

Journal of Public Economics

Wojciech Kopczuk
Columbia University



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Journal of Public Economics

Volume 194, February 2021, 104352



Political hierarchy and regional economic development: Evidence from a spatial discontinuity in China ☆

Junxue Jia, Xuan Liang, Guangrong Ma ʘ ʘ

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Abstract

This study investigates the effect of political hierarchy on regional economic development using evidence from Chongqing's promotion to the level of a province in China. In 1997, the prefecture-level Chongqing city was elevated to a province-level municipality, splitting off from Sichuan province, and it consequently gained a substantial increase in decision-making power for administrative, personnel, and fiscal affairs. The border areas between Chongqing and Sichuan had similar characteristics prior to treatment, allowing us to adopt a spatial regression discontinuity approach. Examining growth in town-level light intensity from 1992–2013, we find that economic activities of Chongqing towns are parallel with Sichuan towns before treatment, but activities increase sharply immediately following Chongqing's promotion, implying an increase of 1.8 percentage-points in the annual GDP growth rate. Furthermore, we find that government officials of Chongqing have higher accountability and enact more pro-growth policies than officials of Sichuan. The results provide new evidence that empowering local governments through increased political hierarchy promotes regional development.



Journal of Public Economics

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What motivates non-democratic leadership: Evidence from COVID-19 reopenings in China ☆

Raymond Fisman ^a ʘ ʘ, Hui Lin ^b ʘ ʘ, Cong Sun ^c ʘ ʘ, Yongxiang Wang ^{d, e} ʘ ʘ, Daxuan Zhao ^f ʘ ʘ

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Abstract

We examine Chinese cities' COVID-19 reopening plans as a window into governments' economic and social priorities. We measure reopenings based on official government news announcements, and show that these are predicted by citizen discontent, as captured by Baidu searches for terms such as “unemployment” and “protest” in the prior week. The effects are particularly strong early in the epidemic, indicating a priority on initiating economic recovery as early as possible. These results indicate that even a non-democratic government may respond to citizen concerns, possibly to minimize dissent.

Recent (2021) papers on China



Journal of Public Economics

Volume 196, April 2021, 104371



Just above the exam cutoff score: Elite college admission and wages in China ☆

Ruixue Jia ^{a, b} 贾蕊雪, Hongbin Li ^c 李洪彬

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Abstract

A burgeoning literature has documented the importance of elite colleges. Yet, little is known about access to elite education and its labor market implications in China, a country that produces one in every five college graduates in the world. College admission in China is governed by a single exam – the national college entrance exam, and the government sets admission cutoff scores for elite colleges. We examine the impacts of scoring above the elite-tier cutoff on a student's access to elite colleges and wage outcomes after graduation, using the discontinuity around the cutoff score. By employing hand-collected survey data, we find that scoring above the cutoff not only increases the chance of entering an elite college but also raises a young person's first-job wages after graduation. We also find that those just above the cutoff have peers with higher scores and better social networks than those below the cutoff, but it is less clear whether the two groups use their time differently in college.



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Quid pro quo? Government-firm relationships in China ☆

Yu-Hsiang Lei ^a 雷宇祥

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Abstract

This paper studies favor exchange between governments and firms in China by exploiting a quasi-experiment tax reform. A tax revenue-sharing rule between central and local governments was announced in October 2001: the higher the local tax revenue in 2001, the higher the share of the tax revenue that stays at local afterward. I find that local governments that granted more favors to firms before the reform received more assistance from firms to raise the tax revenue in 2001; in turn, an abnormally high government subsidy was returned to firms that offered assistance. This paper demonstrates that a reciprocal relationship between governments and firms beyond the simple trading of personal favors could arise in non-democratic societies where politicians face no electoral incentives. The fact that firms and governments could mutually benefit from this reciprocal relationship helps explain the exceptional economic growth in China despite its unfavorable business environment.