

Plagues, Rebellions, and Wars: The Unexpected Development Benefits of Historical Shocks

L. Colin Xu

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“History and societies do not crawl. They make jumps. They go from fracture to fracture, with a few vibrations in between.”

Nassim Nicholas Taleb, [*The Black Swan: The Impact of the Highly Improbable*](#)

The importance of studying conflicts, shocks, and history for the World Bank

World Bank arose out of dealing with consequences of conflicts:

- after WWII; “Reconstruction and Development”.

The IDA replenishment requires reducing the risk of fragility and conflict as a top priority.

- “The share of the extreme poor living in conflict-affected situations is expected to rise above 50% by 2030. Conflicts also drive 80% of all humanitarian needs and reduce gross domestic product (GDP) growth by two percentage points per year, on average.” (FCV website, World Bank)

WB has a tradition of studying conflicts from historical perspective.

- North, Wallis, Webb, Weingast (2012), *In the Shadow of Violence: Politics, Economics, and the Problem of Development*.
- World Bank, *Pathways for Peace: Inclusive Approaches to Preventing Violent Conflict*.

Why study conflicts and shocks from history?

Historical studies:

- High signal/noise ratio.
- Could examine long-term consequences, no need to wait decades/centuries/millenniums.

The past of some (currently rich and middle-income) countries characterizes the present of some poorer countries well.

- Malthusian transition in the history of some countries.
- The emergency of executive constraints.

Plan of the talk

A few recent papers:

- The impact of historical conflicts and other large shocks on long-term development.
- Often via strengthening state and institutional capacity.

Topics that cover key pathways to prosperity:

1. State capacity, Asian's little divergence.
2. Malthusian Transition in Europe and China.
3. The emergence and consequence of executive constraints in Europe, in Chinese counties, and in Africa.

State capacity, Asian's little divergence

Emergence of state capacity

- State capacity, esp. fiscal capacity, often came out of the need to fight wars
 - (Besley and Perssons 2010; Dincecco and Prado, 2012; Hoffman 2012; 2015)
- After two centuries of warfare, The First Emperor of Qin unified China in 221 BC :
 - Qin could tax better than their opponents (Hui 2005).

“Why was it Europeans who Conquered the World?” (Hoffman 2012)

- Though China invented gun powder, European countries fought wars much more frequently than China.
- In the process of fights the war, “learning by doing”, improvement in weapon technology.
- The weapon and navigation advantage ultimately led to their conquering the world →
 - Legal traditions; colonist history; new settlements; missionaries; colonies and consequences.

Was Qing-China too big? (Sng, 2014, EEH)

- China had been strong for centuries.
- Why did it become so vulnerable with rebellions and Western invasions?
- Sng (2014) on the decline of China in the 19th century: Its large size.
- Four layers of government.
- Very high communication costs
 - Taiping Army took Wuchang in the mid 19th century: 8 days for the news to reach Beijing.
- Had very weak monitoring capacity at the county level.
 - “Roving bandits” + “non-encompassing interest” (Olson 1993) --> high expropriation.
- Total tax rate = tax rate to the central gov’t + local expropriation rate.
- To prevent rebellions, Emperor (“stationary bandit”) set a low official tax rate.
 - Most counties, esp. the remote ones, had high local expropriation rate.

Bigger, weaker

- The state fiscal capacity was very weak.
- Due to monitoring cost, tax revenue per capita drops as the county was farther away from Beijing.

The collapse of Qing:

- Climate change and natural disasters.
 - Cost of fighting continuous rebellions since 1800 (e.g., White Lotus Rebellion, Taiping Rebellion, the Nian Rebellion, ...) depleting the treasury.
 - (Relatively) little *external* threats, till western powers coming
 - Payments to the Western powers.
 - Weapons (to fight invaders and rebels) became much more expensive.
-
- PS: decentralization to the (temporary) rescue.

Asia's little divergence (Sng and Moriguchi 2014)

Around mid-19th century, China and Japan were similar:

- Emperor in charge, similar institutions.
- Similar economic structure: small hold agriculture, relying on land taxes.
- Similar culture.
- Similar income level.

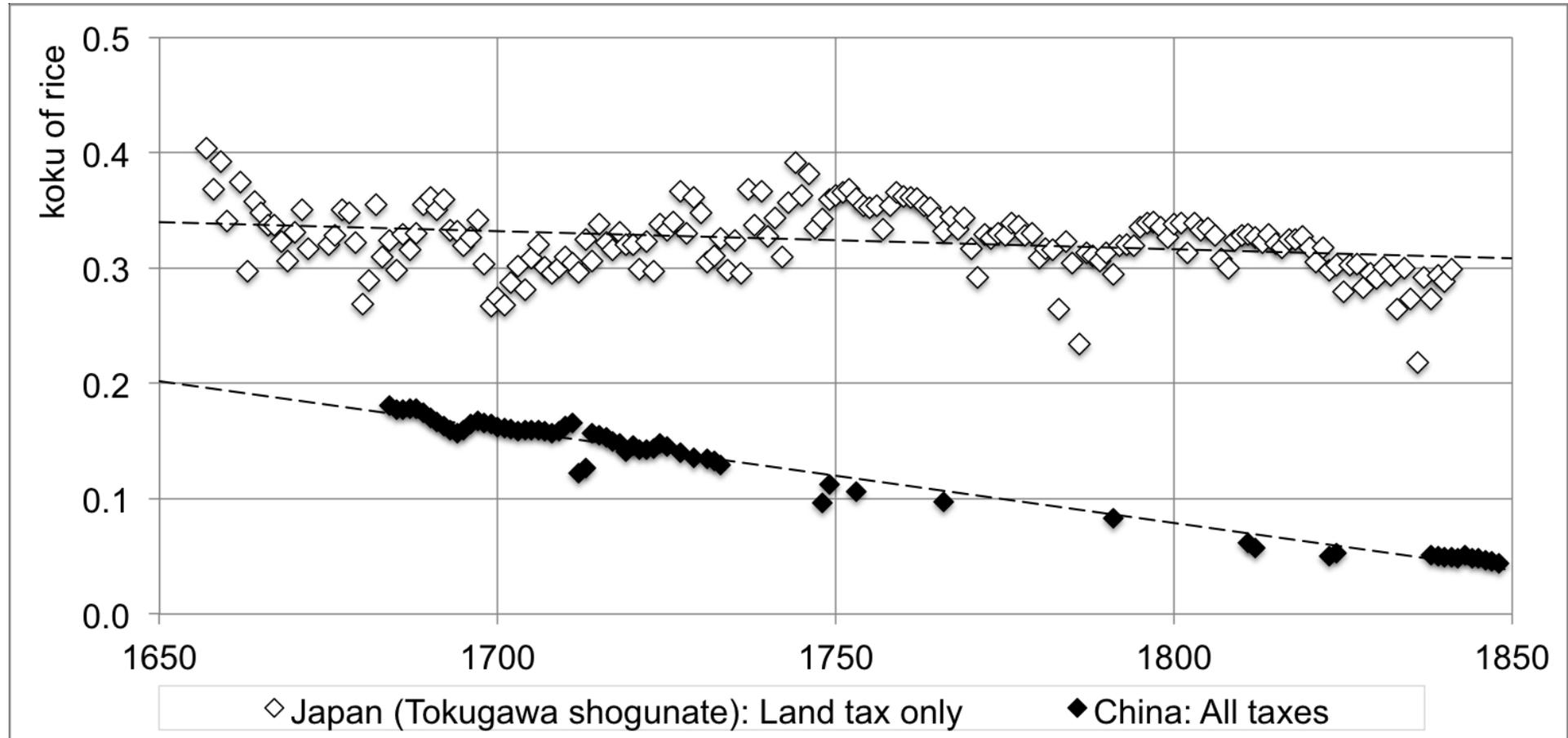
Asia's little divergence since the mid-19th century:

- Facing western invasions, Japan underwent Meiji Restoration,
 - China did not respond much.
- What explains the divergence then?
 - State capacity → subsequent modernization.

State capacity: Sng and Moriguchi (2014)

| | China | Japan |
|---|-------------------------------------|-------|
| Layers of government | 4 | 2 |
| Size | Large | Small |
| Agency costs of local government | High | low |
| Expropriation rate at the local level | High | Low |
| Tax revenue per capita to the central gov't | Low | High |
| Provision of local public goods, as measured by coinage, transportation network, urban management, forest preservation, famine relief | Low | high |
| Dynamically, population expansion worsens agency costs and lower fiscal capacity? | Yes | No |
| | Worsening fiscal capacity over time | |

Historical fiscal capacity in China and Japan: Sng and Moriguchi (2014)



The Malthusian transition

The Malthusian transition

- Getting out of the Malthusian trap is a key for becoming developed
 - (Galor and Weil 2000, Galor 2005; Voigtlander and Voth 2009, 2013).
- Growth regimes (Galor and Weil 2000, Galor 2005):
 - Malthusian regime:
 - high population growth, no growth in income per capita.
 - Rising income and productivity → growth in population, resource per capita drops, famine, wars → lower population.
 - Vicious historical cycles.
 - Post-Malthusian regime:
 - Productivity growth accompanied by:
 - some population growth (still high), some income growth.
 - Modern Growth regime.
 - Productivity growth translated into income growth; little, no, and even negative population growth.

The logic of positive long-term effect of a huge population drop (Voiglander and Voth 2013a, 2013b)

- Huge amount of deaths (wars, famines such as Black Death in 14th century)
 - ↑ land/labor, ↑ income PC
 - ↑ demand for manufacturing goods and luxuries (*assuming sufficient technological changes*)
 - ↑ modern industries, urbanization (which further raises mortality, keeping pop in check)
 - ↑ demand for technology-complementary human capital
 - ↑ human capital, ↓ quantity of children
 - lock in the gains from population losses,
 - ↑ technological progresses and income growth.

A key necessary condition: accompanied by significant technological changes.

Voiglander and Voth (2013a, b): Macro model and calibration

The above logic explains the Malthusian transition in Europe after the Black Death.

Jedwab, Johnson and Koyama (2019): city-level evidence of post-Black-Death Malthusian transition; population shifting to more productive locations a channel for positive transition effects.

Taiping Rebellion and the Malthusian transition in China

Xu and Yang (2018)

Taiping Rebellion (1851-1864)

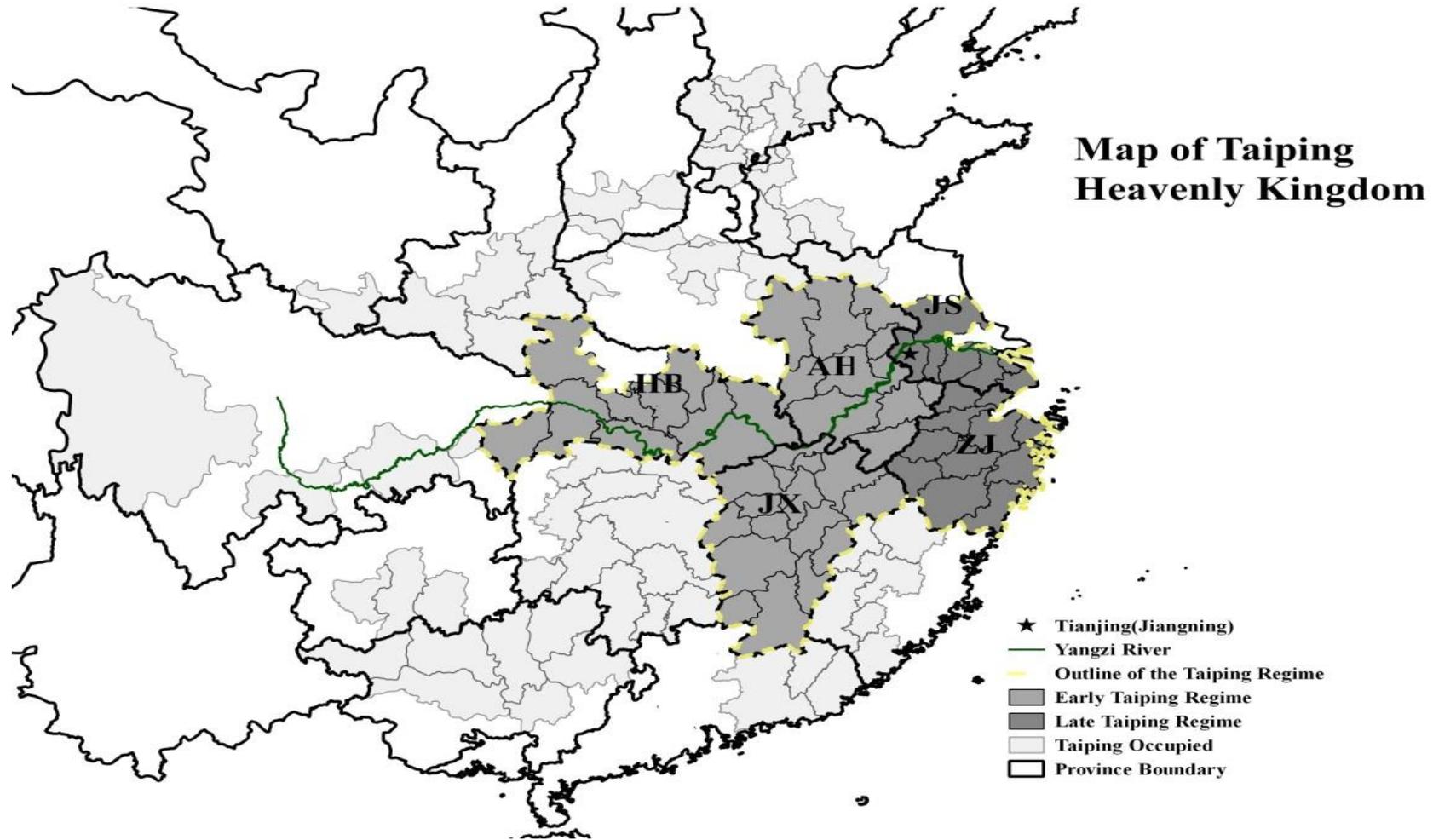
The deadliest civil war in human history (Ho, 1959; Fairbank, 1992; Pinker 2011).

- “In scope, duration, intensity and barbarity, ... The Taiping Rebellion is deservedly called the largest civil war in world history.” (Ho, 1959)
- 30-70 million casualty (Ho 1959; Cao 2001; Li and Lin 2015).

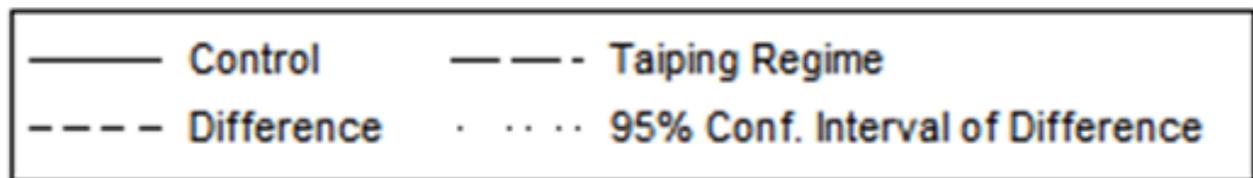
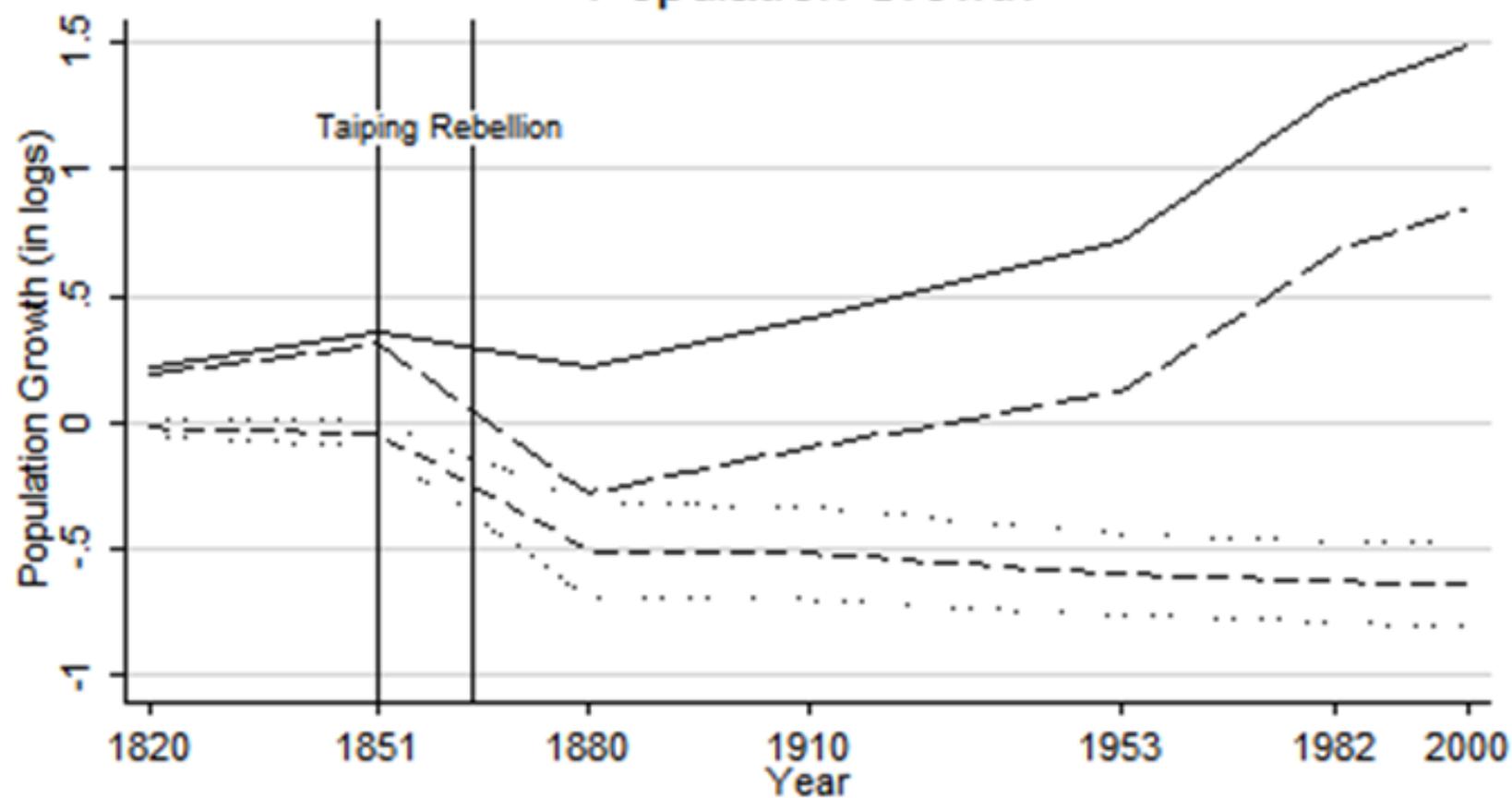
TPR marked the change of governance mode to decentralization, and a key turning point for China to turn to modernity (Kunh 1970; Fairbank, 1992):

- The central government decentralized violence capacity to local governments by allowing local militias, and discretion in decision making.
- Changed how China evolved in the next century
- Strong provincial leaders emerged, warlords, and experiments.
- Local variations in property rights and state capacity → current within-China variations in development.
 - GDP PC for the richest region/GDP PC for the poorest region = 18 (Galor 2005). China: 27.

Figure 2. Map of Taiping Heavenly Kingdom



Population Growth



Why happened in Guangxi and Guangdong

- In the previous century: the cultivated land area did not increase; the population tripled.
- Malthusian pressure? The TP initiation provinces, Guangdong and Guangxi:
 - the land per person dropped from 7.5 mu in 1753 to 1.7 mu in 1842 (Ge & Wang, 1995).
- Weather shocks.
- Nanjing Treaty: Shanghai taking away trade business of Guangdong and Guangxi.
- Remote areas, lack of control (Huang et al. 2017).
- Conflicts between indigenous residents and migrants (Hakka) → allow for easy mobilization and collective action.

“Climate change, rising inequality, demographic change, new technologies, illicit financial flows and other global trends may also create fragility risks.”

World Bank website on “Fragility, Conflict & Violence”, 4/8/2019.

Roving bandits, stationary bandits (Olson 1993)

- The nice warlord Feng Yuxiang.
- **Roving bandits:** short-horizon, will expropriate assets now as long as the value exceeds the tax revenue.
- **Stationary bandits:**
 - have long-term horizon, choose tax rate and provision of public goods to maximize total tax revenues over the long horizon.
 - The tax rate would be much lower than that of roving bandits:
 - he internalizes that a higher tax rate blunts the incentive of producers.
- TPR evolved in their expectation over their ruling horizon and in their governance capacity, and experimented with land policies.

Changes in land policy

- **Early TP land policy:** the old Qing policy, mainly in Jiangxi, Anhui, and Hubei provinces.
 - collected from landlords,
 - but purge landlords at the same time → tenants refused to pay taxes to landlords.
 - Little tax revenue; ambiguous land ownership.
- **Hypothesis:** In Early-TPR prefectures, there would be more wasteland, and population recovery would be slower after the TPR than other areas.
- **Late TP land policy:** starting around 1860, winning battles at the time of policy changes. Mainly in Zhejiang, Jiangsu provinces.
- More “stationary bandit” mentality.
 - Collected taxes directly from tenants.
 - Clearer land property rights, even issued land deeds to tenants in some places.
 - Note: without British and French intervention, TP likely would have won (Platt 2012).

The stationary-bandit-property-rights hypothesis: Relative to Early-TP prefectures, the Late-TP prefectures feature stronger belief in and clear definition of land property rights, and should have lower share of waste land, faster population recovery after the war, and better long-term development.

Box: British and French armies turned the tide (Platt 2012)

- Until 1860, TPR was stronger than Qing militarily.
- Then British government was keen to protect British interest in China:
 - Britain's top trading partners: US and China. American Civil War: Britain lost much of cotton inputs.
 - Keen to protect treaty ports in China, including Wuhan, Shanghai.
 - British top officials in China sympathetic to Qing ("scholar officials") rather than TPR ("peasant generals"), bending neutrality in favor of Qing.
 - Though technically, Britain was officially in the process of fighting the Qing Empire.
 - Allowed Charles Gordon to be Qing officials, using British weapons and officers to have a "joint-venture" army.
 - Allowed military steamships to transport Li Hongzhang's army to Jiangsu to establish a base to attack TPA.
- Had supporters in Britain for TP:
 - William Sykes (Chairman of East India Company; founder of the Royal Society of Statistics, friend of Malthus):
 - Praised Hong Rengan's pro-industrialization policy: "In one chapter, he advocates the introduction of railroads, steamers, life and fire insurances, newspapers, and other western inventions" (Platt p 180).
 - Offered observation of TPR's friendship attitudes toward westerners and pro-trade policies, and evidence.
- TPR more accommodating of British Interest, hoping for western cooperation.
 - Hong Rengan, TPR's English-speaking prime minister (assistant to James Legg, later the first Oxford professor on China), friendly to western force, have British connections.
 - Yielded to British pressure → lost key opportunities to take Wuhan in 1860/61; momentum shifted.

Gordon's body guards



Short distance to Nanjing as indicator of stationary banditry

- In TPR regions that are “closer to the capital” (“the New Jerusalem”):
 - intending to rule for a longer time, stronger protection and control (Platt 2012);
 - Partly due to Hong Rengan’s policies, stronger support of market activities.
 - stronger sense of stationary banditry, better policies and lower taxes.
- After the war: persistence in polices
 - sense of ownership; bargaining power.
- **The distance-based stationary-bandit hypothesis:** Capital-close TP prefectures were governed by TP with longer time horizon, and should have a faster population recovery, and better long-term development.

The Malthusian transition hypothesis

- Pre-TP: on the cusp of Post-Malthusian regime:
 - Reasonable technological progresses: the Qing population tripled between 1741 and 1851.
 - Malthusian-trap symptoms also important in Qing (up to 1910) (Chen and Kung 2016).
- The large population losses in the TP areas, and in especially high war casualty areas (Late TP, Capital-Close TP)
 - higher income per capita, change in demand structure, sectoral changes, investment in human capital, (Galor and Weil 2000; Voiglander and Voth 2013a, 2013b)
 - the Malthusian transition, especially where institutions are also better.

The Malthusian transition hypothesis. In the long run, the high-war-casualty areas should have contained its population to a greater extent, and its development (as captured by income, fiscal capacity, human capital, and modern sector development) should be stronger.

War financing and state capacity

- Official Qing army in disarray,
- The emperor delegated power and violence control to loyal leaders.
- Also decentralization of taxation:
 - allowed local collection of *Likin*, or internal transit taxes, to finance the war.
- “a new balance between the central and provincial governments that was to shift steadily in favor of the latter” (Fairbank 1992, p238).

The War-Induced-State-Capacity Hypothesis

- After the TPR failure, *Likin* became regular taxes of Qing.
 - an important source of revenue for local governments till 1931.
- In war, safety more valuable in the TP than in the non-TP regions,
 - local merchants/gentry more likely to put up with higher Likin taxes,
 - ↑ Likin collected in TP regions.
- The vested interests in local tax collection → persistence in tax level.

The War-Induced-State-Capacity Hypothesis. The level of Likin should be persistently higher in the TP prefectures than in elsewhere.

Effects of Likin on long-term development

View 1: The negative effect of Likin for development

- Likely hindered inter-regional trade and encouraged autarky.
- Less incentives to develop modern industries that rely on trade.
- ***The Likin-as-Taxation Hypothesis.*** Duo to the negative incentives effects of Likin, the population growth after the TP is likely to be lower in the prefectures with higher tax burden of *Likin*. Moreover, the long-term development should also suffer.

View 2. The Likin effects from the perspective of state capacity

- Likin to finance the gentry-elite to raise militia to fight the TPA (Fairbank, 1992).
- Higher ability to raise Likin
 - stronger gentry-elite control, lower damage from violence.
 - lower long-term adverse effects of TPR.
- Higher Likin also allows improvement in local infrastructure, schooling,
 - Positive long-term effects (Acemoglu 2005; Besley and Persson 2009, 2010).
- Higher Likin also with lower land taxes in the post-war period.

The Likin-as-fiscal-capacity hypothesis. Higher Likin revenues implies stronger fiscal capacity, which ultimately would lead to stronger long-term development.

Likin and Malthusian transition

- Likin: Change the tax base from agriculture to manufacturing and commerce
 - facilitate modern sector (via the gov't),
 - facilitates the Malthusian transition.

The Likin-helping-Malthusian-transition hypothesis. Higher initial Likin should also lead to stronger Malthusian transition in maintaining lower population level in the long run, and in facilitating long-term development.

Complementarity of state capacity & local institutional quality?

- Besley and Persson (2009):
 - complementarity between state capacity and institutional quality → where local land PR ↑, Likin's effect more positive.
 - Common determinants (wars,), co-move.
 - Each makes the other more effective.

The fiscal-capacity-institution complementarity hypothesis: where local institutional quality is better, Likin's effect more positive for long-term development.

Galor, Moav, and Vollrath (2009)

- Where capitalists are stronger:
 - technological changes → lobby for or arrange more public schooling
 - ↑ long-term human capital.
- TP-Capital-Close regions: capitalists likely stronger.

The institution-induced skill demand hypothesis. For the same increase in initial Likin revenue, TP-Capital-Close regions would raise their long-term schooling to a larger extent.

Data*

- 266 prefectures; both TPR and non-TPR areas.
- 8 time periods (1776, 1820, 1851, 1880, 1910, 1953, 1982, 2000)
- Economic Development up to 1953: Population
 - Other proxies (e.g., urbanization rate) are not consistently available.
 - Population has also been commonly used as a proxy for prosperity. (Davis and Weinstein, 2002; Acemoglu, Johnson, and Robinson, 2002; Chen and Kung, 2012; Jia, 2014).
- Long-term development:
 - GDP PC, fiscal capacity, modern sectors, human capital.

Control Variables*

- **Geography:**
 - distance to Yangzi River, *the coastline*, the Grand Canal; the number of neighboring provinces.
- **Western influence:**
 - duration of being treaty ports in years; duration of being concessions and leased territories.
- **Basic economic characteristics:**
 - Human Capital (i.e., total number of palace graduates per million people from 1793-1820);
- **Agricultural endowment:**
 - Average farm land tax per mu in 1820; dummy variables for silk and for tea prefectures before the revolution.
- **political importance:**
 - Political importance classification by Qing in 1820.
- **Frequency of wars since 1776.**

Key findings

1. TP prefectures experienced permanent drop in population level (relative to non-TP areas) , by around 50 log points, even around 2000.
2. Relative to the Early TP areas, the Late TP areas experienced faster population recovery, lower waste land ratio, consistent with the Property Rights hypothesis.
3. Similarly, Closer-to-TP-capital regions experience faster population recovery.
4. Late Taiping and close-to-TP-capital regions have significantly better long-term development (income per capita, fiscal revenue per capita, human capital, and the share of modern sector).
5. Taiping areas, especially the Late Taiping areas, collected much higher local (Likin) taxes.
6. Higher wartime fiscal capacity (i.e., Likin) is associated with lower long-term population but stronger long-term development.
7. Complementarity between fiscal capacity and institutional quality (i.e., property rights).
8. Two important mechanisms for the positive effect of the war on long-term development:
 - Stationary banditry (i.e., property rights, distance to the capital), and local fiscal capacity (Likin).
9. Conflicts can alter a region's development path due to it being at different stages of the conflicts.

The emergence of executive constraints

The importance of executive constraints based on city growth in Europe between 1050-1800 (De Long and Shleifer, 1993) *

- Absolutist regime: strong rulers, little rights for others.
- Non-absolutist regime: no absolute authority by the ruler
 - Constitutional monarchies in which the prince is bound by the law (e.g., Britain after the Glorious Revolution).
 - City-states-based rule by merchant oligarchies (e.g., the Venetian and Florentine republics).
 - Regions under “feudal” governments, with the ruler has limited control over dukes or counts.
- city urbanization as a function of the absolutist regime (vs. non-absolutist regime).
 - The absolutist regime had significantly lower urbanization and urban growth.

The effects of “non-absolutist regime” change over time (Stasavage 2014) *

- Autonomous cities had better property rights, but there could be changes in momentums over time,
 - oligarchy regimes also erect barriers for outsiders (Mokyr 1990, 1994, 1995; Acemoglu 2008).
- Data from 1000-1800 of all Western European cities.
- Initially higher population growth than nonautonomous cities.
- Over time the pattern is reversed.
- Consistent with the entry-preventing effects.

- (Implications for China today?)

The Medieval Roots of Inclusive Institutions

Angelucci, Meraglia, Voigtlander (2017)

- Inclusive institutions (where the people are broadly represented) are the key to long-term development
 - (North and Thomas 1973; Acemoglu and Robinson, 2012).
- What were the roots of inclusive institutions?
- England: the mother of parliaments.
- The Norman Conquest in 1066: homogenous institutions in England.
 - Strong control over England;
 - a feudal society; the conquerors replaced old elites with their own.
 - A good starting point to see how inclusive institutions emerge.
- The Great Reform Act in 1832 resulted in the extension of the franchise.

Pre-Black-Death (1348):

- The King relied on tax farming: a fixed quota of taxes.
- For each shire (county):
 - the king appointed a sheriff to run tax collection and provide law enforcement.
 - Sheriffs appointed officials in their boroughs.
 - The highest bidders for tax collection for the shires were appointed sheriffs.
 - The sheriffs were residual claimants.
 - Short tenure. Roving bandits.
 - Expropriations, distortions. Complaints to the King.

Pre-Black-Death:

- 12th century: Commercial Revolution came along.
- The king and merchant towns found a mutually beneficial solution to the inefficiency associated with tax farming:
- Higher lump sum payment to the King in exchange for self governance.
 - Beginning in the 12th century, the King granted Charters of Liberties (Farm Grant being one of them) to some boroughs.
 - *Local authorities* could appoint their own borough's tax collectors, judges, and market officials.
 - But had to pay *higher* annual lump sum to the king.
 - Reduced monitoring difficulties of extortive officials, lower information asymmetry.
 - Could also increase the horizon of officials.
 - By 1348, 87 (out of 549 boroughs) had Farm Grants.

Long-term consequences

The King *formed the parliament* in 1295 to raise extra-ordinary taxes (i.e., to fight *wars*)

- The parliament would reduce negotiation costs with the self-governed towns.

Royal boroughs *with trade-favoring geography* were more likely to be represented in the parliament,

- and this relationship worked mainly **through Farm Grants**.

This local empowerment had consequences on national institutions.

- Boroughs with medieval Farm Grants had persistently **more inclusive local elections of public officials and MPs**,
- they raised troops to **back the parliamentarians** during the Civil War in 1642,
- they **supported the Great Reform Act of 1832 (i.e., the extension of the franchise)**.

“The feudal revolution and Europe’s rise: Political divergence of the Christian West and the Muslim world *before 1500 CE.*” *

- **Blaydes and Chaney (2013):**

- The ruling durations of leaders of the Christian West and the Muslim world were similar in the 8th century,
- After that, the Christian West’s rulers enjoyed longer ruling duration up to 1500 CE.

Why? The Muslim rulers had more financial resources

- relied on imported military slaves,
- did not face constraints from domestic elites (which largely did not exist).
- executive constraints did not develop.
- More rents, more military coups from those military slaves, lower rulers’ duration.

In the Christian West

- The rulers **did not** have sufficient financial resources to fight wars,
 - **Decentralized military forces**
 - **Asked landed elites** (i.e., feudal lords) to self-finance military personal and weapons.
- a class of forceful land elites became more powerful.
- power became more geographically decentralized.
 - these elites extracted concessions and protection from the kings
 - executive constraints developed.

Supporting evidence:

- Muslim world had higher probability of being deposed than Christian West.
 - Higher ruling duration in the West.
- Muslim world never developed the feudal system with powerful landed elites (that could constrain rulers).
- Positive correlation between ruler duration and executive constraints (as proxied by having parliament meeting in the period).
 - Thus, increasing ruler duration was accompanied by rising executive constraints (in Western Europe).

“Chiefs: economic development and elite control of civil society in Sierra Leone.” Acemoglu, Reed and Robinson (2014).

The effects of political competition in Sierra Leone

- as measured by a larger number of ruling families designated by British Colonial authorities to be *eligible* to be chiefs.

Indirect control: the colonial institutions of delegating control to chiefs.

- Common among colonial countries in Africa.
- Adopted to reduce governance costs and the limited manpower of colonists.
- Chiefs **accountable to the colonists, but not to their people.**
- responsible for taxes, local disputes, and the general welfare of their people.
- Chiefs had control over land, had rents to disperse.

Stronger political competition:

i.e., a larger number of ruling families designated and eligible

- Better education, health, wealth, housing quality.
- Stronger property rights (as a potential mechanism).
- But also worse social capital:
 - The “bridging” social capital (Putnam 2000): i.e., social capital that builds bridges *between citizens and elites*.
 - Measures: attendance at a community meeting; attendance at a local council meeting; attendance at a meeting with the chief, and so on.
 - The “bonding” social capital (Putnam 2000): build social capital *between citizens* of similar status.
 - Measures: membership in “rotating credit and savings associations”, groups of young men who get together and collectively sell their labor.
 - “collective action”:
 - two proxies of participating in provision of public goods.

Interpretation

Concentrated political power and worse economic outcomes:

- Political competition, similar to economic competition, leads to efficiency (Becker (1958), Stigler (1972), Wittman (1989)).

Concentrated political power and stronger social capital:

- Not generally true: strong social capital leads to good development outcomes.
- Powerful chiefs use their power to capture social groups for their own benefits,
- in chiefdoms with powerful chiefs, citizens may prefer to build patron-client relationship with them for benefits.
- Consistent with Satyanath, Voigtlander and Voth (2013):
 - in German cities with strong association density, the Nazi party rose up faster, especially in “unstable” or badly-governed cities.
- We know much less about when social capital helps and when it hinders.

Factions, local accountability, and development: County-level data from a Chinese province

Fang, Hou, Liu, Xu, Zhang (2019)

Factions, local accountability, and development: County-level data from a Chinese province (Fang, Hou, Liu, Xu, Zhang 2019)

- 1949, the Communist Party army liberated the 56 counties in Fujian.
- Some counties affiliated with *strong faction (FA3, i.e., Field Army 3)* in the provincial standing committee (of the Party);
 - some with *weak faction (YRD, i.e., Yangtze-River Detachment)*.
- In some, local guerrilla had presence at the time of liberation.

Why would factions and guerrilla presence make a difference for long-term development?

- Provincial Standing Committee had been dominated by FA3,
 - with the other (weak) faction being YRD.
- Strong factions counties (i.e., governed by FA3 cadres):
 - have upper-government support,
 - Political survival and promotion does not hinge on grassroots support.
 - Would focus on deliver what the upper government wants.

Weak factions and guerrilla presence

- Weak factions counties (i.e., governed by YRD):
 - Without upper-government support
 - Political survival and promotion hinges critically on grassroots support.
 - pursue more pro-local policies and tolerate local policy experiments.
- Guerrilla presence (little presence in the Standing Committee):
 - Guerrilla cadres had little presence in the provincial Standing Committee.
 - Some roles in the local government, similar to weak factions, more pro-local.
 - Their survival (in war time) depended local support, and had stronger connections with the grassroots.
 - Extra positive effects on long-term development.

Weak faction & guerrilla counties had higher growth

- Regression analysis.
- Control for geography, initial variables.
- Full sample; only neighboring counties.
- Relative to strong faction counties,

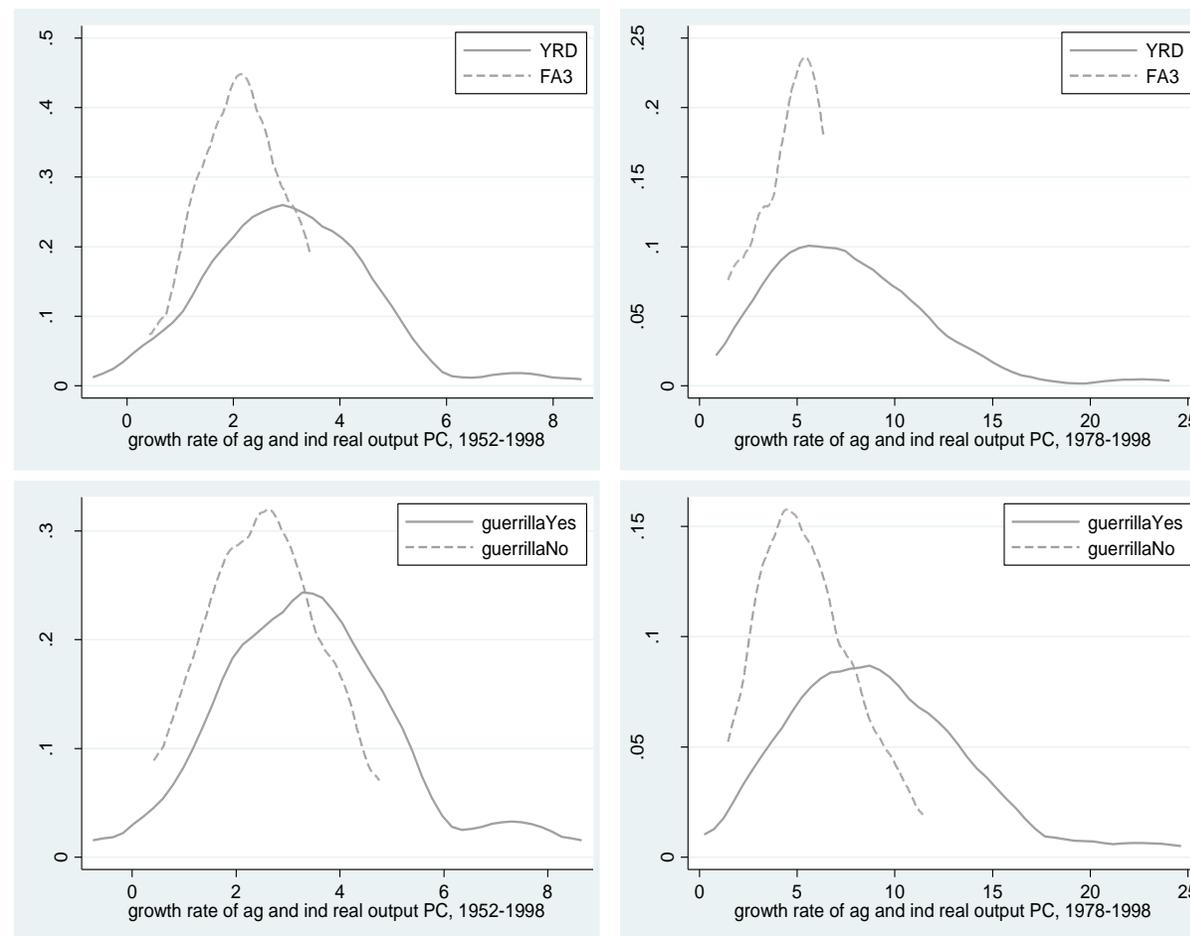
Weak faction counties: ↑ growth 1952-98 (1978-98), 0.9 (1.9) percentage points (PP);

Guerrilla presence: ↑ growth 1952-98 (1978-98), 0.5 (1.5) percentage points;

Weak & no guerrilla: ↑ growth 1952-98 (1978-98), 0.7 (1.3) percentage points;

Weak & guerrilla: ↑ growth 1952-98 (1978-98), 1.5 (3.2) percentage points;

Page 19, Figure 4: Kernel Density of Annual Growth Rate of Agriculture and Industrial Real Output per Capita: YRD vs. FA3 (Top) and Guerrilla vs. No Guerrilla (Bottom).



Weak faction & guerrilla counties had much lower death rates during the Great Famine around 1960

Relative to strong faction counties,

Weak & no guerrilla:

↓ probability(extreme famine severity) (i.e., the highest quartile in famine) by 38%.

Weak & guerrilla:

↓ probability(extreme famine severity) (i.e., the highest quartile in famine) by 40%.

Weak faction & guerrilla counties: *better education*

Weak-faction counties *with* guerrilla presence tend to have significantly higher before-after-treatment changes in education level.

That for weak-faction *without* guerrilla presence is also positive but insignificant.

Weak faction, guerrilla presence: lower *share of state-owned enterprises (sales)*

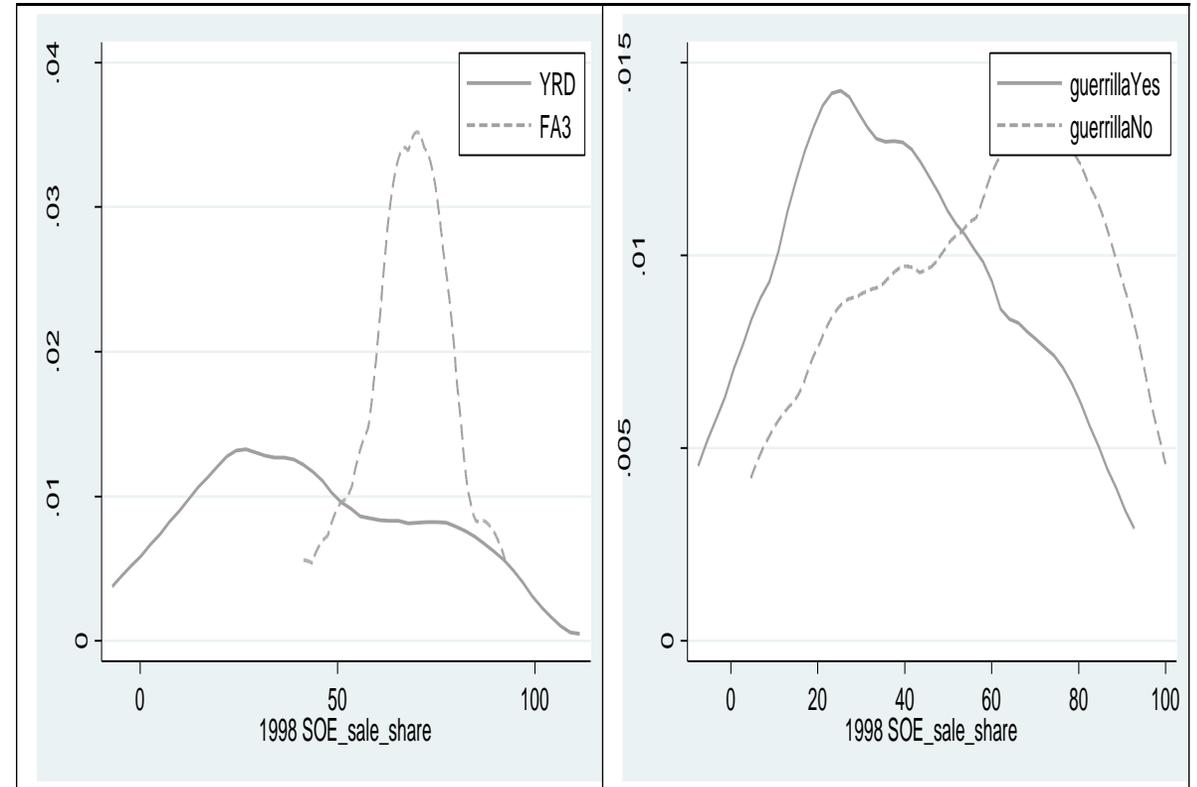
Relative to strong faction counties,

Weak & no guerrilla:

↓ SOE share in sales by 21 percentage points;

Weak & guerrilla:

↓ SOE share in sales by 25 percentage points;



To do, not to do, ultimately to survive

Not to do:

When central policies easily observable: one-child policy, the adoption of Household Responsibility System:

- Little differences for “locally accountable” counties.

To survive:

better political survival during the Cultural Revolution with:

- Connection to the provincial government,
- Good deeds to grassroots (i.e., famine control)

Conclusions (of this paper)

- Historically-determined local accountability played a large role in determining regional differences in economic and social performances in China.
- The effects are huge.
- Understanding political survival is important.

The loss of local accountability and the agrarian causes of the Chinese revolution (Xu, Png, Chu, Chen, 2018)

- How did the Chinese Communist Party succeed in taking power?
 - Taking advantage of the lack of local accountability at the community level.
- In the Anti-Japan War in 1937-45, CCP went from weak to strong.
- Conventional explanations (citations in the paper):
 - Geography (i.e., mountainous areas, weak control).
 - Nationalism inspired by Japanese invasion.
 - Communist socio-economic reforms
 - The Nationalist's loss of legitimacy due to disasters and administrative failures (e.g., the Huayuankou breach).
 - Nationalist weakness in leading the fight against the Japanese.

The Tocqueville-Fei hypothesis

- The hypothesis: *State centralization* in modernizing agrarian societies inadvertently facilitated peasant revolution.
- Tocqueville: state centralization, by replacing the governance of local nobility and the destruction of local norms, caused the French Revolution.
- Fei Xiaotong: the Nationalist's top-down centralization destroyed the traditional symbiosis between the state (i.e., county magistrate) and the local community (governed by the local gentry).

Institutional background

- Traditional local accountability in rural communities:
 - local gentry maintained self-governance,
 - represented local peasants in negotiation with county magistrate on tax burdens.
 - Help maintain reasonable tax burdens.
 - had widespread upper connections; equal status between magistrate and gentry.
 - Strong local communities; “stationary bandits”.

(Qing’s victory toward Taiping reflected the alignment of gentries with the government as well)

- In 1927, the Nationalist unified China, carried out community centralization:
 - The *Baijia* system: recruited able-bodied males as local militia, serving the gov’t.
 - Local gentry lost control over the local communities. Emergence of “local bullies”.
 - Rising predation of the centralized state agents: higher tax surcharges (above land taxes).

Empirical implementation

- (Painstaking) Data (efforts): 154 counties in Henan, Anhui, Jiangsu.
- Outcome: the establishment of CCP Committee in the county.
- Findings: the establishment of CCP Committee in the county,
 - Conditioning on county fixed effects, not related to (Japanese occupation interacted with)
 - proxies of geography,
 - nationalist mobilization and policy failures,
 - and other conventional explanations.
 - But in counties with stronger centralization penetration (as measured by the ratio of militia in population, and tax extraction), Japanese invasion is strongly associated with CCP expansion.
 - Support the Tocqueville-Fei hypothesis
- The importance of taking a long-term perspective on state-society relationship.

Overall conclusions and implications

- Wars could facilitate state capacity, and many long-term outcomes are strongly related to consequences of major wars.
- How executive constraints (and local accountability) emerged in various institutional settings are particularly interesting, and have first-order importance.
- Identifying rulers' and agents' ruling horizon is important.
- Evidence of complementarity between state capacity and institutional quality.
- The importance of local governance (i.e., to avoid high expropriation) to avoid large conflicts, to increase state capacity.
 - At time of post-war reconstruction, important to consider what's going on at the community level, and allow local accountability.

- History offers important clues for long-term development, and is indispensable for understanding a country's/region's economic and social performances.
- Seize historical opportunities:
 - Crisis =危机: 危, crisis; 机, opportunities)
 - Aid has positive causal effects for poor countries (Galiani, Knack, Xu, Zou, 2017), could aid be especially important in post-crisis situations?
 - Facilitating technological changes at time of Malthusian tragedy may fasten the Malthusian transition.