

Skill Structure and Political Selection: Unbundling China's State Capacity

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Motivation

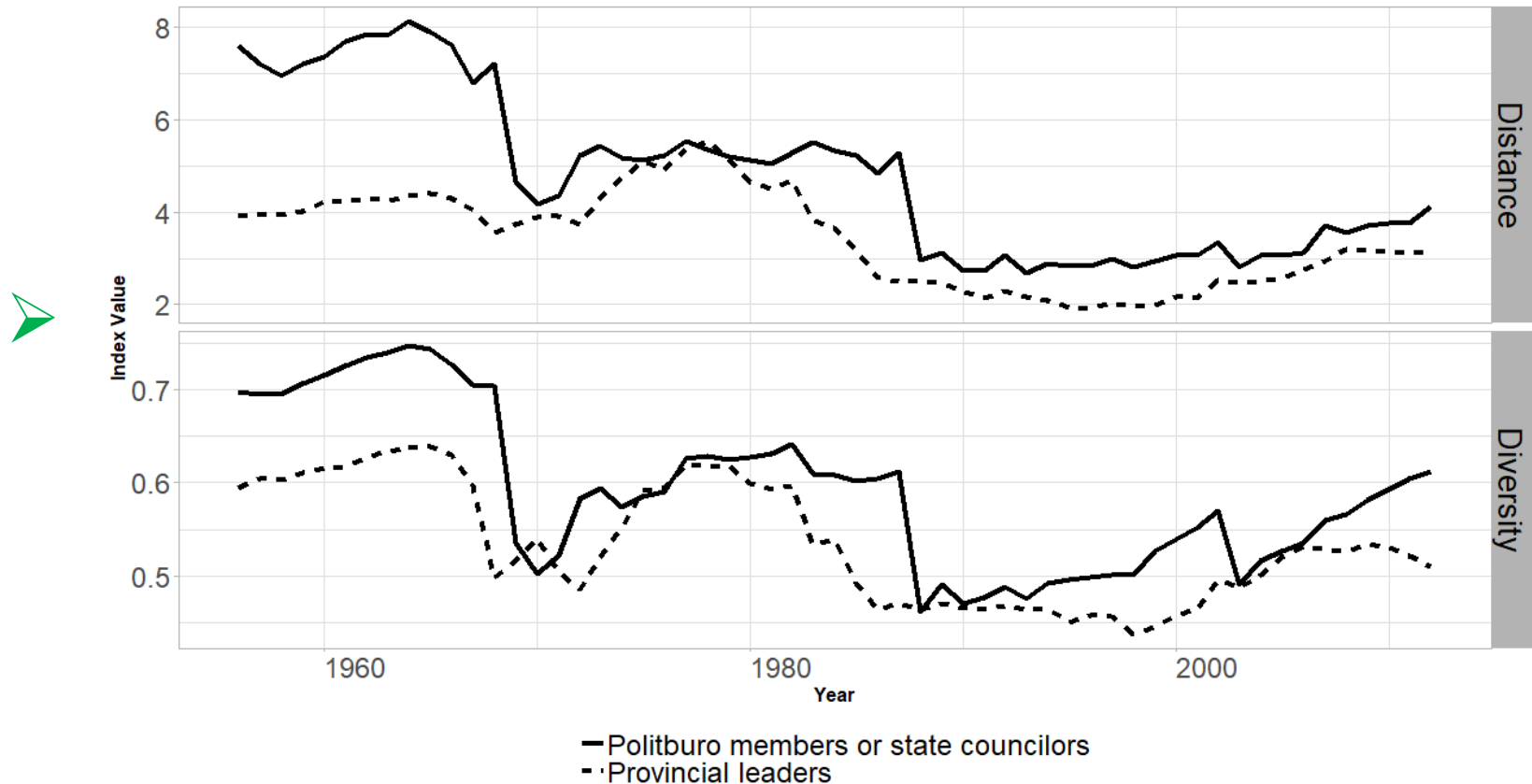
- spectacular economic performance and high incentivized local politicians in China (Author and Walder 1995; Li and Zou, 2005; Xu 2011)
- Contrast: the poorly-organized government / bad suitable policy, social governance and economic achievement (Besley 2005; Acemoglu, Egorov, and Sonin 2010; Olken and Pande 2012)
- the incentive role of promotion, meritocracy/patronage
- performance-based promotion system/ turnover as a tool to get the support of winning coalitions
- This study: the political promotion can serve as a matching device /put competent officials on appropriate positions

Motivation

- the fact: bureaucrats' skill structure varies a lot among different rankings
- Conjecture: *the political selection system is able to put competent bureaucrats on fitful positions*
- Significance: a complementary framework to understand state's behavior in China
- Additional benefit: a uniform framework to cover both 1949-1978 and after 1978 open-up and reform / same regime and ruling party but policy shift

Motivation

➤ Figure 1. Political ranking and general skill measures



2. Related Literature and Hypotheses

- state capacity / economic development (Besley, 2007, Acemoglu et al., 2014)
- East Asian miracle, Wade (1990) and Evans (1998)
- Historical condition/ property rights institution (Acemoglu et al., 2005, 2006).
- China's political meritocracy /career advancement and economic performance / yardstick competition /commitment problem
- Political connections and promotion / patron–client networks, informal arrangement, Shih et al., (2012) Jiang (2018)
- Skill perspective with organization: the general skills, the specific skills and positions match, 2*2

3. Data Source and Empirical Model

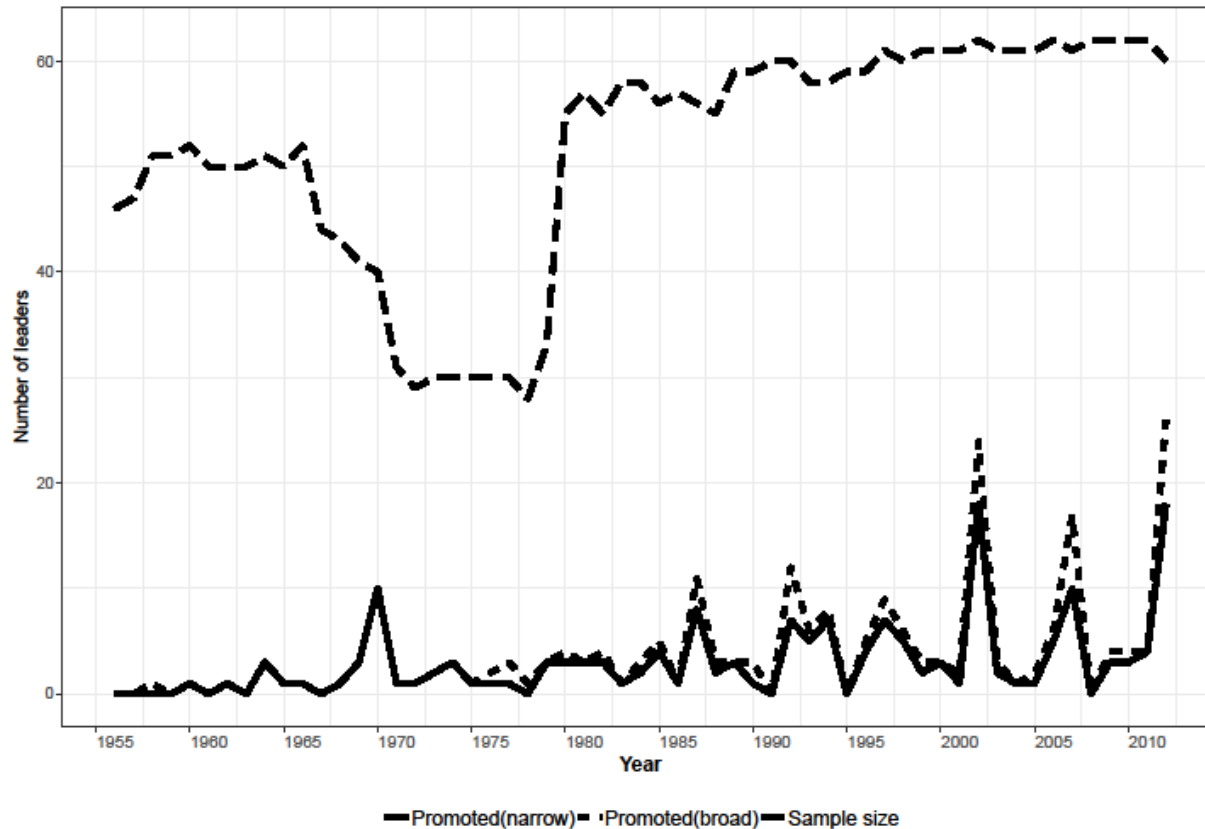
- *Hypothesis: In the political selection regime among high ranking positions, generalist provincial leaders are more likely to be promoted comparatively.*
- Research close to the study
 - provincial leaders with local career trajectories / low chance of promotion, Persson and Zhuravskaya (2016)
 - city leaders' fixed effects and its impacts on growth and promotion, Yao and Zhang (2015)

3. Data Source and Empirical Model

- Provincial data during 1956 and 2012
- Work history / leader characteristics
- Promotion status
- Economic growth

3. Data Source and Empirical Model

➤ Figure 2. Promotion of provincial leaders across time



➤ Promotion goes spike in the election year.

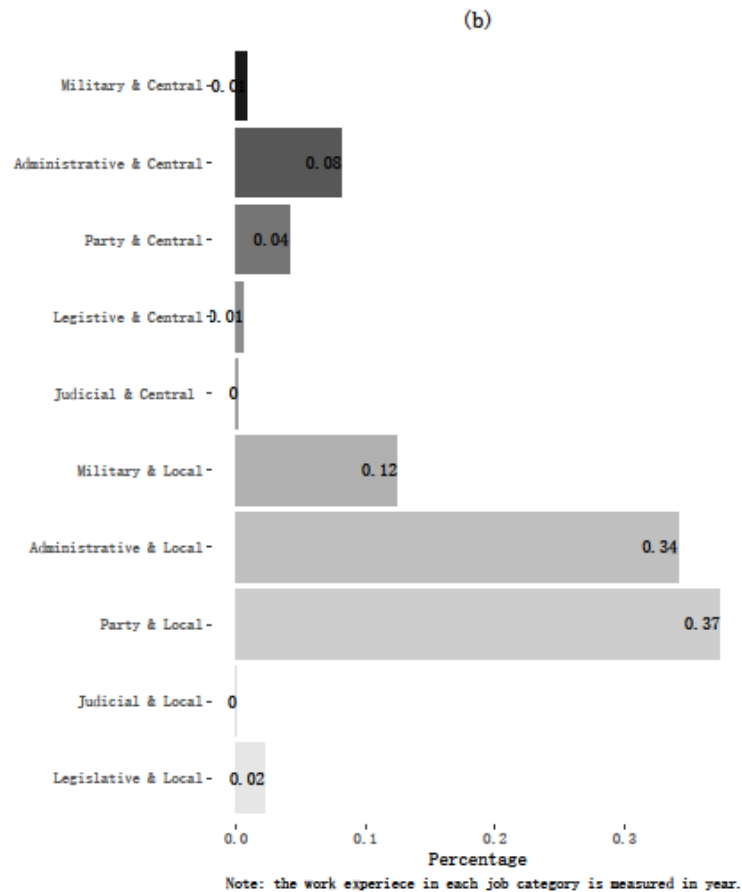
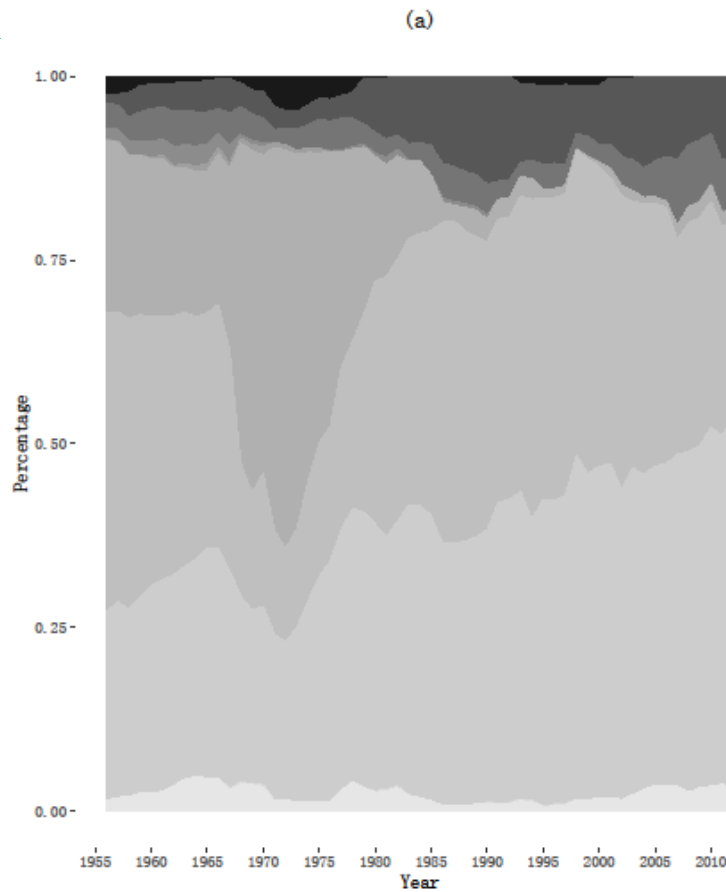
3. Data Source and Empirical Model

- *Independent variables: The general skill measure*
- the five systems and two levels (the central and the local) within each system
- Table 1 Position classification across systems and levels.

Political system	Central Organs	Local Organs
Party apparatus	Central Party Committee and its agency	Local Party Committee and its agency
Administrative apparatus	The State Council and its Ministries and commissions	Local governments and bureaucratic branches
Legislative apparatus	National People's Congress / The National People's Political Consultative Conference	the Local People's Congress the Local People's Political Consultative Conference
Military apparatus	Central Military Commission Four General Departments of PLA	Regional military organs
Judiciary apparatus	Supreme People's Court and Procuratorate	Local People's Court and Procuratorate

3. Data Source and Empirical Model

➤ Figure 3 Job position by categories in sample / 5 systems * 2 levels



3. Data Source and Empirical Model

- Herfindahl-Hirschman Index among 10 job positions /job diversity / no heterogeneity across job positions

$$Diversity_{i,t} = 1 - \frac{\sum_{j=1}^{10} Y_{j,i,t}^2}{(\sum_{j=1}^{10} Y_{j,i,t})^2}$$

- the distance index, (Leung 2014)

-- first, the length for the transfer from position j to position h / directional

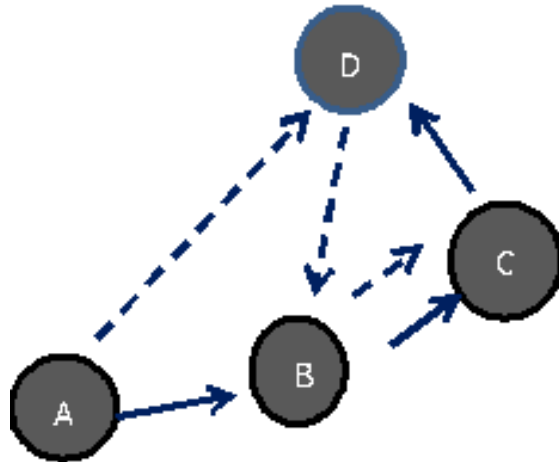
$$L_{j,h} = 1 - \frac{|j \cap h|}{|j|}$$

-- second, add-up all the length

$$Distance_{i,t} = \sum_{n=1}^{N_{i,t-1}} L_{i_n i_{n+1}}$$

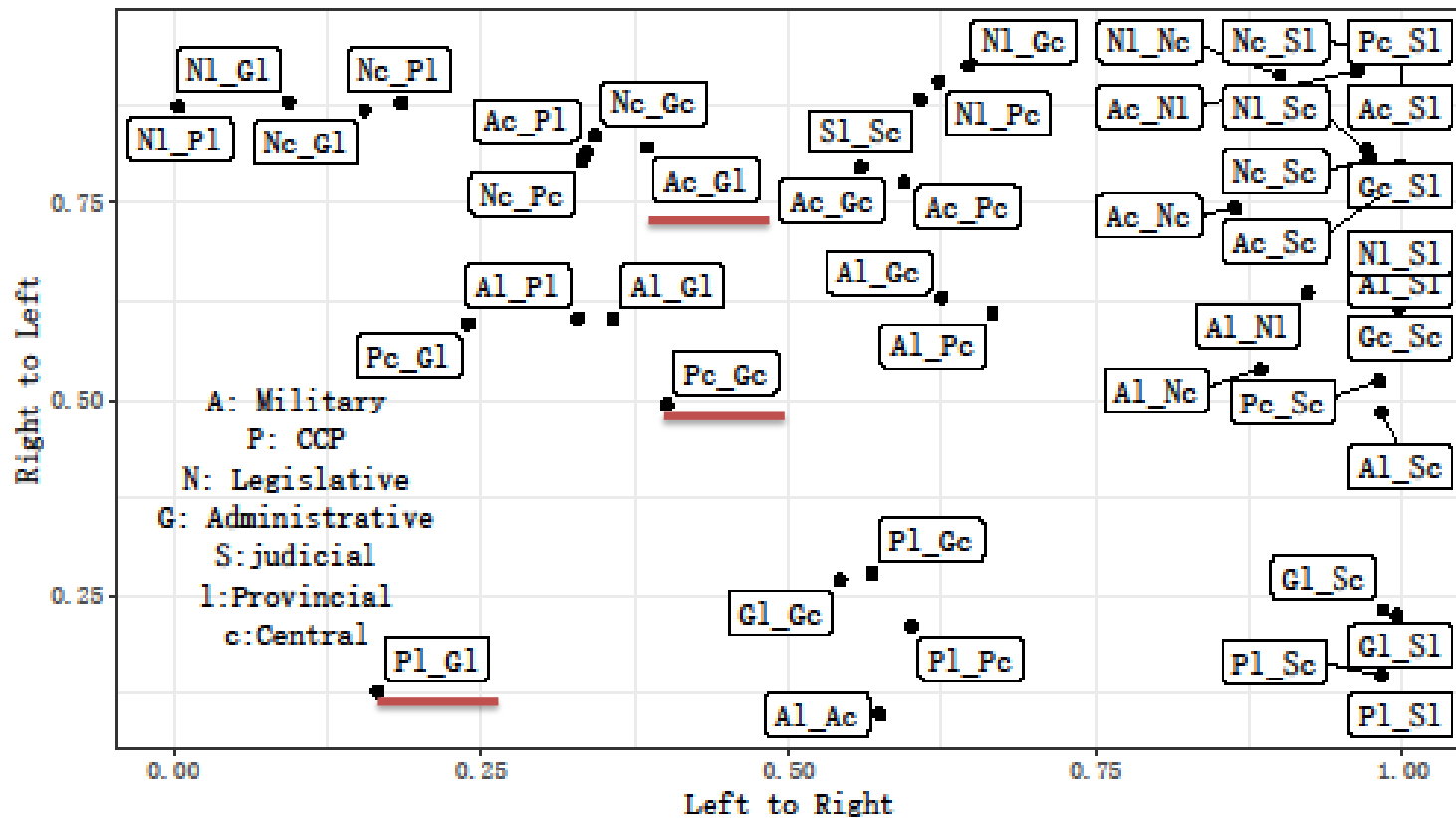
3. Data Source and Empirical Model

➤ Figure 4. Position trajectory and transfer length



3. Data Source and Empirical Model

➤ Figure 5 Distance of transfer between position pairs



4. Empirical findings

- whether higher general skills are associated with higher probability of promotion for provincial leaders
- the linear probability model

$$P_{iopt} = \alpha + \beta \cdot GI_{iopt} + X'_{ipot} \cdot \gamma + \mu_{op} + \eta_{ot} + \epsilon_{iopt}$$

- P_{iopt} equals to one if provincial leader i in office o (secretary or governor) in province p gets promotion in year t , and 0 otherwise
- General skill measure: career dispersion (HHI) and distance
- personal characteristics and province characteristics
- province and year fixed effect

4. Empirical findings

➤ Table 3. The Effect of Skill Structure on Promotion

Variable	(1)	(2)	(3)	(4)	(5)	(6)
Career Dispersion	0.125*** (4.06)		0.130*** (4.01)		0.119*** (4.03)	
Distance		0.013*** (6.66)		0.014*** (4.83)		0.015*** (4.73)
Lagged GDP per capita					0.008 (0.37)	0.010 (0.46)
Leader Characteristics	N	N	N	N	Y	Y
Year fixed effect	Y	Y	Y	Y	Y	Y
Province Fixed effect	N	N	Y	Y	Y	Y
Sample	2948	2948	2948	2948	2948	2948
R-Squared	0.164	0.166	0.206	0.207	0.214	0.218

➤ one standard deviation rise in career distance raises the promotion probability for provincial leaders by around 28 percent / career diversity, 36 percent

4. Empirical findings

➤ 4.2 Robustness Check

-- Economic Performance, Political Connection

-- their interaction term

-- lagged measures / polished resume

➤ Placebo test: *Randomly assigned general skill*

➤ Chetty et al. (2009)

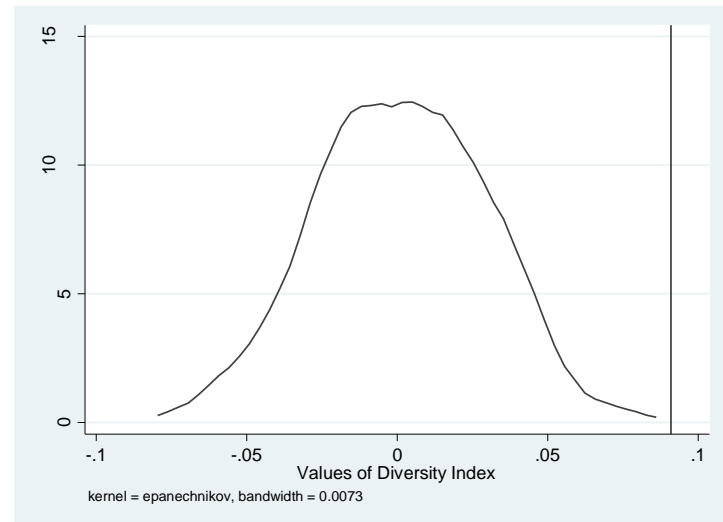
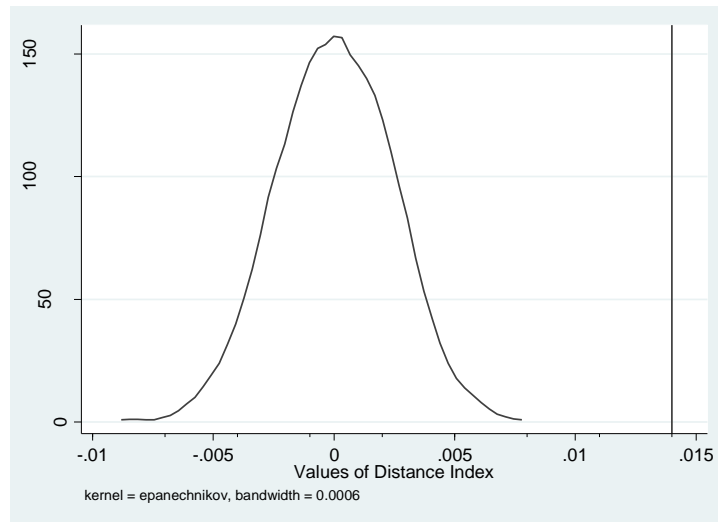
4. Empirical findings

➤ Table 4 General skill, Economic Performance, Political Connection and their Effects on Promotion

Variable	(1)	(2)	(3)	(4)	(5)	(6)
Career Dispersion	0.108*** (3.45)					
Distance		0.014*** (4.41)				
Career Dispersion (Lagged 5 years)			0.081*** (3.49)			
➤ Distance(Lagged 5 years)				0.005* (1.81)		
Career Dispersion(Lagged 10 years)					0.058** (2.69)	
Distance(Lagged 10 years)						0.002 (0.97)
Growth rate	0.127 (0.98)	0.138 (1.13)	0.119 (0.91)	0.134 (1.02)	0.125 (0.93)	0.134 (1.00)
Birthplace connection	-0.004 (-0.06)	0.005 (0.08)	0.000 (0.00)	0.006 (0.09)	0.006 (0.10)	0.006 (0.10)
Growth rate *Birthplace connection	0.043 (0.07)	0.183 (0.33)	0.117 (0.20)	0.157 (0.27)	0.111 (0.18)	0.137 (0.24)
Alumni	0.089 (0.87)	0.117 (1.19)	0.098 (0.96)	0.114 (1.14)	0.106 (1.04)	0.112 (1.11)
Growth rate * Alumni	-1.916 (-0.72)	-2.280 (-0.88)	-2.221 (-0.85)	-2.192 (-0.87)	-2.151 (-0.80)	-2.170 (-0.86)
Workplace Connection	0.031	0.021	0.033	0.037	0.032	0.043

4. Empirical findings

- Placebo test: *Randomly assigned general skill*
- Figure 6. Distribution of estimated coefficients of falsification test.



4. Empirical findings

- Another concern: generalist skill measure may contain confounding factors in work history of China's political elite
- Specific work experience.
 - work experience in the central party apparatus or the central government or legislative or military or enterprise
- Number of Positions vs. highly different positions
- Geographic diversification / number of provinces served
- Narrow measures: Retain positions in three core systems

4. Empirical findings

➤ Table 5 General skill or other characteristics of work experience matters?

Panel A								
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Career Dispersion	0.074** (2.39)		0.090*** (3.10)		0.090** (2.48)		0.125*** (3.87)	
Distance		0.013*** (3.73)		0.013*** (4.14)		0.013*** (3.66)		0.016*** (4.88)
Work experience								
Central Government	0.022 (1.52)	0.022 (1.48)						
Central Party apparatus			0.019* (1.76)	0.011 (0.89)				
CPC or CPPCC					0.033** (2.27)	0.030* (2.03)		
The Military							-0.020 (-1.26)	-0.031* (-1.90)
Sample	2948	2948	2948	2948	2948	2948	2948	2948
R-Squared	0.217	0.221	0.216	0.219	0.217	0.221	0.216	0.220

4. Empirical findings

➤ Table 5 General skill or other characteristics of work experience matters?

Panel B								
Variable	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Career Dispersion	0.109*** (3.45)		0.069* (1.75)		0.104*** (3.23)			
Distance		0.014*** (4.38)		0.039*** (3.50)		0.014*** (4.35)		
Career Dispersion (Narrow)							0.090** (2.74)	
Distance (Narrow)								0.018*** (3.90)
Work experience in Enterprise	-0.005 (-0.26)	-0.004 (-0.22)						
position diversification			0.004* (1.70)	-0.017** (-2.39)				
Geographic diversification					0.009 (1.55)	0.003 (0.59)		
Sample	2948	2948	2948	2948	2939	2939	2948	2948
R-Squared	0.216	0.219	0.217	0.222	0.216	0.219	0.215	0.216

4. Empirical findings

- 4.3 Additional evidence
- positions with more complex task (0.114 vs. 0.046)
- Table 6 General Skill and Promotion for Provincial Leaders (subsamples)

Variables	1956-1977		1978-2012		Provincial Governor		Provincial Secretary	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Career Dispersion	0.058		0.096***		0.145**		0.091**	
	(0.98)		(2.94)		(2.58)		(2.17)	
Distance		0.009**		0.022***		0.021**		0.013***
		(2.17)		(3.93)		(2.72)		(3.88)
Sample	868	868	2020	2020	1310	1310	1638	1638
R-Squared	0.315	0.318	0.212	0.220	0.195	0.199	0.252	0.258

Conclusion and Implication

- this study characterize officials' skill structure and evaluate its impact on promotion
- general skill has a significant impact on promotion for provincial leaders / meritocracy
- the political meritocracy in China can provide on-the-job training for bureaucrats to accumulate general skill
- Some explanation for great economic performance in China
 - strong state / Middle East or African countries
 - the presence of performance-based legitimacy