

Fang, Hou, Liu, Xu, Zhang (2017), “Political Factions, Local Accountability and Economic Performance: Evidence from Chinese Provinces”

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# A great topic!

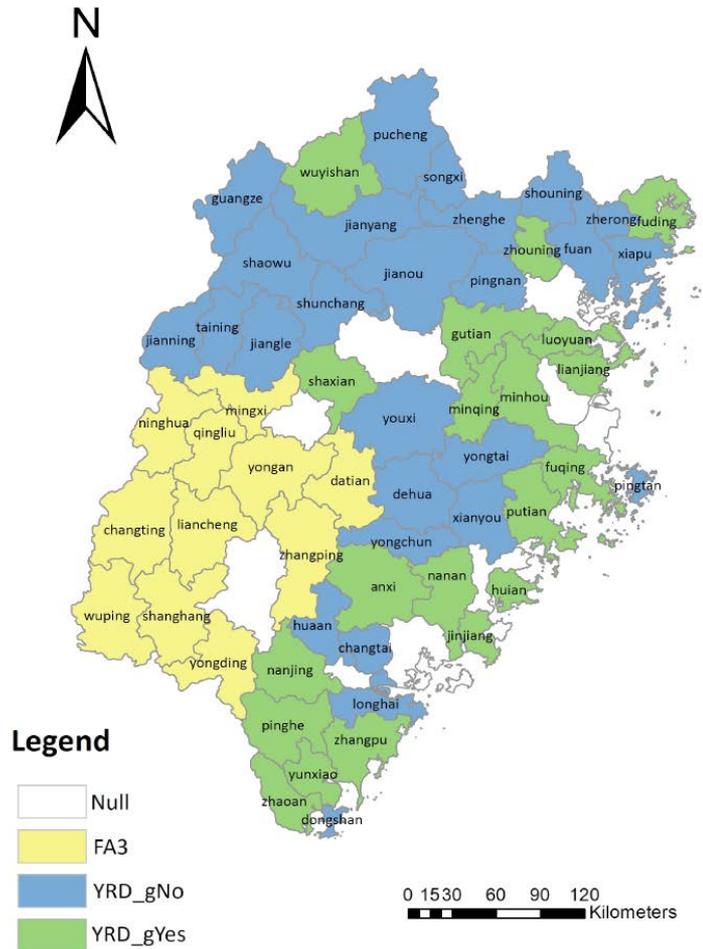
Southbound Cadres (*Nanxia Ganbu*) : understudied & important events in history

- 1948-1949: 100K+ cadres from the North were sent to liberalize the South
- a rare case of “exogenous” migration of political elites
- led to wide variation in the composition of leaders in the South
  - which may have important consequences after 1949
  - anecdotes: the southbound cadres vs. the local leaders in the Cultural Revolution

**This paper:** emphasizes factions within those sent to the South (× local guerrilla)

- **The first** quantitative study I have seen on this topic

# Main findings



- YRD (formerly FA2) counties (vs. FA3)
  - Less famine in 1959-61
  - Faster economic growth in 1978-98.
  - no significant difference in one-child policy (pop. growth) or the Household Responsibility System.
- Why?
  - Citizen support is more important for the survival of the weak faction.

# Comments

- Motivation & Contribution
- Conceptual Framework
- Empirics
- Additional Comments

# Motivation & Contribution

Current motivation is broad: a study of regional variation in economic development.

- This paper clearly has the merits of within-country studies

I would also emphasize the following contribution:

- **General:** upward vs. downward accountability in democracies & non-democracies
  - Non-China studies often emphasize the latter (e.g., public goods provision)
  - The China field studies the former a lot – a vast literature on promotion.
- **Measuring government policies:** China since 1949 provides an ideal context
  - usual measures + policies like Great Leap Forward/Cultural Revolution/family planning
- **New** to the literature on connections: the role of military powers in China
  - studies on factions in political science (Nathan, Shih...)
  - Factions are perceived to be particularly important in the military.

# Conceptual framework 1

The current model is a bit specific by assuming comparative advantages in catering to the top and the citizens.

- Works fine. But the logic may be accommodated by a standard model.

A politician maximizes his survival by

- choosing the tax rate ( $t$ )
- deciding to spend the taxes on
  - Providing local public goods ( $g$ )
  - Himself (corruption) / the leaders on the top ( $r$ )

The same assumption: relative importance of  $g$  &  $r$  in the utility function

- Additional prediction on public good provision
  - not difficult to test
  - economic growth per se is not necessarily a proxy for grass-root policies.
    - often investment-driven
    - usually argued to be important for the career of the leaders.

# Conceptual framework 2

The key assumption

- substitution btw connections and promoting growth for political survival

What does political survival mean in China?

- Not being purged in the Cultural Revolution?
  - Table 18 is related. Some simpler correlations btw. strong faction and being purged?
- Being promoted after 1980? Not being demoted?
  - Is that leaders from FA3 counties are more likely to be promoted despite not promoting growth?
- How does citizen support affect political survival in China?
  - warrant a separate paper...

# Conceptual framework 3

The key assumption

- substitution btw connections and promoting growth for political survival

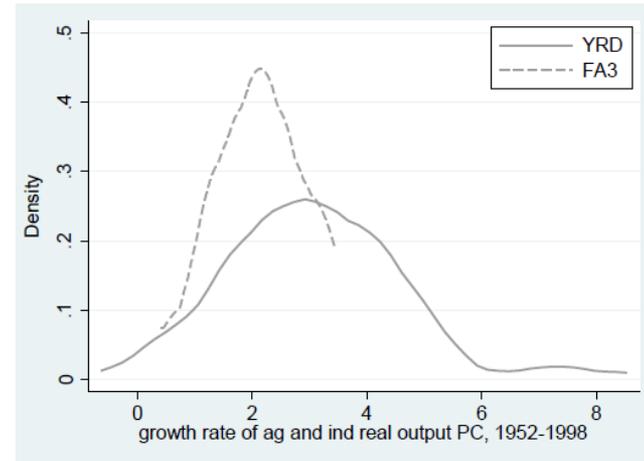
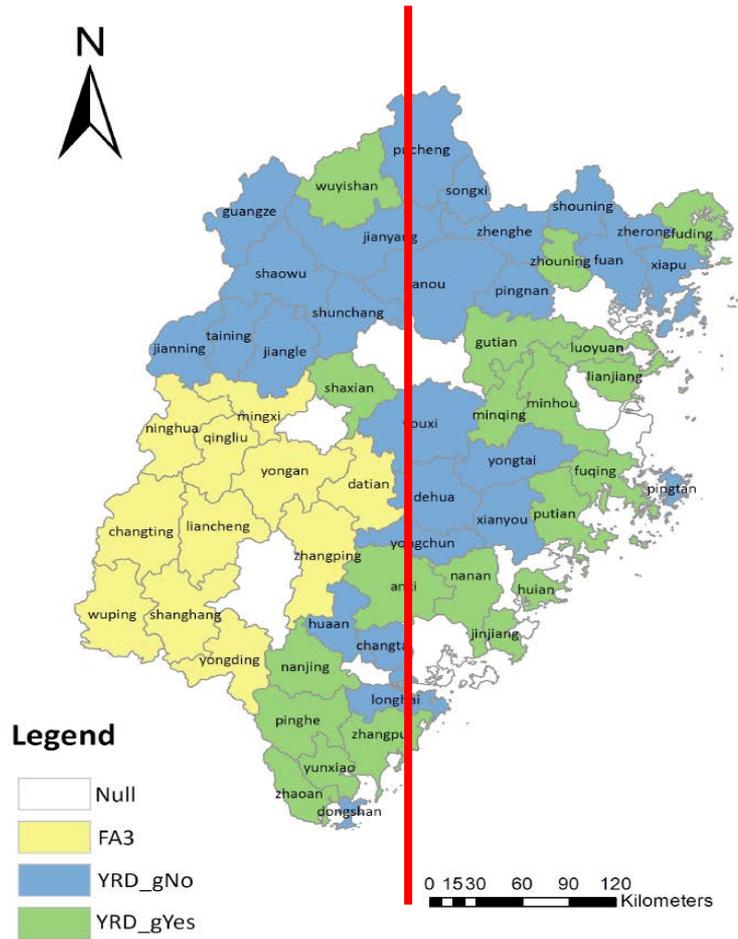
Is the substitution obvious?

- Jia, Kudamatsu and Seim (2015) find complementarity for the top leaders.
  - Maybe not be true at the lower level.

In theory:

- complements if the decision-making involves bargaining/consensus
- substitutes if the FA3 faction is so dominant that being in the faction is enough.

# Empirics 1: the main challenge



GDP per capita (rmb), 2015



# Empirics 2: the main challenge

The authors clearly recognize this challenge. They have done a lot:

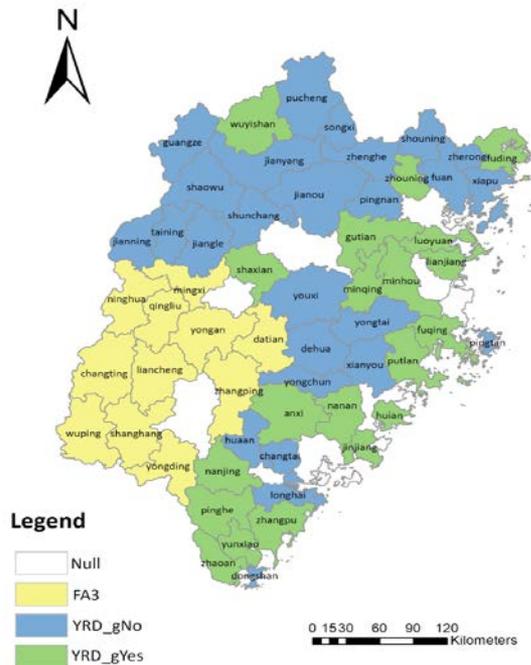
- The income in 1952 seems similar. **It was a special period for equality.**
- Controlling for distance to Xiamen, using border counties.

Additional suggestions:

- excluding counties in Quanzhou, Fuzhou and Xiamen?
- More powerful if the results hold for north-south borders
- Great if the spatial pattern is different in Zhejiang.
  - If not, just be clear about the challenge and show how the results vary by excluding the coastal prefectures.

# Empirics 3: variation in factions?

- Why is the faction constant over time?
  - Wouldn't the provincial leaders (dominated by FA3) want to assign its cadres to the richer/coastal counties?
- The rotation of county leaders creates useful variation to explore.
- Why not focus on the southbound cadres vs. the local?
  - Often emphasized by anecdotes



# Other comments

- No results reported for 1952-78
  - No difference?
- No significant difference in population growth
  - Is this a reasonable proxy for one child policy?
- FA3 counties get more fiscal transfers – connections bring resources?
  - Could be because they are poorer. E.g., Tibet and Guizhou
- Do we expect to see persistence or disappearance in the 21th Century?

