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Project Title: Misaligned Administrative Boundaries and its Consequences: Evidence from China

Abstract:

a) Academic Significance/ Novelty of Research

Our project seeks to investigate whether misaligned subnational administrative boundaries, which disregard socioeconomic, ethnic, or cultural patterns, generate negative socioeconomic consequences. Although subnational boundaries are ubiquitous, the literature is mostly focused on the study of electorate boundary manipulation or gerrymandering in democracies (e.g., Coate and Knight, 2007; Friedman and Holden, 2008; Bracco, 2013). Subnational administrative boundaries are relatively understudied. This is in part due to endogeneity issues: while misaligned administrative boundaries may suffer socioeconomic dislocation, they could be misaligned because pre-existing socioeconomic conditions generate incentives for political decision makers to create the distortions in the first place.

In this project, we overcome the endogeneity problem by exploiting a unique and novel event framework embedded in China's recent history—Deng Xiaoping's Southern Tour in 1992—to implement a difference-in-differences (DD) design. The event galvanized the provinces to pursue economic expansion. In the first part of the project, we (1) provide a theoretical framework to explain why this would lead to differential responses between aligned and misaligned areas and (2) empirically examine the theoretical predictions.

The second part of the project involves a novel attempt that combines insights of economic history and behavioural economics to the study of economic preference. We provide historical evidence to show that the phenomenon of misaligned areas suffering from relative administrative neglect (the main result of Part 1) is not a new one. It was observed in history too. We then show that the misaligned areas were also more prone to violence and local disorder (for example, secret society activities) from the seventeenth century to the nineteenth century. Motivated by Hobbes, we hypothesize that the prevalence of violence as a result of weak administration in the misaligned areas would increase the relative value of males in these areas. Consequently, the misaligned areas would display a stronger preference for male offspring today due to historical persistence. We empirically investigate if this is the case.

The research question is directly related to the “missing women” phenomenon. Since Amartya Sen's seminal essay in 1990, the phenomenon of missing women or the severe male-biased sex ratio that is widely observed in the developing world has gained much attention among the scientific communities and the general public. The prospect of a huge army of surplus males with no hope of finding a mate has raised alarm among policy makers and researchers who worry about the threat that it posed to political stability in the developing world and the potential spillover effects on international order and world peace (Hudson and den Boer, 2004). By showing that son presence is determined, in part, by the absence of the state and exposure to violence in history, we highlight a hitherto overlooked factor in the literature studying the causes of son preference and gender discrimination.

China offers an excellent environment to investigate if the absence of effective government promotes the preference for male offspring because important confounding factors such as

culture and social institutions that would pose severe challenges to a study of this kind are largely controlled for in the Chinese context. In addition to son preference, we also plan to examine risk preference, time preference, and social preference.

b) Hypothesis/Research Questions to be Addressed

We use the Chinese macroregions classified by G. W. Skinner (1977) to identify aligned and misaligned counties in every province. A county is "aligned" if it lies in the dominant macroregion of the province that it belongs to, and "misaligned" otherwise.

The project is comprised of two parts. In the first part, we compare the economic growth rates of the aligned and misaligned counties. In 1992, Deng Xiaoping used his Southern Tour to encourage provincial authorities to lead the charge toward faster economic growth. The campaign led Beijing to cede some economic decision-making powers to the provinces. Theoretically, if there exist intraregional positive growth spillovers, decentralization would encourage provincial authorities to spend more effort on the aligned counties at the expense of the misaligned counties (the classic externality problem). Consequently, the economic growth rates of the aligned and misaligned counties would diverge. We seek to empirically examine if this is indeed the case.

In the second part of the project, we examine if the aligned and misaligned counties exhibit differential degrees of sex ratio imbalance or "missing women" phenomenon. We hypothesize that the misaligned counties would display a stronger preference for male offspring because they were exposed to a higher degree of violence and social disorder in the seventeenth to nineteenth centuries due to administrative neglect. This is the second hypothesis that we seek to test.

c) Methodology/Approach and Feasibility of study

The project is comprised of two parts. First, we empirically investigate the growth consequences of provincial boundary misalignment in China. This would mainly involve the implementation of a difference-in-differences (DD) design. We have implemented the DD design using a dataset from selected years between 1986 and 1995. The results support our hypothesis that the growth of misaligned counties slowed vis-à-vis the aligned counties after 1992. To conduct a full-fledged analysis, we need to compile a more comprehensive dataset that cover more years before and after 1992. We will also need to collect data on variables that reflect government resource allocation decisions, so as to investigate the mechanism(s) that drive the differential growth between the treatment and control groups. As a robustness check, we will also employ the boundary discontinuity (BD) framework to elicit causation. This involves using the boundaries that separate aligned and misaligned counties as the discontinuity threshold and then check for discontinuity in night light intensity at the threshold.

For the second part of the project, we have conducted a gender preference survey in China and the results indicate that participants who were born in aligned and misaligned areas responded differently to weapon priming (i.e., exposure to pictures of violent weapons). Specifically, participants who were born in misaligned areas are more likely to express a preference for male offspring after priming. We plan to conduct a larger study. Besides gender preference, we would also measure risk preference, time preference and social preference, and examine the link between these preferences and misalignment status. If a

weak government and violence in history have a long-term effect on gender preferences in the misaligned areas, they are likely to influence other preferences too. By investigating if residents in the aligned and misaligned areas display differences in their risk, time, and social preferences, this project can contribute to the expanding literature on the historical origin of economic preference (Nunn, 2008; Voigtlander and Voth, 2012; Dalton and Leung, 2014).