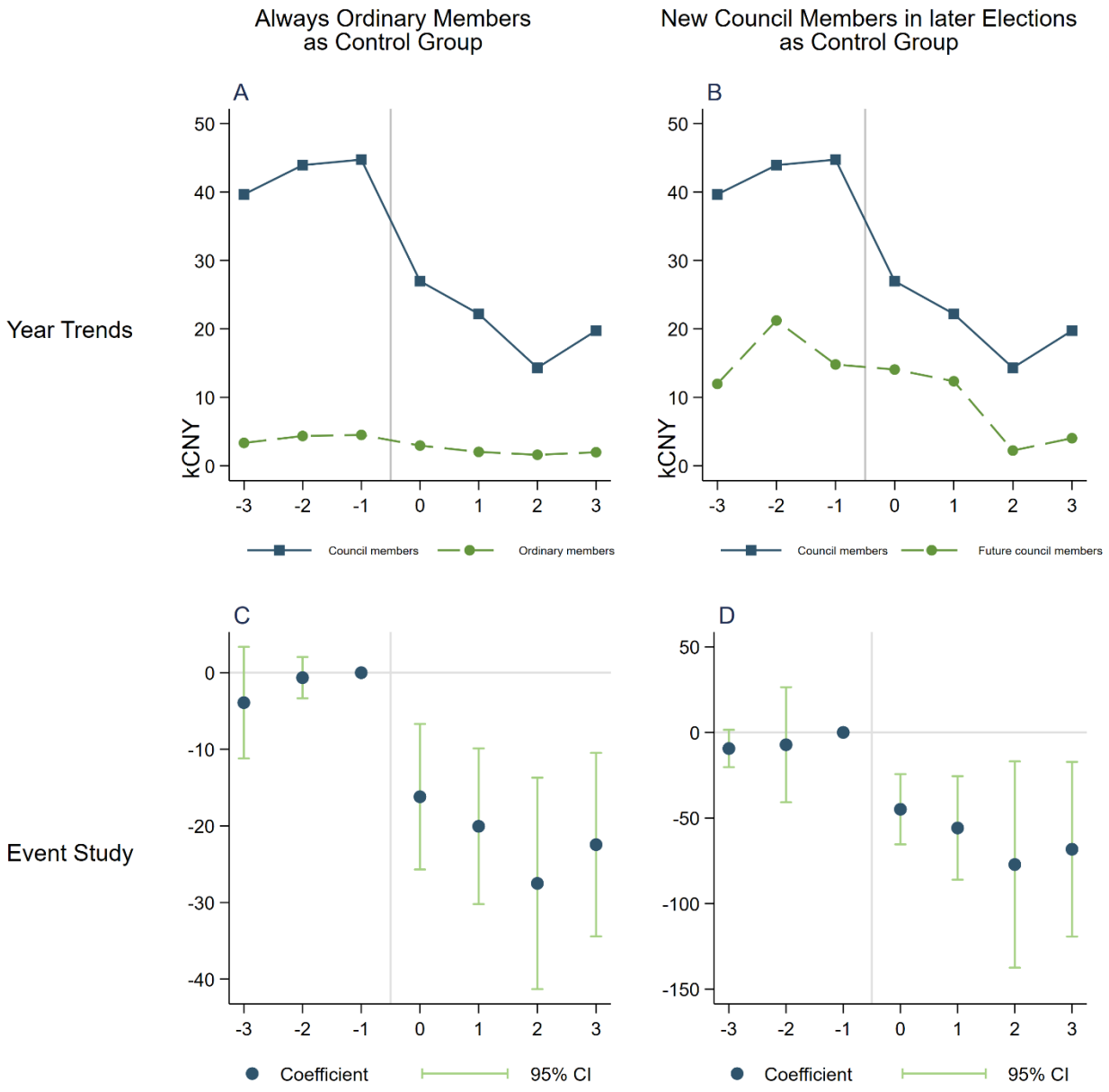
Notes: The figure displays the event study estimates of the prestige premium, i.e., the market reaction to artists' rank promotion. We focus on three performance measures: total trading value, total trading volume, and average price. The dots represent the point estimates of the dynamic prestige premium, while the bounded lines represent the corresponding 95% confidence intervals, with standard errors clustered at the artist-by-year level. The grey vertical lines indicate the CCA council election year. Panels A–C show the prestige premium before President Xi Jinping came to power, and Panels D–F show the prestige premium after Xi assumed power.

Figure 4. Prestige Premium at Different Performance Quantiles: Change-in-Change Estimates



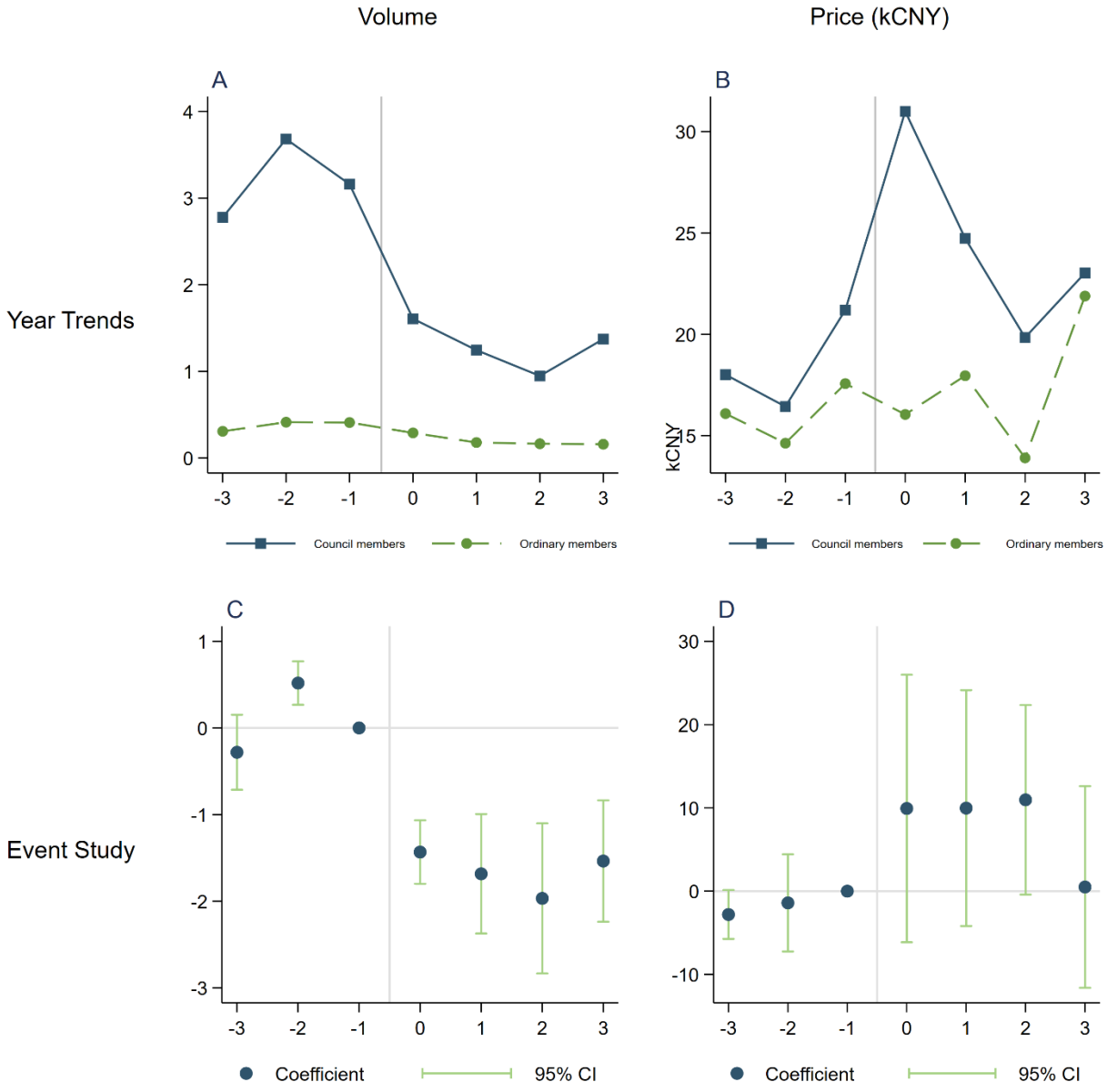
Notes: The figure displays the Change-in-Change estimates of the prestige premium, which compare CCA council members with ordinary members based on their pre-promotion average performance at different quantiles. The dots represent the point estimates of the quantile prestige premium, while the dash lines show the 95% confidence intervals, with standard errors generated from 100 bootstraps. The estimations partial out the artist and year fixed effects. Panels A–C show the prestige premium before President Xi Jinping came to power, and Panels D–F show the prestige premium after Xi assumed power.

Figure 5. Impact of Anti-elegant-corruption Measures on Trading Values



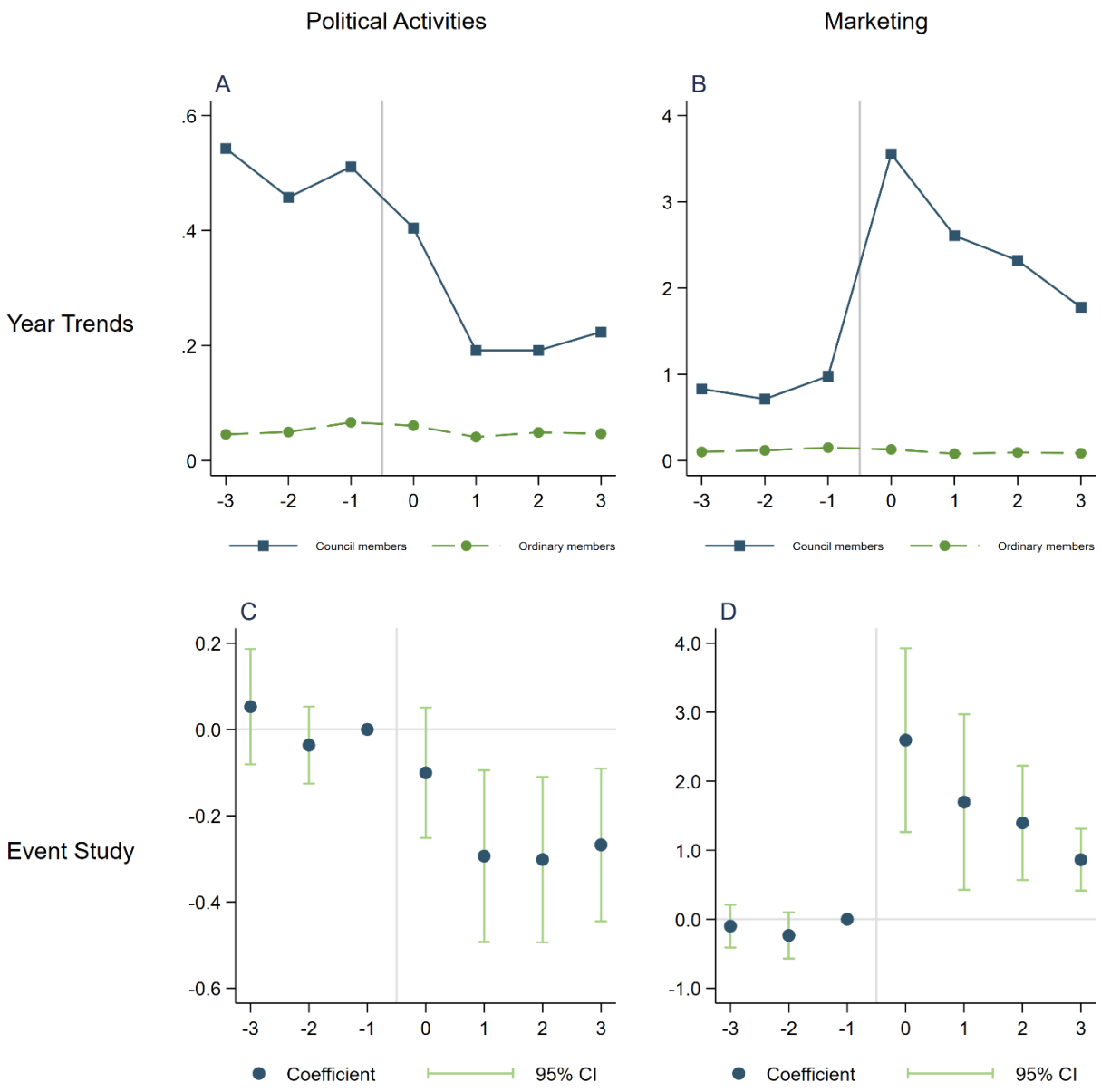
Notes: This figure illustrates the dynamic impacts of the anti-elegant-corruption measures on the trading value of artworks. Panels A and B show the changes in the trading value of two groups of artists before and after the launch of anti-elegant-corruption measures. Panel A contrasts council members (blue solid line) with ordinary members (green dashed line), while Panel B contrasts council members (blue solid line) with 2020 new council members (green dashed line). Panels C and D show corresponding event-study estimates: dots represent point estimates, while the bounded lines represent the corresponding 95% confidence intervals, with standard errors clustered at the artist-by-year level.

Figure 6. Impact of Anti-elegant-corruption Measures on Trading Volume and Average Price



Notes: This figure illustrates the dynamic impact of the anti-elegant-corruption measures on auction market outcomes, particularly on quantity (number of sold artworks) and price (average price per piece of artwork) in the auction market. Panels A and B compare council members (blue solid line) and ordinary members (green dash line) before and after the launch of anti-elegant-corruption policy. The grey vertical line indicates the year Xi assumed power. Panels C and D present event-study estimates: dots denote point estimates, and bounded lines indicate the 95% confidence intervals, with standard errors clustered at the artist-by-year level.

Figure 7. Impact of Anti-elegant-corruption Measures on Artist Effort Allocation



Notes: The figure illustrates the impact of the anti-elegant-corruption measures on the effort allocation of artists. We focus on two artist activities: political activities and marketing. Panels A and B contrast council members (blue solid line) with ordinary members (green dashed line) before and after the policy launch (grey vertical line). Panels C and D present the corresponding event-study estimates: dots denote point estimates, and bounded lines indicate the 95% confidence intervals, with standard errors clustered at the artist-by-year level.

Tables

Table 1. Summary Statistics

	Obs	Mean	SD	Min	Max
	(1)	(2)	(3)	(4)	(5)
Panel A. Auction Market Performance (2008–2018)					
Value (k)	179,333	10.80	597.62	0.00	85,432.82
Volume	179,333	0.32	4.18	0.00	351.00
Average Price (k)	8,897	18.24	65.34	0.06	2,128.00
Panel B. Effort Allocation (# of News Reports) (2012–2018)					
Political Activities	47,670	0.06	0.51	0.00	31.00
Marketing	47,670	0.13	0.97	0.00	51.00
Business	47,670	0.06	0.51	0.00	30.00
Art Research	47,670	0.07	0.54	0.00	20.00

Notes: This table presents summary statistics for outcome variables at the artist-year level. Panel A summarizes annual auction market performance for CCA artists from 2008 to 2018. Panel B outlines effort allocation indicators, proxied by the number of media reports covering specific activities.

Table 2. Market Responses to Artist Rank Promotion

	(1)	(2)	(3)	(4)	(5)	(6)
	Trading Value (kCNY)		Trading Volume		Average Price (kCNY)	
	Panel A. Before Xi's Rule (2011)					
CCA Council × Post-election	17.827***	17.767***	0.758**	0.762**	5.172	9.622
	(2.703)	(2.640)	(0.179)	(0.182)	(5.720)	(7.253)
Pre-tre. Mean of Treated	2.313	2.313	0.207	0.207	13.76	13.06
Artist-Level Clusters	6819	6819	6819	6819	370	368
Adjusted R^2	0.439	0.440	0.542	0.545	0.553	0.544
Observations	34,095	34,095	34,095	34,095	1,092	1,074
	Panel B. Under Xi's Rule (2016)					
CCA Council × Post-election	-4.135	-3.902	-0.264	-0.262	-0.557	0.104
	(3.571)	(3.610)	(0.253)	(0.252)	(3.481)	(3.699)
Pre-tre. Mean of Treated	14.97	14.97	1.082	1.082	29.78	29.78
Artist-Level Clusters	9390	9385	9390	9385	543	536
Adjusted R^2	0.543	0.543	0.613	0.614	0.648	0.644
Observations	46,950	46,925	46,950	46,925	1,683	1,660
Artist FE	X	X	X	X	X	X
Year FE	X		X		X	
Province-by-year FE		X		X		X

Notes: This table presents difference-in-differences estimates of the prestige premium in the art market. Each cell displays a distinct regression, using CCA ordinary members as the control group. Panel A shows the prestige premium prior to President Xi Jinping's tenure, whereas Panel B shows the premium after his assumption of power. Columns (1)–(2) report results based on trading value; Columns (3)–(4) and (5)–(6) decompose trading value into trading volume and average price. The model specifications appear at the end of the table. In odd-numbered columns, both artist and year fixed effects are absorbed; in even-numbered columns, artist fixed effects and province-by-year fixed effects are absorbed. Standard errors, clustered at the artist-by-year level, are presented in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 3. Market Responses to Artist Rank Promotion: Robustness Check

	(1)	(2)	(3)	(4)	(5)	(6)
Election year	Before Xi's Rule (2011)			Under Xi's Rule (2016)		
Dependent variable	Value	Volume	Price	Value	Volume	Price
	Panel A. Promotion to Presidium					
CCA Council × Post-election	36.239**	1.718**	29.744	-10.095	-0.536	-2.319
	(12.783)	(0.604)	(24.601)	(12.673)	(0.701)	(3.547)
Pre-tre. Mean of Treated	15.20	1.400	18	46.59	3.667	19.30
Artist-Level Clusters	6,726	6,726	346	9,324	9,324	535
Adjusted R^2	0.457	0.555	0.546	0.542	0.623	0.722
Observations	33,630	33,630	1,034	46,620	46,620	1,667
	Panel B. Bundle-Based Measures					
CCA Council × Post-election	17.827***	0.790**	4.191	-4.135	-0.127	-12.021
	(2.703)	(0.202)	(5.907)	(3.571)	(0.258)	(21.919)
Pre-tre. Mean of Treated	2.313	0.207	15.56	14.97	1.004	83.19
Artist-Level Clusters	6,819	6,819	370	9,390	9,390	543
Adjusted R^2	0.439	0.614	0.559	0.543	0.698	0.765
Observations	34,095	34,095	1,092	46,950	46,950	1,683

Notes: This table presents the robustness of the prestige premium results. Panel A shows the estimates of the prestige premium associated with promotion to the CCA presidium. Panel B employs bundle-based measures for price and quantity. We focus on three measures of market performance: trading value, trading volume and average price. Each cell shows a separate regression. The first three columns show the prestige premium before President Xi Jinping came to power, and the last three columns show the prestige premium after Xi assumed power. We absorb both artist and year fixed effects in all regressions. The standard errors clustered at the artist-by-year level, are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 4. Effect of Anti-elegant-corruption Measures on Market Performances

	(1)	(2)	(3)	(4)	(5)	(6)
	Trading Value (kCNY)		*Trading Volume*		*Average Price (kCNY)*	
Council × Post	-20.032***	-19.933***	-1.734***	-1.733***	9.557*	8.992*
	(4.519)	(4.484)	(0.344)	(0.346)	(4.284)	(4.530)
Pre-tre. Mean of Treated	42.76	42.76	3.206	3.206	18.53	18.69
Artist FE	X	X	X	X	X	X
Year FE	X		X		X	
Province-by-year FE		X		X		X
Artist-Level Clusters	6,810	6,810	6,810	6,810	690	682
Adjusted R^2	0.539	0.539	0.617	0.619	0.638	0.635
Observations	47,670	47,670	47,670	47,670	2,516	2,489

Notes: This table presents difference-in-differences estimates of the effect of anti-elegant-corruption policies on the market performance of CCA council members relative to ordinary members. Each column displays results from a distinct regression. We examine three indicators of market performance—trading value, trading volume, and average price. Model specifications appear at the table's end. In odd-numbered columns, both artist and year fixed effects are absorbed; in even-numbered columns, we control for artist fixed effects and province-by-year fixed effects. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 5. Effect of Anti-corruption Measures: Heterogeneities I

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dependent variable	Value	Volume	Price	Value	Volume	Price	Value	Volume	Price
CCA Council × Post × High	-21.425**	-1.960***	13.134*						
Corruption Provinces	(7.224)	(0.524)	(6.536)						
Post × High Corruption Provinces	0.257	0.017	-3.240						
	(0.407)	(0.027)	(2.174)						
CCA Council × Post × High				-23.492**	-2.015***	10.837			
Calligraphy Popularity				(7.759)	(0.486)	(6.498)			
Post × High Calligraphy Popularity				-0.535	-0.043	-3.316			
				(0.358)	(0.036)	(2.884)			
CCA Council × Post × Specializing							-21.542***	-1.778***	7.928*
Cursive Scripts							(4.786)	(0.367)	(3.989)
Post × Specializing Cursive Scripts							-2.366***	-0.190**	-2.210
							(0.593)	(0.055)	(2.294)
Artist-Level Clusters	6,792	6,792	689	6,792	6,792	689	6,810	6,810	690
Adjusted R^2	0.537	0.615	0.638	0.538	0.616	0.638	0.540	0.617	0.638
Observations	47,544	47,544	2,513	47,544	47,544	2,513	47,670	47,670	2,516

Notes: This table shows the triple-difference estimates examining mechanisms underlying the impact of anti-elegant-corruption policies. Each column outlines a triple difference regression. The dependent variables are the trading value, volume, and average price. The standard errors in parentheses are clustered at the artist-by-year level. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 6. Effect of Anti-corruption Measures: Heterogeneities II

	(1)	(2)	(3)	(4)	(5)	(6)
Panel A. Easy-to-Hide Artworks						
Dependent variable	Value		Volume		Price	
Artwork group	Unframed	Framed	Unframed	Framed	Unframed	Framed
CCA Council × Post	-13.700***	-5.803**	-1.145***	-0.554***	6.057	8.494
	(3.290)	(2.267)	(0.263)	(0.095)	(5.558)	(7.039)
Pre-tre. Mean of Treated	26.59	12.44	2.078	1.032	18.85	15.44
Artist-Level Clusters	6,810	6,810	6,810	6,810	505	401
Adjusted R^2	0.531	0.426	0.576	0.503	0.607	0.767
Observations	47,670	47,670	47,670	47,670	1,800	1,331
Panel B. Size of Auction Houses						
Dependent variable	Value		Volume		Price	
Auction house size	Large	Small	Large	Small	Large	Small
CCA Council × Post	-1.247	-20.387***	-0.083*	-1.591***	-38.177*	5.835
	(1.344)	(3.989)	(0.041)	(0.308)	(19.325)	(5.238)
Pre-tre. Mean of Treated	4.821	34.41	0.245	2.830	43.86	17.12
Artist-Level Clusters	6,810	6,810	6,810	6,810	116	625
Adjusted R^2	0.426	0.528	0.382	0.605	0.659	0.629
Observations	47,670	47,670	47,670	47,670	403	2,256

Notes: This table presents difference-in-differences estimates across different artwork groups to examine the mechanisms underlying the impact of anti-elegant-corruption measures. Each column reports the results from a separate regression, with trading value, volume, and average price as the dependent variables. Panel A shows the artwork heterogeneity while Panel B shows the auction house heterogeneity. Herein, we provide standard errors clustered at the artist-by-year level in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Table 7. Effect of Anti-elegant-corruption Measures on Artist Effort Allocation

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Political Activities		Marketing		Business		Art Research	
Council × Post	-0.246**	-0.247**	1.749**	1.760**	0.008	0.009	0.350	0.357
	(0.093)	(0.093)	(0.558)	(0.559)	(0.131)	(0.132)	(0.245)	(0.246)
Pre-tre. Mean of Treated	0.504	0.504	0.840	0.840	0.649	0.649	0.766	0.766
Artist FE	X	X	X	X	X	X	X	X
Year FE	X		X		X		X	
Province-by-year FE		X		X		X		X
Artist-Level Clusters	6,810	6,810	6,810	6,810	6,810	6,810	6,810	6,810
Adjusted R^2	0.495	0.494	0.520	0.519	0.480	0.479	0.527	0.527
Observations	47,670	47,670	47,670	47,670	47,670	47,670	47,670	47,670

Notes: This table shows the difference-in-differences estimates of the impact of anti-elegant-corruption policies on artist effort allocation. We examine four categories of activities: political engagement, marketing, business, and art research. Each column reports a distinct regression. In odd-numbered columns, both artist and year fixed effects are incorporated; in even-numbered columns, we control for artist fixed effects and province-by-year fixed effects. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix to "The Chinese Art of Elegant Bribery"

Appendix A: Constitution of the Chinese Calligraphers Association Related to Council Member Elections

Article 18: The delegates to the General Assembly are nominated by the member organizations and relevant units, and a portion of specially invited delegates shall be determined according to the circumstances. The person in charge of the daily work of each member organization serves as the delegate to the General Assembly and also as a candidate for the director of the member organization. After the director of the member organization's work changes, the member organization shall recommend and elect a replacement candidate and report to the presidium of the association for confirmation.

Article 19: The council is elected by the General Assembly. The council elects one chairperson, one Vice Chairperson in attendance, and several Vice chairpersons to form the presidium. The presidium shall appoint one Secretary-General and several Deputy Secretary-Generals.

During the adjournment of the General Assembly, the council shall execute the Assembly's decisions. During the adjournment of the council, the presidium shall execute the decisions of the Assembly and the council. The Vice chairperson in attendance shall preside over the daily work of the association.

Article 20: The General Assembly is held once every five years and may be held in advance or postponed as necessary. The council is held irregularly and is convened by the presidium. The presidium meeting is convened by the chairperson or by the Vice Chairperson in attendance authorized by the Chairperson. Meetings shall be held whenever necessary.

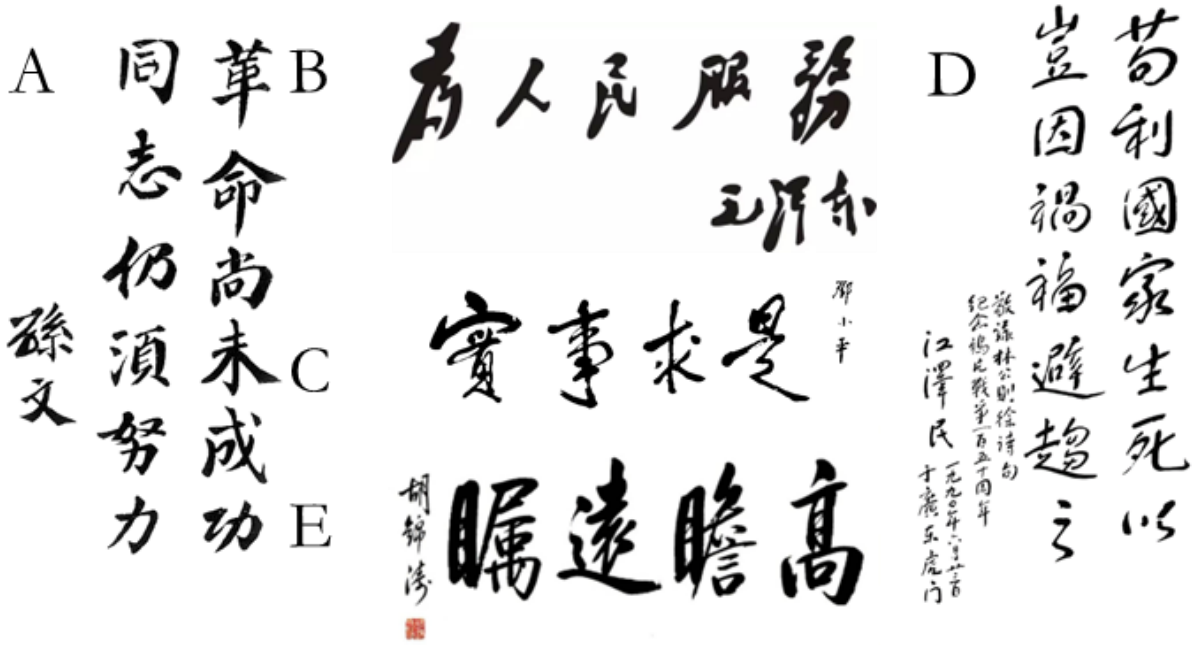
Article 21: The chairperson, Vice chairpersons, Secretary-General, Deputy Secretary-Generals, and members of the council shall not hold concurrent positions in the association's construction or honorary positions.

Article 24: Individual delegates of the General Assembly shall be elected through democratic consultations by member organizations and relevant units. As necessary, some specially invited delegates

shall be determined by the preparatory organ of the Assembly. The person responsible for the daily work of each member organization serves as the delegate of the member organization of the General Assembly and as a candidate for the council representing the member organization. If the director delegating the member organization no longer serves as the person responsible for the daily work of that member organization, the directorship qualification shall be transferred to another person recommended by the member organization and approved by the presidium of the association.

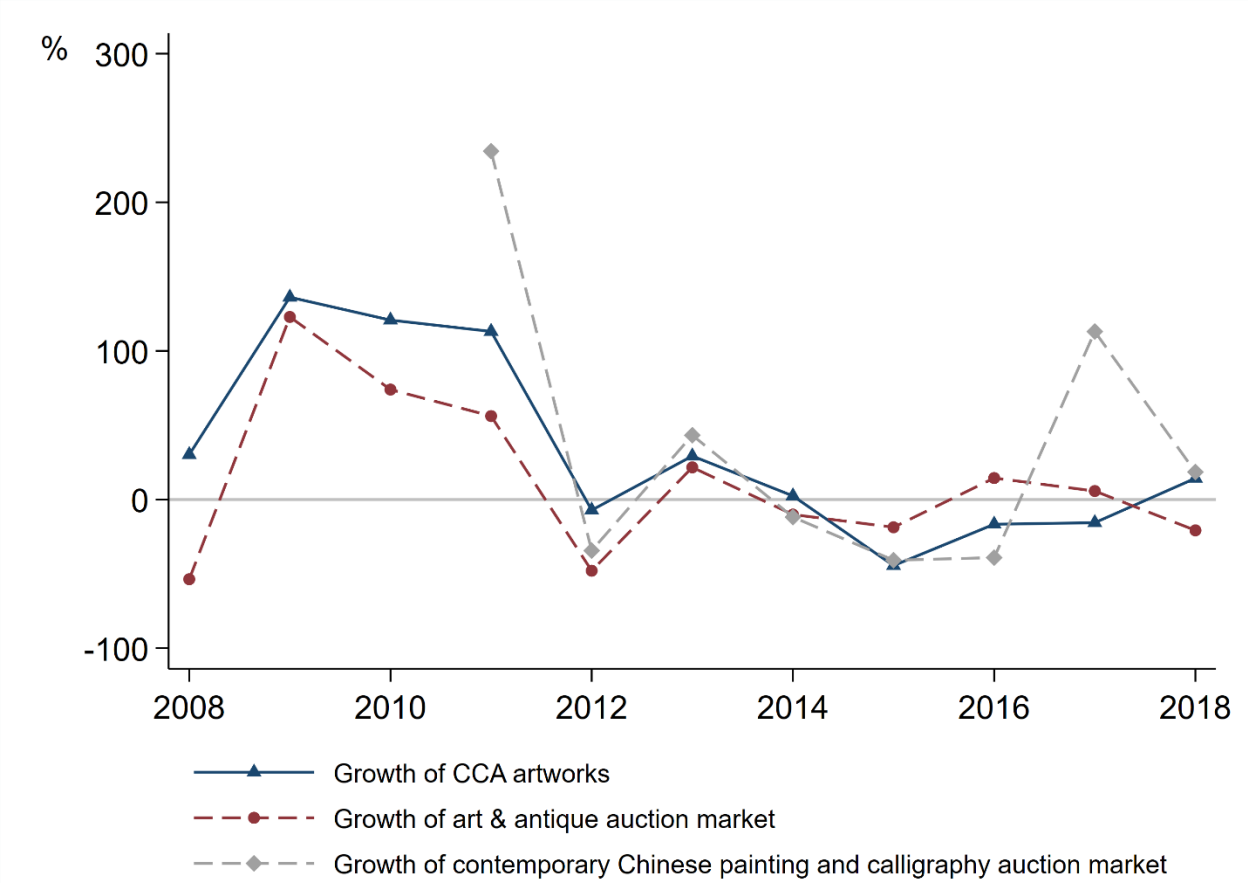
Article 25: The right to revise this constitution belongs to the General Assembly, and the right to interpret belongs to the council of the association.

Appendix Figure 1. Calligraphic Works by Politicians in History



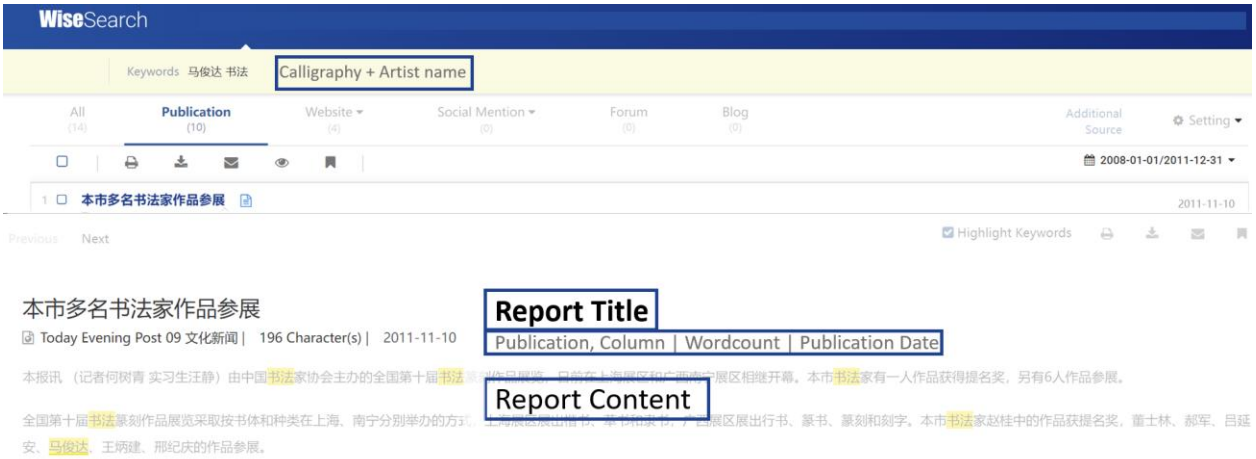
Notes: This figure shows a collection of calligraphic masterpieces by prominent politicians in modern China, each representing a significant aspect of their respective eras. Panel A, located at the leftmost corner, features a 1923 calligraphy piece by Sun Yat-Sen, the first provisional president of the Republic of China. It reads, "The revolution has not yet succeeded; work hard, comrades!"—a rallying call at the Kuomintang's plea conference in Guangzhou. Panel B displays the iconic handwriting of Mao Zedong, also known as Chairman Mao. His message, "Serve the people," a guiding principle of the Chinese Communist Party. Panel C presents Deng Xiaoping's calligraphy, which states, "Seek truth from facts," capturing the pragmatic ethos behind China's economic reform and opening-up. Panel D displays the work of Jiang Zemin, the "core" of the third generation of the CCP's leadership. Lastly, Panel E shows the calligraphy of Hu Jintao, the "core" of the fourth generation of the CCP's leadership.

Appendix Figure 2. Comparison with Official Statistics



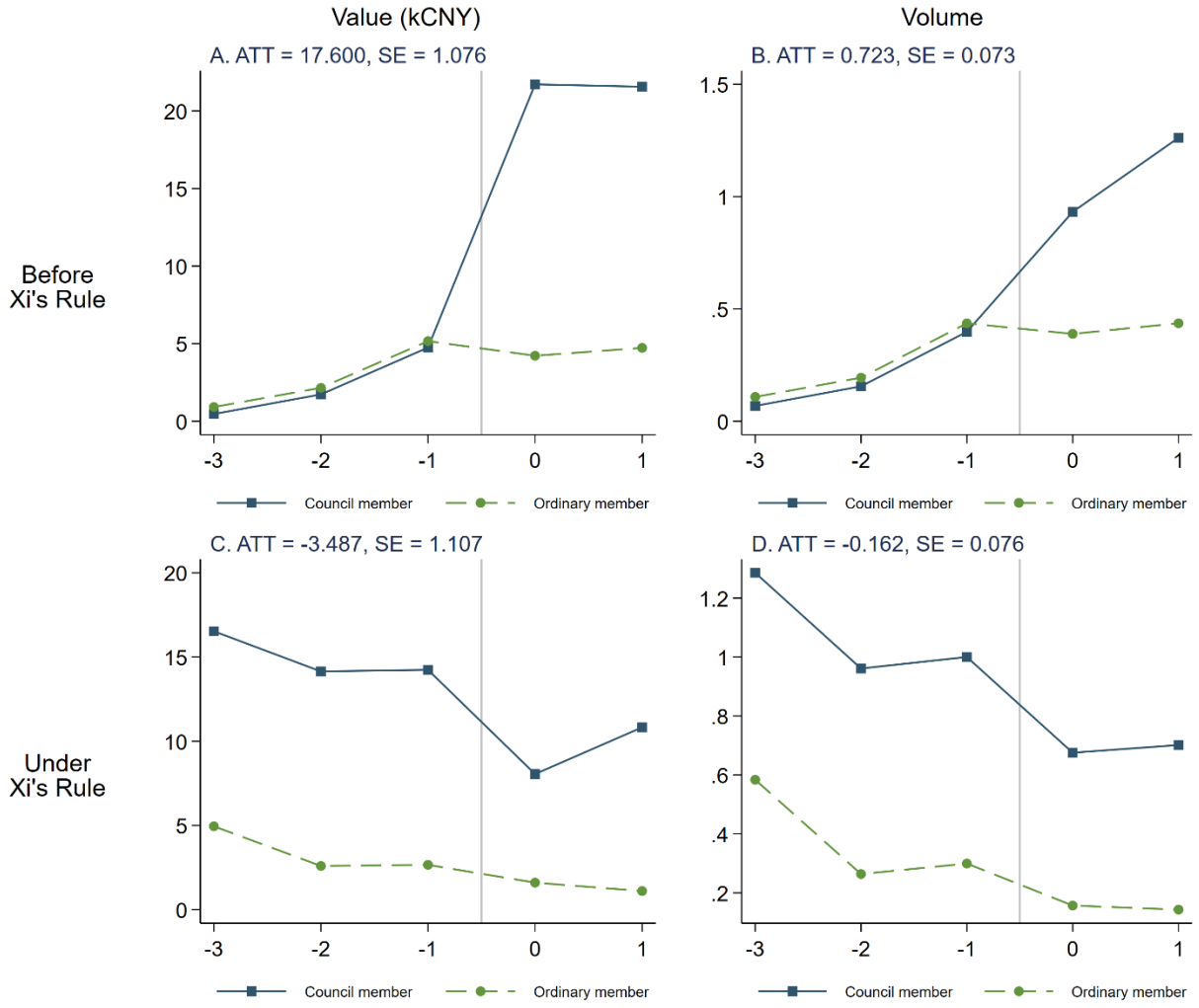
Notes: This figure compares the annual growth rate of the trading value of CCA members' artworks with two aggregated indicators of China's auction market. The blue solid line shows the growth of total hammer price at auctions of Chinese calligraphies created by the CCA members in our dataset. The red dash line depicts the growth of the total hammer price at auctions of art and antiques in China while the grey dash line displays the growth of the total hammer price of the Contemporary Chinese Painting and Calligraphy, sourced from Statistica and the China Association of Auctioneers (2022), respectively.

Appendix Figure 3. Screenshot of a News Report



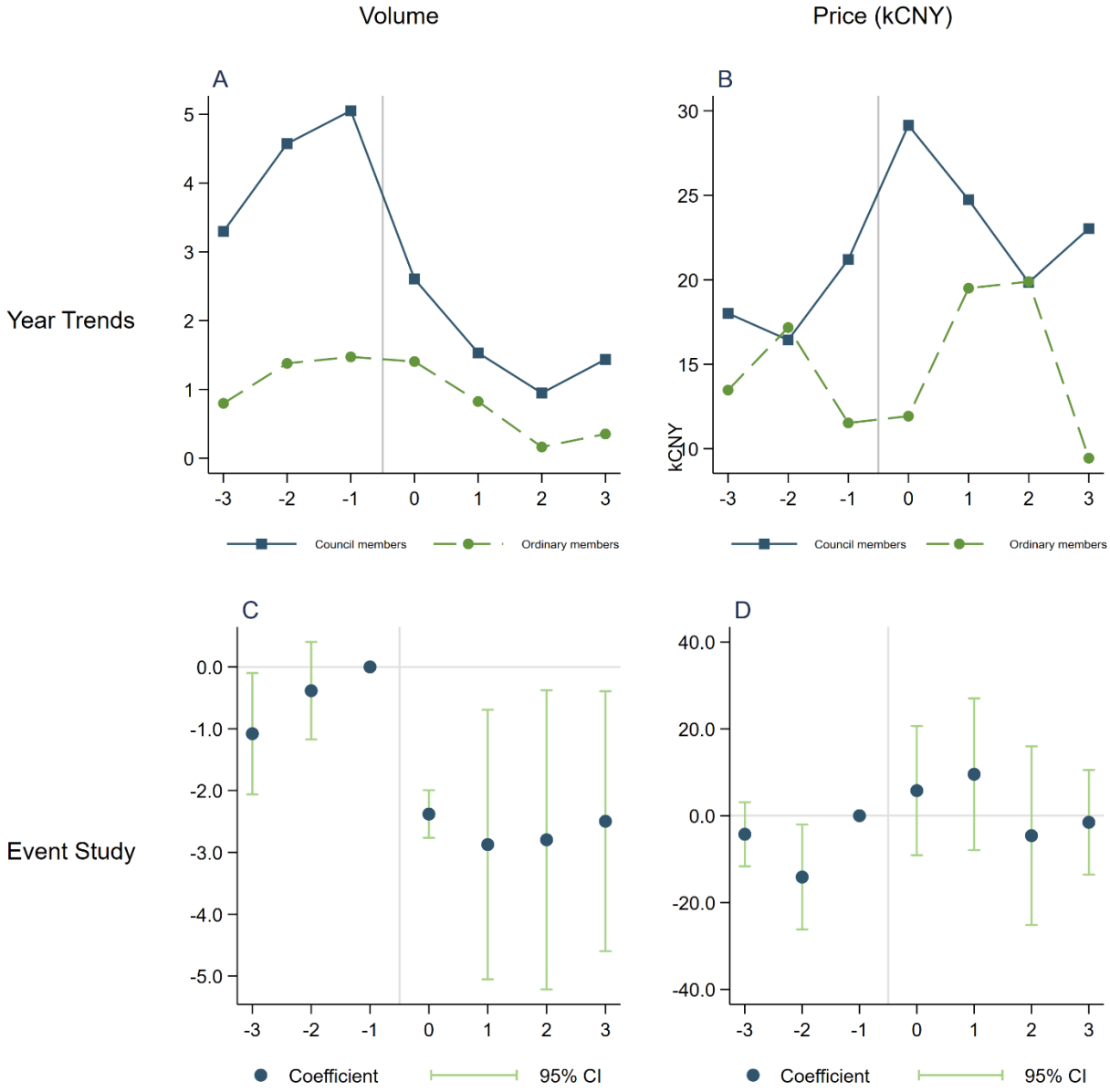
Notes: This screenshot shows one news report record from Wise News. We mark key information on the image: the keywords used for searching the media reports ("artist name + calligraphy"), report title, publication, column, wordcount, publication date, and the report content.

Appendix Figure 4. Market Reaction to Artist Rank Promotion: Synthetic DiD Estimates



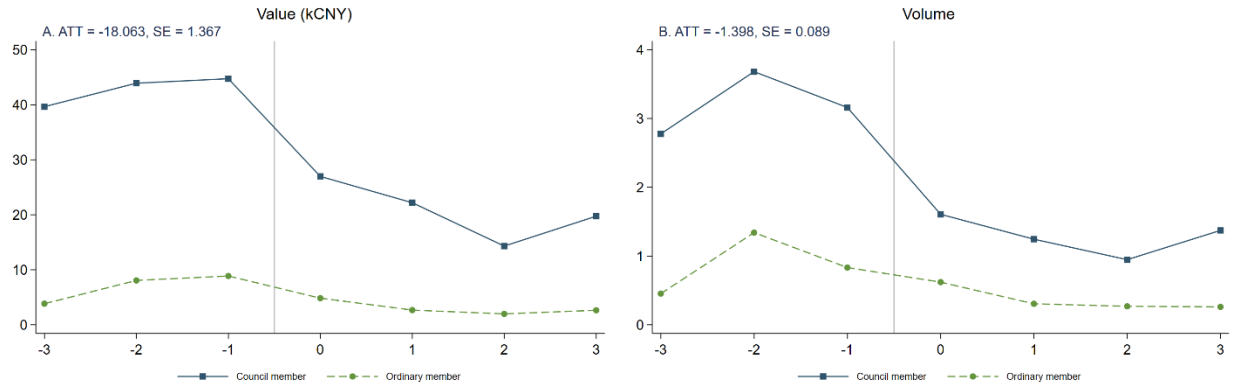
Notes: The figure displays the synthetic DiD estimates of the prestige premium. We focus on two performance measures in balanced panels: trading value and trading volume. The blue solid lines represent the performance of council members while the green dashed lines show that of the ordinary members. The grey vertical lines indicate the election year. The control units are reweighted to ensure their trends parallel those of the promoted artists in the absence of the promotion event. The estimated average treatment effects on treated and the placebo standard errors are displayed at the top of the four panels. The first row of panels shows the artwork performances between the two groups before President Xi Jinping came to power, while the second row of panels show the artwork performances between the groups after Xi assumed power.

Appendix Figure 5. Effect of Anti-elegant-corruption Measures on Trading Volume and Price: Using Future Council Members as Control Group



Notes: This figure illustrates the dynamic impact of the anti-elegant-corruption measures on auction market outcomes, particularly on quantity (number of sold artworks) and price (average price per piece of artwork) in the auction market. The control group consists of 2020 new council members. Panels A and B compare council members (blue solid line) and ordinary members (green dash line) before and after the launch of the anti-elegant-corruption policy (grey vertical line). Panels C and D present the related event-study estimates. The dots represent the point estimates of the event study model, while the bounded lines show the corresponding 95% confidence intervals, with standard errors clustered at the artist-by-year level.

Appendix Figure 6. Effect of Anti-elegant-corruption Measures on Trading Value and Volume: Synthetic DiD Estimates



Notes: The figure displays the synthetic DiD estimates of the impact of anti-elegant-corruption measures on trading value (in Panel A) and volume (in Panel B). The blue solid lines represent the auction market performances of council members while the green dashed lines show the market performances of ordinary members. The control units are reweighted to make their trends parallel those of the promoted artists absent of the policy shock. The average treatment effects on treated and the placebo standard errors are displayed at the top of two panels.

Appendix Tables

Appendix Table 1. Timeline of Events

Date	Event
12/29/2010	CCA held the sixth national conference to elect the fellows.
1/20/2015	CCP Central Commission of Disciplinary Inspection (CCDI) issued an editorial piece criticizing government officials' involvement in art, demanding them to "return the purity to art."
10/18/2015	CCP Politburo revised the disciplinary regulation in which a new term specifically addresses corruption activities that are disguised as gift exchanges.
10/31/2015	The Central Commission of the CCP dispatched an investigation group to the China Federation of Literary and Art Circles, the parent association of the China Writers Association (CCA).
12/9/2015	CCA held the seventh national conference to elect the fellows.

Notes: This table shows the events related to the Chinese calligraphy auction market in China.

Appendix Table 2. Prestige Premium: Control Group as New Council Members in Next Election

	(1)	(2)	(3)	(4)	(5)	(6)
Election year	Before Xi's Rule (2011)			Under Xi's Rule (2016)		
Dependent variable	Value	Volume	Price	Value	Volume	Price
CCA Council × Post-election	18.141**	0.454	-33.500	-11.746	0.321	-20.895
	(6.424)	(0.323)	(29.582)	(15.135)	(0.828)	(20.744)
Pre-tre. Mean of Treated	2.952	0.207	13.76	40.21	1.636	77.81
Artist-Level Clusters	180	180	39	170	170	37
Adjusted R^2	0.261	0.281	0.189	0.605	0.390	0.568
Observations	900	900	104	850	850	109

Notes: This table presents the DiD estimates of the prestige premium in the art market. The control group consists of 2015 new council members. We focus on three measures of market performance: trading value, trading volume and average price. Each cell shows a separate regression. The first three columns show the prestige premium before President Xi Jinping came to power, and the last three columns show the prestige premium after Xi assumed power. We absorb both artist and year fixed effects in all regressions. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix Table 3. Effect of Anti-elegant-corruption Measures on Market Performance: Control Group as Future Council Members

	(1)	(2)	(3)	(4)	(5)	(6)
	Trading Value (kCNY)		*Trading Volume*		*Average Price (kCNY)*	
Council × Post	-56.021**	-75.781**	-2.148**	-2.892**	10.041	6.422
	(18.157)	(24.247)	(0.596)	(0.780)	(5.523)	(9.466)
Pre-tre. Mean of Treated	104.1	108.6	4.309	4.481	18.53	19.06
Artist FE	X	X	X	X	X	X
Year FE	X		X		X	
Province-by-year FE		X		X		X
Artist-Level Clusters	168	160	168	160	82	70
Adjusted R^2	0.607	0.588	0.511	0.527	0.241	0.109
Observations	1,176	1,120	1,176	1,120	331	272

Notes: This table presents the DiD estimates of the effect of anti-elegant-corruption measures on the market performances of CCA council members relative to ordinary members. The control group consists of the 2020 new council members. Each column shows results from a distinct regression. We focus on three measures of market performance: trading value, trading volume and average price. The model specifications are shown at the end of the table. In odd-numbered columns, we absorb both artist and year fixed effects. In even-numbered columns, we control for artist fixed effects and province-by-year fixed effects. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix Table 4. Effect of Anti-elegant-corruption Measures on Market Performance: Robustness

	Matched Sample		Eliminate Artists Holding Government Positions	Eliminate Investigated Artists
	Personal Characteristics	+ Capacity Indicators		
	(1)	(2)	(3)	(4)
Panel A. Trading Value (kCNY)				
CCA Council × Post	-15.057*	-17.424**	-20.815**	-20.266***
	(6.437)	(4.992)	(5.630)	(4.563)
Pre-tre. Mean of Treated	42.74	41.31	44.22	43.22
Adjusted R^2	0.469	0.506	0.522	0.539
Panel B. Trading Volume				
CCA Council × Post	-1.751***	-1.740***	-1.810***	-1.755***
	(0.414)	(0.463)	(0.355)	(0.348)
Pre-tre. Mean of Treated	3.220	3.145	3.333	3.240
Adjusted R^2	0.608	0.564	0.612	0.617
Observations	1,190	1,190	43,470	47,586
Panel C. Average Price (kCNY)				
CCA Council × Post	8.184	7.789	10.540*	9.553*
	(6.580)	(6.793)	(5.396)	(4.284)
Pre-tre. Mean of Treated	18.33	17.80	18.81	18.53
Adjusted R^2	0.350	0.329	0.655	0.638
Observations	346	365	2,104	2,512

Notes: The table reports the robustness of the anti-elegant-corruption effect on three market performance measures: trading value (Panel A), volume (Panel B), and average price (Panel C). Each cell reports one distinct regression. In the first two columns, we use the propensity score to match artists with similar characteristics and perform the baseline regression on the matched subsample. The propensity score is estimated using a logit regression of pre-treatment value/volume averaged towards artist level on artist characteristics. The propensity score in Column (1) utilizes the following covariates: residence province (by incorporating dummies of provinces into the covariates), birth year, gender, and ethnicity (whether belonging to the major ethnicity Han in China). The propensity score in Column (2) incorporates additional covariates proxying for the artists' capacity: whether having a stage name (*Zi* or *Hao* in Chinese), whether having a high education degree, whether obtaining any degree in arts, whether having the drawing skill, whether being hired by a research institution, whether being hired/holding a firm. Matching is performed using a repeatable one-to-one nearest-neighbor algorithm, and the resulting weights are applied in the DiD regression. Column (3) shows results with a sample excluding artists who hold positions in the government. Column (4) shows results using a sample excluding artists who were investigated during the anti-corruption campaign. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix Table 5. Effect of Anti-elegant-corruption Measures on Effort Allocation: Eliminating Investment-related News Articles

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Political Activities		Marketing		Business		Art Research	
Council × Post	-0.249**	-0.249**	1.732**	1.743**	0.015	0.016	0.344	0.350
	(0.093)	(0.094)	(0.551)	(0.553)	(0.131)	(0.131)	(0.244)	(0.244)
Pre-tre. Mean of Treated	0.504	0.504	0.833	0.833	0.638	0.638	0.759	0.759
Artist FE	X	X	X	X	X	X	X	X
Year FE	X		X		X		X	
Province-by-year FE		X		X		X		X
Artist-Level Clusters	6,810	6,810	6,810	6,810	6,810	6,810	6,810	6,810
Adjusted R^2	0.494	0.493	0.519	0.518	0.483	0.482	0.525	0.525
Observations	47,670	47,670	47,670	47,670	47,670	47,670	47,670	47,670

Notes: This table presents DiD estimates of the impact of anti-elegant-corruption measures on effort allocation of artists. The specifications are analogous to Table 7 except for excluding investment-related news articles. Each cell shows a separate regression. We focus on four categories of artist activities: political activities, marketing, business, and art research. The model specifications are shown at the end of the table. In odd-numbered columns, we include both artist and year fixed effects. In even-numbered columns, we control for artist fixed effects and province-by-year fixed effects. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix Table 6. Effect of Anti-elegant-corruption Measures on Effort Allocation: Dummy Outcomes

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Political Activities		Marketing		Business		Art Research	
Council × Post	-0.129**	-0.130**	0.241***	0.240**	-0.064	-0.064	0.014	0.015
	(0.042)	(0.042)	(0.065)	(0.065)	(0.038)	(0.038)	(0.055)	(0.055)
Pre-tre. Mean of Treated	0.284	0.284	0.266	0.266	0.330	0.330	0.376	0.376
Artist FE	X	X	X	X	X	X	X	X
Year FE	X		X		X		X	
Province-by-year FE		X		X		X		X
Artist-Level Clusters	6,810	6,810	6,810	6,810	6,810	6,810	6,810	6,810
Adjusted R^2	0.401	0.400	0.472	0.473	0.400	0.399	0.451	0.451
Observations	47,670	47,670	47,670	47,670	47,670	47,670	47,670	47,670

Notes: This table presents DiD estimates of the effect of anti-elegant-corruption measures on the effort allocation of artists. The specifications are analogous to Table 7 except for changing the count measure to a dummy indicating whether an artist participated in a specific category of activities. We focus on four categories of artist activities: political activities, marketing, business, and art research. The model specifications are shown at the end of the table. In odd-numbered columns, we include both artist and year fixed effects. In even-numbered columns, we control for artist fixed effects and province-by-year fixed effects. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.

Appendix Table 7. Effect of Anti-elegant-corruption Measures on Effort Allocation: Robustness

	Matched Sample		Eliminate Artists Holding Government Positions	Eliminate Investigated Artists
	Personal Characteristics	+ Capacity Indicators		
	(1)	(2)	(3)	(4)
Panel A: Political Activities				
CCA Council × Post	-0.239*	-0.179	-0.205	-0.246**
	(0.107)	(0.107)	(0.109)	(0.095)
Pre-tre. Mean of Treated	0.533	0.478	0.493	0.505
Adjusted R^2	0.274	0.280	0.507	0.491
Panel B. Marketing				
CCA Council × Post	1.893**	1.896**	1.611**	1.767**
	(0.612)	(0.590)	(0.551)	(0.563)
Pre-tre. Mean of Treated	0.824	0.831	0.933	0.849
Adjusted R^2	0.381	0.366	0.530	0.519
Panel C. Business				
CCA Council × Post	0.023	0.016	-0.018	0.010
	(0.151)	(0.099)	(0.098)	(0.132)
Pre-tre. Mean of Treated	0.663	0.631	0.587	0.652
Adjusted R^2	0.477	0.399	0.489	0.477
Panel D. Art Research				
CCA Council × Post	0.387	0.447	0.338	0.353
	(0.259)	(0.253)	(0.259)	(0.248)
Pre-tre. Mean of Treated	0.769	0.725	0.724	0.774
Adjusted R^2	0.499	0.473	0.531	0.527
Artist-Level Clusters	1,190	1,190	6,210	6,798
Observations	6,810	6,810	43,470	47,586

Notes: The table reports the robustness of the anti-elegant-corruption effect on the artist effort allocation. Each cell reports one separate regression. We focus on four categories of artist activities: political activities, marketing, business, and art research. In the first two columns, we use the propensity score to match artists with similar characteristics and perform the baseline regression on the matched subsample. The propensity score is estimated using a logit regression of pre-treatment value/volume averaged towards artist level on artist characteristics. The propensity score in Column (1) utilizes the following covariates: residence province (by incorporating dummies of provinces into the covariates), birth year, gender, and ethnicity (whether belonging to the major ethnicity Han in China). The propensity score in Column (2) incorporates additional co-variates proxying for the artists' capacity: whether having a stage name (*Zi* or *Hao* in Chinese), whether having a high education degree, whether obtaining any degree in arts, whether having the drawing skill, whether being hired by a research institution, whether being hired/holding a firm. Matching is performed using a repeatable one-to-one nearest-neighbor algorithm, and the resulting weights are applied in the DiD regression. Column (3) shows results with a sample excluding artists who hold positions in the government. Column (4) shows results using a sample excluding artists who were investigated during the anti-corruption campaign. The standard errors clustered at the artist-by-year level are in parentheses. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$.